

GRAVIER RENEWABLE ENERGY

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Table of Contents

1	Project Details	3
1.1	Summary Description of the Project	3
1.2	Sectoral Scope and Project Type	3
1.3	Project Proponent	4
1.4	Other Entities Involved in the Project	4
1.5	Project Start Date	4
1.6	Project Crediting Period	5
1.7	Project Scale and Estimated GHG Emission Reductions or Removals	5
1.8	Description of the Project Activity	5
1.9	Project Location	6
1.10	Conditions Prior to Project Initiation	6
1.11	Compliance with Laws, Statutes and Other Regulatory Frameworks	7
1.12	Ownership and Other Programs	7
1.12.1	Project Ownership	7
1.12.2	Emissions Trading Programs and Other Binding Limits	7
1.12.3	Other Forms of Environmental Credit	7
1.12.4	Participation under Other GHG Programs	7
1.12.5	Projects Rejected by Other GHG Programs	7
1.13	Additional Information Relevant to the Project	7
2	Application of Methodology	9
2.1	Title and Reference of Methodology	9
2.2	Applicability of Methodology	9
2.3	Project Boundary	13
2.4	Baseline Scenario	16
2.5	Additionality	16
2.6	Methodology Deviations	37
3	Quantification of GHG Emission Reductions and Removals	37
3.1	Baseline Emissions	37
3.2	Project Emissions	41
3.3	Leakage	41
3.4	Net GHG Emission Reductions and Removals	41
4	Monitoring	44
4.1	Data and Parameters Available at Validation	44
4.2	Data and Parameters Monitored	45
4.3	Monitoring Plan	47
5	Safeguards	49
5.1	No Net Harm	49
5.2	Environmental Impact	49
5.3	Local Stakeholder Consultation	51
5.4	Public Comments	52

1 PROJECT DETAILS

1.1 Summary Description of the Project

Gravier Renewable Energy is a Project that consists on the implantation and operation of a wind power plant (WPP) in the state of Ceará, Brazil.

Gravier Renewable Energy will reduce greenhouse gases (GHG) emissions, avoiding electricity generation from fossil fuels sources. Clean and renewable electricity supply will bring an important contribution to environmental sustainability, reducing the GHG emissions that would occur in the absence of this project. The WPP will supply clean electricity to the Brazilian National Interconnected System (SIN).

The baseline scenario is the same scenario existing before the start of implementation of the project activity, which is: “the electricity delivered to the grid by the project activity would have otherwise been generated by the operation of grid-connected power plants and by the addition of new generation sources, as reflected in the combined margin calculations according to “Tool to calculate the emission factor for an electric system”.

The project activity is a wind power plant called Gravier Wind Power Plant. The WPP installed capacity, main technology employed (numbers and model of wind power turbines (WPTs)), location, and operation starting date are presented in Table 1. The Installed Capacity, number or turbines, individual capacity and WPP location were evidenced by the Energy Production Report, issued by DNV GL Classificação, Certificação e Consultoria Brasil Ltda.

The estimated annual average GHG emission reductions is 124,586 tCO₂ and total GHG emission reductions for the crediting period is 1,245,860 tCO₂.

TABLE 1 - PROJECT ACTIVITY OF GRAVIER RENEWABLE ENERGY

WPP	Specific Purpose Company (SPE)	Installed Capacity (MW)	Main Technology Employed	WPP Location (City/State)	Operation Starting Date ¹ (dd/mm/yyyy)
Gravier	Aliança Geração de Energia S.A.	71.4	17 WPTs (with 4.2 MW)	Icapuí/CE	01/08/2021

1.2 Sectoral Scope and Project Type

The sectoral scope applied is sectoral scope 1 – Energy (Renewable/Non-Renewable). Gravier Renewable Energy Project is not a Grouped Project.

¹ Operation starting date of the plant according to the Assembly Minute signed by the shareholders of Aliança Geração de Energia S.A, Vale S.A. and Cemig Geração e Transmissão S.A..

1.3 Project Proponent

Table 2 – Project Proponent

Organization name	Aliança Geração de Energia S.A.
Contact person	Wander Luiz de Oliveira
Title	Engineering and Commercialization Director
Address	169. Matias Cardoso Street, 9th floor, Belo Horizonte/MG - Brazil
Telephone	+55 31 21913301
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1.4 Other Entities Involved in the Project

WayCarbon, a company specialized in sustainability and climate change, is responsible for analyzing additionality, preparing all necessary documents both for the financial analysis and the Project Description (PD) as well as delivering the PD to the Validation/Verification body according to VCS guidelines and procedures. It is responsible for obtaining, referencing all external parameters presented in this document and for estimating the emission reductions for the whole crediting period.

Organization name	WAYCARBON SOLUÇÕES AMBIENTAIS E PROJETOS DE CARBONO LTDA
Role in the project	Third party Project Description developer
Contact person	Felipe Bittencourt
Title	Director
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1.5 Project Start Date

According to the VCS Standard, version 4.0, the project start date is the date on which the project began generating GHG emission reductions or removals. Therefore, the project start date of Gravier Renewable Energy is 01/08/2021 (DD-MM-YYYY) (*Operation Starting Date of the Gravier WPP as defined by the Assembly Minute, signed at 13/12/2019(DD/MM/YYYY)*).

1.6 Project Crediting Period

The project crediting period shall be a maximum of ten years which may be renewed at most twice.

The first crediting period of the project will be from 01/08/2021 to 31/07/2031.

1.7 Project Scale and Estimated GHG Emission Reductions or Removals

Table 3 – Project Scale

Project Scale	
Project	X
Large project	

Year	Estimated GHG emission reductions or removals (tCO ₂ e)
2021	52,224
2022	124,586
2023	124,586
2024	124,586
2025	124,586
2026	124,586
2027	124,586
2028	124,586
2029	124,586
2030	124,586
2031	72,352
Total estimated ERs	1,245,860
Total number of crediting years	10
Average annual ERs	124,586

1.8 Description of the Project Activity

The project activity is formed by the installation of a greenfield grid-connected renewable energy power generation.

The baseline scenario is that the electricity delivered to the grid by the project activity would have otherwise been generated by the operation of grid-connected power plants and by the addition of

new generation sources, as reflected in the combined margin (CM) calculations described in the “Tool to calculate the emission factor for an electricity system”.

The clean and renewable electricity delivered to Brazilian Interconnected System by the project provides an important contribution to environmental sustainability by reducing carbon dioxide emissions that otherwise would have occurred in the absence of the project. The project activity reduces GHG emissions avoiding electricity generation from fossil fuel sources, which would be generated (and emitted) in the absence of the project.

The emission reduction provided by the project is calculated according version 19.0 of the Large-Scale Consolidated Methodology ACM0002 – Grid-connected electricity generation from renewable sources (hereafter called ACM0002 Methodology).

Table below shows some technical characteristics of the plant. Installed capacity is evidenced by the Energy Production Report, issued on 11/10/2019 by DNV GL Classificação, Certificação e Consultoria Brasil LTDA. Plant Load Factor is evidenced by Energy Production Report, issued on 11/10/2019 (DD-MM-YYYY) by DNV GL Classificação, Certificação e Consultoria Brasil Ltda.. Number of turbines and individual capacity are again presented in Table 4 to summarize technical characteristics. The average lifetime of the equipment is 20 years².

Table 4 - Technical Characteristics of Gravier Renewable Energy

WPP	Installed Capacity (MW)	Plant Load Factor (%)	WPTs
Gravier	71.4	45.42	17 WPTs with 4.2 MW each

1.9 Project Location

Coordinates for the Gravier Wind Power Plant are presented as follows³: LAT 4° 46' 40", LONG 37° 20' 21.6". The Wind Power Plant is located at the city of Icapuí, state of Ceará, in Brazil,

A KML file was submitted to the VVB (Validation and Verification Body) that will perform validation and verification.

1.10 Conditions Prior to Project Initiation

Gravier Renewable Energy activity will install a grid-connected greenfield wind power plant in Brazil. The wind power plant (WPP) will supply clean electricity to the Brazilian National Interconnected System (SIN).

Prior to the implementation of the project activity, no wind power plant was operational in the location where project will be implemented. The baseline scenario is the same as the conditions existing prior to project initiation as described at section 2.4.

² ANEEL (2009). Manual de Controle Patrimonial do Setor Elétrico. Annex of Normative Resolution nº 367/2009, 02 June 2009. Available at: http://www.aneel.gov.br/cedoc/aren2009367_2_primeira_Ver.pdf. Last access on November, 2019.

³ Available in the Board Meeting Minute.

1.11 Compliance with Laws, Statutes and Other Regulatory Frameworks

Gravier Renewable Energy activity is a project under development. The most relevant local laws and regulations related to Gravier Renewable Energy are defined by the National Council for the Environment, as per the resolution n. 462, of July 24th of 2014. The approval of the National Agency of Electric Energy (ANEEL) is also required, as defined by law n. 9.427, of December 26th of 1996. The environmental licensing is a legal obligation prior to the installation and operation of any construction or activity potentially pollutant or degrading to the environment in Brazil.

Prior License of the wind power plant has been requested. Its number and date of request are: N. 06159243/2019, July 16th of 2019. The number and references of the Prior, Installation and Operational Licenses will be presented on the first Monitoring Report.

1.12 Ownership and Other Programs

1.12.1 Project Ownership

Gravier Renewable Energy project will consist of an SPE whose shares (100%) will be held by Aliança Geração de Energia S.A.. The Project's SPE has not yet been constituted as the investment decision has just recently been confirmed. Meanwhile, all the process for registering and requesting licenses for the wind power plant is being conducted by Aliança Geração de Energia S.A.. Therefore, Aliança Geração de Energia S.A. is the sole owner of the project and project proponent.

1.12.2 Emissions Trading Programs and Other Binding Limits

Not applicable. The project is not included in any other emission trading program or mechanism.

1.12.3 Other Forms of Environmental Credit

Not applicable. The project has not sought or received any other form of GHG-related environmental credit, including renewable energy certificate.

1.12.4 Participation under Other GHG Programs

Not applicable. The project was not registered and is not seeking registration under any other GHG programs.

1.12.5 Projects Rejected by Other GHG Programs

Not applicable. The project was not rejected by any other GHG programs.

1.13 Additional Information Relevant to the Project

Eligibility Criteria

Not applicable. The project is not a Grouped Project.

Leakage Management

Not applicable. According ACM0002, no leakage emissions are considered. The emissions potentially arising due to activities such as power plant construction and upstream emissions from fossil fuel use (e.g. extraction, processing, transport etc.) are neglected.

Commercially Sensitive Information

Not applicable. No commercially sensitive information has been excluded from the public version of this project.

Sustainable Development

Gravier Renewable Energy contributes to the sustainable development through the promotion of economic growth without compromising future generations, respecting the concept of Sustainable Development established by Brundtland Report, elaborated by the World Commission on Environment and Development. This report defines the term “sustainable development” as “the development that satisfies the present necessities, without compromising the capacity of future generations of supplying their own necessities”.

Through the following actions, Gravier Renewable Energy contributes to the sustainable development of its region and country:

- It reduces greenhouse gas emissions (CO₂) from the Brazilian Interconnected System;
- It generates extra income for landowners, while they can continue using the area for other activities, thus it increases and diversifies the lands productivity;
- Besides generating income for landowners, it stimulates the regional economy by increasing tax revenues for the local government and direct and indirect job opportunities for local workers and service suppliers. The resulting economic stimulus will improve capital stock in the region, which can allow investment in the infrastructure, productive capacity and consequently the satisfaction of the population's basic needs. Thus, it can promote a virtuous cycle in the local economy;
- The described economic stimulus goes along with a general improvement of the local infrastructure such as road, electricity transmission system and stimulus for education;
- It will use equipment which have domestic content and, therefore, induce the development of national technology and improvement of domestic know-how. By promoting the establishment and growth of the necessary industry equipment and services, the project will contribute to the increasing availability of wind generation technology, which will, consequently, reduce maintenance costs and risks of the technology in the country;

- The project operation requires services from skilled operators and maintenance staff and therefore stimulates the development of a proficient tertiary sector in the region, thus creating opportunities for education, professionalization and employment;
- It is an important complement and diversification to the run-of-river hydroelectric generation. As Brazil's hydro and wind regimes are largely complementary, their combination allows to partially compensate the lack of hydropower storage capacity with minimal installation of thermal power generation units, while still providing enough energy security based on a portfolio of these complementary renewable sources.

Further Information

Not applicable.

2 APPLICATION OF METHODOLOGY

2.1 Title and Reference of Methodology

The methodology applied to the Project is ACM0002: "Grid-connected electricity generation from renewable sources" (version 19.0)⁴. This methodology also refers to the following tools:

- TOOL01: Methodological tool "Tool for the demonstration and assessment of additionality", version 07.0.0;
- TOOL07: Methodological tool "Tool to calculate the emission factor for an electricity system", version 07.0;
- TOOL24: Methodological tool "Common Practice", version 03.1;
- TOOL27: Methodological tool "Investment Analysis", version 09.0.

2.2 Applicability of Methodology

In this section, project proponents show how the project activity meets each of the ACM0002 applicability condition: "Grid-connected electricity generation from renewable sources" (version 19.0).

Applicability Condition 01:

ACM0002 methodology is applicable to grid-connected renewable energy power generation project activities that:

- Install a greenfield power plant;
- Involve a capacity addition to (an) existing plant(s);

⁴Available on the UNFCCC CDM website.

- c) Involve a retrofit of (an) existing operating plants/units;
- d) Involve a rehabilitation of (an) existing plant(s)/unit(s); or
- e) Involve a replacement of (an) existing plant(s)/unit(s).

Gravier Renewable Energy is a project that involves a greenfield wind power plant. Therefore, option “a” is applied.

Applicability Condition 02:

The methodology is applicable under the following conditions:

- a) The project activity may include renewable energy power plant/unit of one of the following types: hydro power plant/unit with or without reservoir, wind power plant/unit, geothermal power plant/unit, solar power plant/unit, wave power plant/unit or tidal power plant/unit;
- b) In the case of capacity additions, retrofits, rehabilitations or replacements (except for wind, solar, wave or tidal power capacity addition projects) the existing plant/unit started commercial operation prior to the start of a minimum historical reference period of five years, used for the calculation of baseline emissions and defined in the baseline emission section, and no capacity expansion, retrofit, or rehabilitation of the plant/unit has been undertaken between the start of this minimum historical reference period and the implementation of the project activity.

Gravier Renewable Energy is a project that involves greenfield wind power plants. Therefore, option “a” is applied.

Applicability Condition 03:

In case of hydro power plants, one of the following conditions shall apply:

- a) The project activity is implemented in existing single or multiple reservoirs, with no change in the volume of any of the reservoirs; or
- b) The project activity is implemented in existing single or multiple reservoirs, where the volume of the reservoir(s) is increased and the power density, calculated using equation (3), is greater than 4 W/m^2 ; or
- c) The project activity results in new single or multiple reservoirs and the power density, calculated using equation (3), is greater than 4 W/m^2 ; or
- d) The project activity is an integrated hydro power project involving multiple reservoirs, where the power density for any of the reservoirs, calculated using equation (3), is lower than or equal to 4 W/m^2 , all of the following conditions shall apply:
 - i) The power density calculated using the total installed capacity of the integrated project, as per equation (4), is greater than 4 W/m^2 ;

- ii) Water flow between reservoirs is not used by any other hydropower unit which is not a part of the project activity;
- iii) Installed capacity of the power plant(s) with power density lower than or equal to 4 W/m² shall be:
 - (1) Lower than or equal to 15 MW; and
 - (2) Less than 10 per cent of the total installed capacity of integrated hydro power project.

Gravier Renewable Energy project activity consists on the implementation of a wind power plant. Therefore, this applicability condition is not applied for the project.

Applicability Condition 4:

In the case of integrated hydro power projects, project proponent shall:

- a) Demonstrate that water flow from upstream power plants/units spill directly to the downstream reservoir and that collectively constitute to the generation capacity of the integrated hydro power project; or
- b) Provide an analysis of the water balance covering the water fed to power units, with all possible combinations of reservoirs and without the construction of reservoirs. The purpose of water balance is to demonstrate the requirement of specific combination of reservoirs constructed under CDM project activity for the optimization of power output. This demonstration has to be carried out in the specific scenario of water availability in different seasons to optimize the water flow at the inlet of power units. Therefore, this water balance will take into account seasonal flows from river, tributaries (if any), and rainfall for minimum five years prior to implementation of CDM project activity.

Gravier Renewable Energy project activity consists on the implementation of wind power plants. Therefore, this applicability condition is not applied for the project.

Applicability Condition 5:

The methodology is not applicable to:

- a) Project activities that involve switching from fossil fuels to renewable energy sources at the site of the project activity, since in this case the baseline may be the continued use of fossil fuels at the site;
- b) Biomass fired power plants/units;

Gravier Renewable Energy project activity consists on the implementation of greenfield wind power plants. Therefore, the methodology is applicable to the project.

Applicability Condition to TOOL01: Methodological Tool “Tool for the demonstration and assessment of additionality”, version 07.0.0:

The use of the “Tool for the demonstration and assessment of additionality” is not mandatory for project participants when proposing new methodologies. Project participants may propose alternative methods to demonstrate additionality for consideration by the Executive Board. They may also submit revisions to approved methodologies using the additionality tool.

Once the additionally tool is included in an approved methodology, its application by project participants using this methodology is mandatory.

Considered that the methodology includes the additionality tool, the tool is applicable to the project.

Applicability condition to TOOL07: Methodological Tool “Tool to calculate the emission factor for an electricity system”, version 07.0:**Applicability condition 1:**

This tool may be applied to estimate the OM, BM and/or CM when calculating baseline emissions for a project activity that substitutes grid electricity that is where a project activity supplies electricity to a grid or a project activity that results in savings of electricity that would have been provided by the grid (e.g. demand-side energy efficiency projects).

Under this tool, the emission factor for the project electricity system can be calculated either for grid power plants only or, as an option, can include off-grid power plants. In the latter case, two sub-options under the step 2 of the tool are available to the project participants, i.e. option IIa and option IIb. If option IIa is chosen, the conditions specified in “Appendix 1: Procedures related to off-grid power generation” should be met. Namely, the total capacity of off-grid power plants (in MW) should be at least 10 per cent of the total capacity of grid power plants in the electricity system; or the total electricity generation by off-grid power plants (in MWh) should be at least 10 per cent of the total electricity generation by grid power plants in the electricity system; and that factors which negatively affect the reliability and stability of the grid are primarily due to constraints in generation and not to other aspects such as transmission capacity.

The project activity supplies electricity to the grid that results in savings of electricity that would have been provided by the grid. Therefore, the tool is applicable to the project.

Applicability condition 2:

In case of CDM projects the tool is not applicable if the project electricity system is located partially or totally in an Annex I country.

Under this tool, the value applied to the CO₂ emission factor of biofuels is zero.

The project electricity system is totally located outside an annex I country. Therefore, the tool is applicable to the project.

Applicability condition to TOOL24: Methodological Tool “Common Practice”, version 03.1:

This methodological tool is applicable to project activities that apply the methodological tool “Tool for the demonstration and assessment of additionality”, the methodological tool “Combined tool to identify the baseline scenario and demonstrate additionality”, or baseline and monitoring methodologies that use the common practice test for the demonstration of additionality.

The project activity applies the methodological tool “Tool for the remonstration and assessment of additionality”. Therefore, the tool is applicable to the project activity.

Applicability condition to TOOL27: Methodological Tool “Investment Analysis”, version 09.0.

This methodological tool is applicable to project activities that apply the methodological tool “Tool for the demonstration and assessment of additionality”, the methodological tool “Combined tool to identify the baseline scenario and demonstrate additionality”, the guidelines “Non-binding best practice examples to demonstrate additionality for SSC project activities”, or baseline and monitoring methodologies that use the investment analysis for the demonstration of additionality and/or the identification of the baseline scenario.

The project activity applies the methodological tool “Tool for the remonstration and assessment of additionality”. Therefore, the tool is applicable to the project activity.

2.3 Project Boundary

Table 5 – Project Boundaries

Source		Gas	Included	Justification/Explanation
Baseline	CO ₂ emissions from electricity generation in fossil fuel fired power plants that are displaced due to the project activity	CO ₂	Yes	Main emission source
		CH ₄	No	Minor emission source
		N ₂ O	No	Minor emission source
		Other	Not applicable	Not applicable
Project Activity	For dry or flash steam geothermal power plants, emissions of CH ₄	CO ₂	No	Not applicable to this project activity
		CH ₄	No	Not applicable to this project activity

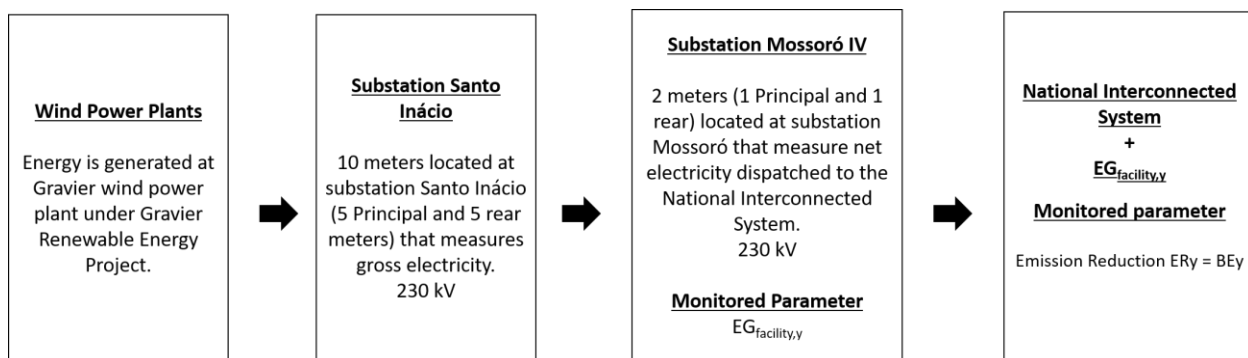
Source		Gas	Included	Justification/Explanation
	and CO ₂ from non-condensable gases contained in geothermal steam	N ₂ O	No	Not applicable to this project activity
	For binary geothermal power plants, fugitive emissions of CH ₄ and CO ₂ from non-condensable gases contained in geothermal steam	CO ₂	No	Not applicable to this project activity
		CH ₄	No	Not applicable to this project activity
		N ₂ O	No	Not applicable to this project activity
	For binary geothermal power plants, fugitive emissions of hydrocarbons such as n-butane and isopentane (working fluid) contained in the heat exchangers	Low GWP hydrocarbon/refrigerant	No	Not applicable to this project activity
	CO ₂ emissions from combustion of fossil fuels for electricity generation in solar thermal power plants and geothermal power plants	CO ₂	No	Not applicable to this project activity
		CH ₄	No	Not applicable to this project activity
		N ₂ O	No	Not applicable to this project activity
	For hydro power plants, emissions of CH ₄ from the reservoir	CO ₂	No	Not applicable to this project activity
		CH ₄	No	Not applicable to this project activity
		N ₂ O	No	Not applicable to this project activity

The spatial extent of the project boundary includes Gravier wind power plant, Substation Santo Inácio and Substation Mossoró IV, where project activity is conducted.

Energy is generated by Gravier Wind Power Plant, which is directly connected to Substation Santo Inácio, where gross electricity is measured. The energy is then directed to Substation Mossoró IV, where electricity is dispatched to the National Interconnected System. The substation Mossoró meters measure net electricity delivered to the grid.

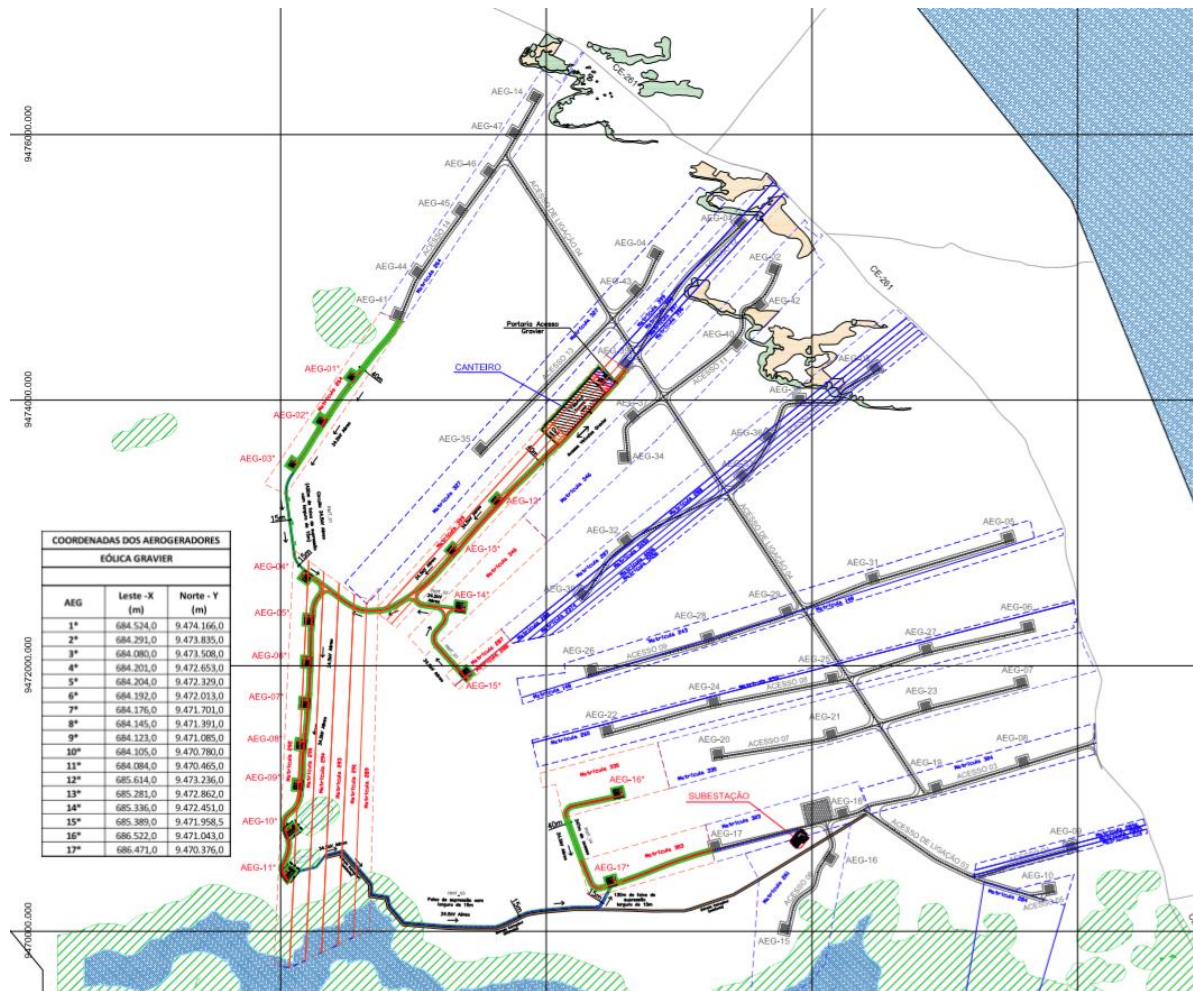
Operation and Maintenance (O&M) team is responsible for measurement activities. It collects and stores all measurement data. They are also responsible for analysing EG_{facility,y} information. The team monitors data provided by the meters and cross-checks it with information provided by Electricity Commercialization Chamber (CCEE).

The diagram below shows the physical locations of the various installations and management activities taking place as part of the project. Black arrows represent the energy flow.



There are no GHG emission sources in the project boundary nor are considered leakage emissions. Therefore, the emission reduction is equivalent to baseline emissions.

The following image shows the installations of the Gravier Renewable Energy Project, Located at Icapuí, in the state of Ceará. The turbines of the Project are evidenced in red and green. The project shares installation with Santo Inácio Complex, which is not a part in this project activity, in blue.



2.4 Baseline Scenario

Since the project activity consists on the installation of a greenfield power plant, the baseline scenario is electricity delivered to the grid by the project activity would have otherwise been generated by the operation of grid-connected power plants and by the addition of new generation sources, as reflected in the combined margin (CM) calculations described in “TOOL07: Tool to calculate the emission factor for an electricity system” (version 7.0).

2.5 Additionality

The demonstration of additionality follows the CDM TOOL01 “Tool for the demonstration and assessment of additionality”, version 07.0.0.

The tool provides a stepwise approach to demonstrate and assess the additionality of a project activity.

These steps are:

- Step 0: Demonstration whether the proposed project activity is the first-of-its-kind;

- Step 1: Identification of alternatives to the project activity;
- Step 2: Investment analysis;
- Step 3: Barriers analysis; and
- Step 4: Common practice analysis

Step 0. Demonstration whether the proposed project activity is the first-of-its-kind

This step is not applied once the proposed project activity is not the first-of-its-kind.

Step 1. Identification of alternatives to the project activity consistent with current laws and Regulations

Define realistic and credible alternatives to the project activity(s) through the following Sub-steps:

Sub-step 1a. Define alternatives to the project activity:

The realistic alternatives to the project activity are:

- (a) P1: The project activity not implemented as a VCS project;
- (b) P2: The continuation of the current situation, that is to use all power generation equipment that was already in use prior to the implementation of the project activity and undertaking business as usual maintenance. The additional power generated under the project would be generated in existing and new grid-connected power plants in the electricity system; and

Sub-step 1b. Consistency with mandatory laws and regulations:

The Brazilian Regulatory Framework provides autonomy to the economic agents about the investments to be done in the electric sector. Both scenarios identified are in compliance with mandatory legislation and regulations.

A brief description of Brazilian Regulatory is presented in this section:

The Brazilian Regulatory Framework went through important structural and conceptual changes over the past 2 decades, resulting in three different electricity regulatory models: the state-based model (until 1995); the free market model (1995 to 2003) and the new model, implemented in 2004 and valid up to date. Under the state-owned model, the energy sector was dominated by almost exclusively state-owned and verticalized companies that covered the segments of generation, transmission and distribution. During the period of state monopoly, the major part of the currently existing generation capacity has been built, mostly consisting of large hydropower plants with important energy reservation capacity.

From 1995 on, due to lack of capacity to further finance the necessary investments for the expansion in energy generation, transmission and distribution, the government initiated a partial privatization process, structured by four main pillars: i) creation of a competitive environment (free market), with a gradual elimination of the captive consumers; ii) partial dismantling of the state owned verticalized companies by dividing and privatizing the segments of generation, transmission and distribution; iii) allowing free access to the transmission lines for generators and consumers; and iv) placing the operation and planning responsibilities to the private sector⁵.

The adoption of the free market model allowed the participation of private entities and the implementation of the Concession Law (Law No 8,987 of February 13, 1995) and promoted the construction of some renewable plants in Brazil.

Unfortunately, the model did not provide the investment in generation capacity needed to satisfy the growing demand and it resulted in an energy crisis in 2001, when energy consumption of consumers and industry was rationed, and Brazil's economic development was badly hit. As a response to this crisis, a new regulatory framework was put in place in 2004, resulting in a more active role of Brazil's government by virtually suspending the privatization process initiated in the 1990's and centralizing the functions of electricity planning at national government level,⁵ while promoting private sector investments to fund the required expansion in generation capacity. This new regulatory model provided a more efficient mechanism of power procurement between generators and distributors, primarily by creating two parallel electricity trading environments: the Regulated Contracting Environment, referred to as ACR (*Ambiente de Contratação Regulada*), where energy is finally contracted based on the lowest tariffs defined by a regulated auctioning process, and the Free Contracting Environment, referred to as ACL, or *Ambiente de Contratação Livre* (ACL).

As mentioned previously, economic agents are free to decide about the investments to be done in the electric sector, respecting Regulatory framework. Therefore, it does not exist either restrictions nor impositions to the project activity and to its alternatives. Alternatives to the project activity (P1 and P2) are plausible and consistent with mandatory laws and regulations.

Step 2. Investment analysis

According to the "Tool for the demonstration and assessment of additionality", project participants shall determine whether the proposed project activity is not:

- The most economically attractive or financially;
- Economically or financially feasible, without the revenue from the sale of Verified Carbon Units (VCU).

⁵ Aguiar F.L. Modelo Institucional do Setor Elétrico Brasileiro, 2007, available at https://www.realestate.br/dash/uploads/sistema/images/File/arquivosPDF/DST_FernandoAguiar.pdf, last access on Nov. 4th, 2019.

The investment analysis follows the CDM “Methodological tool Investment analysis”, version 09.0.

To conduct the investment analysis, the following steps must be used:

Sub-step 2a. Determine appropriate analysis method

In order to determine the appropriate analysis method, the following options are available to be used in the additionality analysis:

- Option I - Apply simple cost analysis;
- Option II - Apply investment comparison analysis;
- Option III - Apply benchmark analysis.

According to the tool, if the project activity and the alternatives identified in Step 1 generate financial or economic benefits other than carbon credits related income, then the investment comparison analysis (Option II) or the benchmark analysis (Option III) shall be used. The benchmark analysis will be applied, because it is the most appropriated for this type of activity in Brazil. Moreover, the Option II shall be applied when there are credible alternative scenarios existed to the project activity. As there are no alternative to compare with the project's indicator (Internal Rate of Return) the Option III shall be applied.

Therefore, the Option III was chosen.

Sub-step 2b – Option III. Apply benchmark analysis

Financial indicator identification

Project's Internal Return Rate (IRR) is selected as an appropriated financial indicator. The cash flow was performed in real terms, i.e. without considering the impact of inflation, and after payment of taxes. The resulting financial indicator therefore is a post-tax project IRR given in real terms and therefore compatible with the benchmark defined in the following lines.

The project IRR calculation follows what it is indicated by the CDM “Methodological Tool Investment Analysis”, version 09.0.

Benchmark identification.

According to the Investment Analysis Methodological tool (TOOL27), version 09.0, one appropriate benchmark to a project IRR is the estimation of the Weighted Average Capital Cost (WACC). This is a rate used to discount cash flows and it takes into consideration the cost of debt and the cost of equity of a typical investor in the sector of the Project Activity.

Therefore, the WACC is calculated through the formula below:

$$\text{WACC} = Re \times We + Rd \times Wd \times (1 - Tc)$$

Where:

Re	Cost of equity (-);
We	Percentage of financing that is equity (-);
Rd	Cost of debt (-);
Wd	Percentage of financing that is debt (-);
Tc	Corporate tax rate (-);

Cost of equity (Re):

The cost of equity is calculated using Capital Asset Pricing Model (CAPM). This is a valid methodology for markets where financial instruments are liquid, indicating that currently traded papers represent a valid reference of market conditions. There is significant evidence of such liquidity in the Brazilian market, as listed below:

- In TOOL27 (version 09.0), paragraph 20, some conditions that commonly show liquidity are present. Conditions a, b, c and e are met by all countries identified in the annex, which is the case for Brazil (page 13);
- Several market analyses involving publicly traded companies use CAPM as a methodology for equity cost calculation⁶ (e.g.: Drogasil Raia, EDP, Braskem, Natura, Energisa, Gerdau) denoting its widely adopted practice.

The cost of equity (Re) is calculated through the formula below⁷:

$$Re = Rf + \text{Beta} \times (Rm - Rf)$$

Where:

Re	Cost of equity (expected return on equity);
Rf	Risk free rate;

⁶ https://www.rd.com.br/Download.aspx?Arquivo=rBrVhKSQ4tNb5bV9hx/4ng==,http://ri.edp.com.br/ptb/7851/607448.pdf,http://www.braskem-ri.com.br/download/RI/21543,https://natu.infoinvest.com.br/enu/5019/Aesop_RelatorioNatura_FINAL.pdf,https://ri.energisa.com.br/ptb/7951/589555.pdf,http://ri.gerdau.com/ptb/7556/Anexo%203%20-%20Laudo%20de%20Avaliao.pdf
Last access on November, 2019.

⁷ Available at < https://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=5&cad=rja&uact=8&ved=2ahUKEwiCk-DO0NTfAhVBkpAKHfSBC7wQFjAEegQIBRAC&url=http%3A%2F%2Fwww.stern.nyu.edu%2F~adamodar%2Fpptfiles%2Fdam2ed%2Fdiscountrates.ppt&usg=AOvVaw1-rCs8vmpF_FAGo-BpxSsq >. Last access on November, 2019.

Beta Adjustment factor to reflect the risk of projects. This value corresponds to the average beta of energy companies in emergent countries, leveraged to the capital structure of the project activity;

Rm Expected Market Return;

- Risk-Free Rate

In this project activity, the risk-free rate corresponds to the average rate of Brazilian Treasury Note, series B (NTN - B) with a maturity of 27 years (NTN-B Principal 150545) for 2018⁸, the previous year of the investment decision (considered as the date of the Assembly Meeting: 13/12/2019). This value, in real terms, corresponds to 5.43%. It is the mean from the data published for the "Buy Tax - Morning" in 2018.

- Beta

For Beta establishment was consulted a Damodaran reference available for Power Companies in Emergent countries in 2017. The average unlevered beta corresponds to 0.59⁹. This value was levered for the proposed project activity capital structure through the formula¹⁰:

Beta unlevered = Beta levered / (1 + D/E x (1-T)), where:

D= Debt;

E= Equity;

T= Interest and taxes

Typically, in Brazil, power projects have a finance structure of 70%/30%. So, Debt (D) is equal to 70% and Equity (E) is equal to 30%. The interest and taxes (T) were considered zero because the Decree nº3,000 of 2009 establishes that from 01/01/1998 it is forbidden any deduction of taxes incentives from the income tax calculated on the basis of presumed profit. Therefore, the corporate tax rate (Tc) will be zero and there will be no tax benefits for indebtedness.

The revenue of the Gravier WPP is under seventy-eight million Reais per year and for this reason the presumed profit regime (*lucro presumido* in Portuguese) was adopted (Law no. 12.814/2013).

⁸ According to the TOOL27 (Investment analysis, version 09.0), the risk-free rates should be based on local sovereign debt and should have a maturity date close to the Project lifetime (at least 10 years) and sufficient liquidity. This parameter with a maturity of 27 years (NTN-B Principal 150545) was obtained at the National Treasury website: <<http://www.tesouro.gov.br/-/balanco-e-estatisticas>> Furthermore, TOOL27 recommends the adoption of the latest sovereign debt data available at the time of the investment decision. For this reason, the NTN-B of 2018 was selected (the previous year of the investment decision of the project activity). Last access on November, 2019.

⁹ Available at < http://pages.stern.nyu.edu/~adamodar/New_Home_Page/dataarchived.html>. Year: 2017, Emergent Countries, Industry Group: Power. Average Beta results in 0.59. Last access on November, 2019.

¹⁰ Available at: <https://web.bndes.gov.br/bib/jspui/bitstream/1408/10954/2/RB%2025%20Custo%20de%20Capital%20de%20Distribuição%20de%20Energia%20Elétrica%20-%20Revisão%20Tarifária%202007-2009_P_BD.pdf>. Last access on November, 2019.

So,

$$\begin{aligned}\text{Beta levered} &= 0.59 \times (1 + 70\%/30\% \times (1-0)) \\ &= 1.97\end{aligned}$$

- Expected Market Return – Risk-free rate

According to the survey "Market Risk Premium and Risk-Free Rate used for 59 countries in 2018", the difference between the expected market return and the risk-free rate corresponds to the BR Premium, identified at page 7. Value to be applied: 8.40%¹¹.

Therefore,

$$\begin{aligned}\text{Re} &= 5.43\% + 1.97 \times 8.40\% \\ &= 21.95\%\end{aligned}$$

So, **Re in real terms is equal to 21.95%** and this value was considered in WACC calculation.

- **Percentage of financing that is equity (We) and Percentage of financing that is debt (Wd):**

According to the Investment Analysis Methodological tool (version 09.0), if the benchmark is based on parameters that are standard in the market, then the typical debt/equity finance structure observed in the sector of the country should be used. In Brazil, in the power sector it is usually adopted a 70%/30% finance structure.

Therefore, the percentage of Equity Financing (We) and the percentage of Financing that is debt (Wd) in the WACC calculation were considered **30%** and **70%** respectively.

- **Cost of debt (Rd):**

The cost of debt (Rd) corresponds to the sum of the financial cost with the basic and risk spreads. Therefore, it can be calculated through the formula below:

$$\text{Total Financing Cost} = \text{Financing Cost} + \text{Basic Spread} + \text{Credit Spread Risk}$$

In Brazil, the National Bank for Economic and Social Development, known as BNDES¹² (in Portuguese, *Banco Nacional de Desenvolvimento Econômico e Social*), provides long-term

¹¹ FERNANDES, Pablo; et. Al. Market Risk Premium and Risk-Free Rate used for 59 countries in 2018. Apr. 23th 2018. Available at: <https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3155709>. Last access on November, 2019.

¹² BNDES is a federal bank that finances long terms investments in all segments of the Brazilian economy, including renewable energy sector. For more details, please see < <https://www.bndes.gov.br/wps/portal/site/home> >. Last access on November, 2019.

financing for private sector investments, usually in infrastructure projects. Thereby, it plays an important role in the implementation of the governmental policies for economic development.

As the Investment Analysis Methodological Tool (TOOL27), version 09.0, recommends the use of a long-term debt, it was adopted in this report the **financing cost** as the average value of the long rate terms (TLP) of BNDES for the year of the investment decision of the project activity (2018).

The average value for TLP for 2019 is equal to 2.57%¹³, expressed in real terms.

Basic spread and **Credit Risk Spread** are also provided by BNDES¹⁴. For the energy auctions that occurred in 2018, basic spread was equal to 1.3%. Credit spread risk, in its turn, was up to 2.87%, for energy auctions that occurred in April 2015 and April 2016. Data about spread risk for the auction that occurred on 2018 was not available. For conservativeness, the average value of the known spread was considered: 1.44%. Furthermore, on May 2018, BNDES published an article¹⁵, which states the approval of the reduction on the risk spread by 25%-50%. Based on this information, a 50% reduction on the average known value was applied, leading to a final: 0.72%.

Thereby, Rd is defined as:

$Rd = \text{Financing cost} + \text{Basic Spread} + \text{Credit Spread Risk}$

$Rd = 2.57\% + 1.3\% + 0.72\%$

$Rd = 4.59\%$

- **Corporate tax rate (Tc):**

As a presumed profit was adopted for the WPP investment analysis, the Corporate Tax Rate (Tc) was considered zero in the WACC calculation. If real profit was adopted, Tc should be equal to 34%. The tax regime was selected according to Law n. 12,814/2013 that establishes that corporate entities revenues under seventy-eight million Reais per year can adopt presumed profit instead of real profit.

The revenue of the Gravier WPP is under seventy-eight million Reais per year and for this reason the presumed profit regime (*lucro presumido* in Portuguese) was adopted (Law no.12.814/2013).

Considering all the parameters exposed, the WACC calculation corresponds to 9.80%, as can be demonstrated below:

¹³Available at < <https://www.bndes.gov.br/wps/portal/site/home/financiamento/guia/custos-financeiros/tlp-taxa-de-longo-prazo>>. TLP Average value between January and October 2019: 2,57%

¹⁴BNDES parameters for energy auction of April, 2015, April, 2016 and 2018. Available at <<https://www.bndes.gov.br/wps/portal/site/home/financiamento/produto/leiloes-infraestrutura/leiloes-geracao-energia-abril-2015>>, <<https://www.bndes.gov.br/wps/portal/site/home/financiamento/produto/leiloes-infraestrutura/leilao-geracao-2016>> and < <https://www.bndes.gov.br/wps/portal/site/home/financiamento/produto/leiloes-infraestrutura/leilao-geracao-2018>>. Last access: Oct. 2019.

¹⁵ BNDES. BNDES promove nova redução de spread de custos financeiros. Available at: <<https://www.bndes.gov.br/wps/portal/site/home/imprensa/noticias/conteudo/bndes-promove-nova-reducao-de-spreads-e-de-custo-dos-financiamentos>>. Last access: Oct. 2019

$$\begin{aligned}
 WACC &= R_e \times W_e + R_d \times W_d \times (1 - T_c), \\
 &= 21.95\% \times 30\% + 4.59\% \times 70\% \times (1 - 0) \\
 &= 9.80\%
 \end{aligned}$$

Sub-step 2c. Calculation and comparison of financial indicators

Input parameters used in the investment analysis, together with a description of how the values for these parameters were obtained, are presented in this section.

The cash flow of Gravier Wind Power Plant is fully presented to the VBB (Validation and Verification Body) that will perform validation and to any entity linked to the VCS that request it for proving the project additionality.

Before presenting the main inputs taken into consideration in the equity cash flow, it is important to describe some comments on the assumptions adopted in the investment analysis that considered orientations of the CDM Executive Board (EB).

General Features of the Investment Analysis and calculation of the Financial Indicator

- **Assessment Period:** The cash flow considers an economic plant lifetime of 20 years which is in line with the operational lifetime of the wind turbines. This agrees with the provisions of the CDM Methodological tool Investment Analysis, version 09.0. item 6, which defines that the IRR calculation must preferably reflect the expected operational lifetime of the project activity.
- **The value of the assets of the project activity at the end of the assessment period:** As the assessment period covers the whole 20 year expected operational lifetime of the project, no residual value should be considered.
- **Depreciation:** the period of the main asset (aerogenerator) depreciation is 20 years according to guidance from the Manual of Power Sector Asset Control (*Manual de Controle Patrimonial do Setor Elétrico*, page 217), published by ANEEL¹⁶. Because it is an accounting item which does not involve disbursements, depreciation was not considered for purposes of project IRR calculation.
- **Financial Analysis:** Financial analysis is presented for Gravier Wind Power Plant.
- **Project IRR Calculation:** The purpose of the project IRR calculation is to determine the viability of the project to service debt. Aligned with item 14 of the CDM Methodological tool Investment Analysis, version 09.0, the cost of financing expenditures shall not be included in the calculation of project IRR in order to avoid double count of financing cost.

¹⁶ Source: ANEEL (2015). Manual de Controle Patrimonial do Setor Elétrico. Annex of Normative Resolution nº 674/2015, August 11th, 2015. Available at: <
<https://www.aneel.gov.br/documents/656815/14887121/MANUAL+DE+CONTROLE+PATRIMONIAL+DO+SETOR+EL%C3%89TRICO++MCPSE/3308b7e2-649e-4cf3-8fff-3e78ddeb98b>>. Last access on November , 2019.

- **Operational Starting Date:** The cash flow considered the operation start date of the plant as presented at TABLE 1.
- **Nature of the Cash Flow:** The project cash flow has been performed in real terms, i.e. without considering the impact of inflation.

Sectoral Policies E-

In its twenty second meeting and referring to its decisions from EB 16 (CDM Executive Board Meeting 16), the CDM Executive Board reaffirmed that national and/or sectoral policies and circumstances are to be taken into account on the establishment of a baseline scenario, without creating perverse incentives that may impact host Parties' contributions to the ultimate objective of the Convention. Accordingly, the Board agreed to define E- policy as:

"National and/or sectoral policies or regulations that give comparative advantages to less emissions-intensive technologies over more emissions-intensive technologies (e.g. public subsidies to promote the diffusion of renewable energy or to finance energy efficiency programs)"

Further the Board agreed that such policies should be addressed as follows:

E- Policies *"that have been implemented since the adoption by the COP of the CDM M&P (decision 17/CP.7, 11 November 2001) need not be taken into account in developing a baseline scenario (i.e. the baseline scenario could refer to a hypothetical situation without the national and/or sectoral policies or regulations being in place).*

Accordingly, the Additionality tool includes a footnote to the calculation of financial indicators in investment analysis which states that the inclusion of subsidies in investment analysis is subject to the guidance on such policies.

The importance of this concept has been reinforced by the CMP 5 in Copenhagen affirmed that *"it is the prerogative of the host country to decide on design and implementation of policies to promote low greenhouse gas emitting technologies; and the Executive Board shall ensure that its rules and guidelines do not create perverse incentives for emission reduction efforts.*

Some current Brazilian energy regulations effectively offer a set of regulatory and economic incentives that aim at promoting renewable electricity sources to guarantee country's electricity expansion based on renewable and low carbon emitting technologies.

The existence of these incentives requires their adequate treatment in the additionality assessment and specifically in the investment analysis. For this purpose, the following paragraphs identify and discuss the relevant regulations and define their treatment according to the rules and principles defined by EB 22.

Policy E-: Reduction of the Distribution/Transmission Fee (TUSD/TUST-G) for Complementary Renewable Energy sources.

Through Resolution N°745, of 22 November 2016¹⁷, ANEEL established a discount of 50% of the applicable distribution/transmission fee (TUSD/TUST-G) for complementary renewable energy projects, such as wind power generation projects, with installed capacity injected in the grid between 30,000 kW and 300,000 kW.

This sectoral policy was established on 22 Nov 2016, and therefore after 11 November 2001. Thus, it represents a “*comparative advantages to less emissions-intensive technologies over more emissions-intensive technologies*” and classifies as E- policy. Accordingly, the incentive shall not be considered for the baseline scenario and the investment analysis, taking into consideration the “*hypothetical situation without the national and/or sectoral policies or regulations being in place*”.

Policy E-: Exemption of ICMS and IPI on WTG contracts

IPI stands for a tax over industrialized products and ICMS a tax for circulation of goods and services. Since 2009 the federal government agreed to exempt wind turbines from paying these taxes (CONVÊNIO ICMS 101/97)¹⁸. Considering that this policy is specific for wind turbines, or rather, the policy creates incentives for less GHG emission intensive technology (Type E- policy). So, the exemption of these taxes was not considered in the cashflow.

Assumptions used in the Cash Flow

After discussion about some assumptions according to CDM “Methodological tool Investment analysis”, version 09.0., the inputs used in the project cash flow are presented below:

Table 7 - Financial Assumptions

Item	Description	Unit	Values
Installed Capacity	Installed Capacity, as evidenced by the Energy Production Report.	MW	71.4
Electricity generated for sale	It was considered the Electricity Generated supplied by the Energy Production Report.	MWh/year	284,100.00
Plant Load Factor	It was considered the electricity generated supplied by the Energy Production report	%	45.42%
Electricity Price	It was considered the average electricity price for the PPAs between Aliança Geração de Energia S.A. and Vale S.A. and Cemig Geração e Transmissão S.A. endorsed by the Assembly meeting.	R\$/MWh	154.98

Investment and Operational Costs			
Item	Description	Unit	Values

¹⁷ ANEEL (2016). Normative Resolution n° 745, 22 November 2016. Available at: <https://www2.aneel.gov.br/aplicacoes/audiencia/arquivo/2016/038/resultado/ren2016745.pdf>. Last accessed: Oct 2019.

¹⁸ CONVÊNIO ICMS 101/97. Available at < <http://app1.sefaz.mt.gov.br/sistema/legislacao/legislacaotribut.nsf/07fa81bed2760c6b84256710004d3940/f219de0bc8dbf2ce832567940040cc22?OpenDocument>>. Last accessed: November, 2019.

Investment (CAPEX)	It was considered the WTG quotation from WEG, the proposals from Calter and Confer and the Proposal for Deliberation of Management Board n.34/2019..	R\$	391,273,039.06
O&M Costs	It was considered the WTG quotation from WEG and the Proposal for Deliberation of Management Board n.34/2019.	R\$/year	4,056,064.08
Other Operational Expenses	It was considered Contracts for landlease, TUST and TFSEE for a similar project and the Proposal for Deliberation of Management Board n.34/2019.	R\$/year	7,703,587.04

Taxes			
Item	Description	Unit	Values
PIS/COFINS	Budgeted as applicable Brazilian Law 10,637, Law 10,833 and Normative Instruction 247.	%	3.65 (Over Gross Revenue)
CSLL	Budgeted as applicable Brazilian Law 9,249 and Law 9,431	%	9.00 (Over 12% of the Gross Revenue)
IRPJ	Budgeted as applicable Brazilian Law 9,249 and Law 9,430 (up to income = R\$ 240,000)	%	15.00 (Over 8% of the Gross Revenue)
IRPJ Additional	Budgeted as applicable Brazilian Law 9,249 and Law 9,430 (income > R\$ 240,000)	%	10.00 (Over the income above R\$240,000)

Investment analysis results

The Project Internal Rate of Return, in real terms, resulting of the cash flow based on the assumptions is presented in the table below:

Table 8 - Project Indicators X Benchmark

Project IRR	Benchmark (WACC)
4.13%	9.80%

The investment analysis was conducted according to option III of the “Tool for the demonstration and assessment of additionality” and the result shows that project's financial indicator is less favourable than the benchmark. Consequently, it can be concluded, that the project activity cannot be considered as financially attractive.

Sub-step 2d. Sensitivity analysis

The main variables that can affect the project's finances are (i) revenues of the project; (ii) CAPEX and (iii) O&M costs.

The sensitivity analysis considers only those scenarios that contribute to increase economic and financial attractiveness of the project aiming to confirm how solid the analysis of sub-steps 2b and 2c are. Table below presents how changes in the main parameters affect project IRR.

Table 9 – Sensitivity Analysis

	Variation	IRR	To IRR= Benchmark
Revenues increase	10%	5.66%	40.15%
CAPEX reduction	10%	5.34%	-36.17%
O&M costs decrease	10%	4.58%	Impossible value

Discussion about likelihood of each scenario is presented as follows.

Project Revenues:

The wind power project's revenue depends solely on two factors: the electricity generated and the electricity sales price, which will be discussed individually. They are in effect related, once uncertainties and variations in the electricity generation have an impact on the commercial conditions, electricity pricing and thus revenues and fines.

Electricity of the project's plant price was settled as defined by the Assembly of shareholders of Aliança Geração de Energia S.A., with whom the Power Purchase Agreements (PPAs) will be executed.

When compared to the last three public auctions (28th, 29th and 30th auctions) and the price practiced at the market, the electricity price for the project is conservative. The auctions present an average price of R\$ 90.45, R\$ 79.99 and R\$ 98.89 respectively for wind energy¹⁹.

All the energy generated by the project will be sold for Vale and Cemig, the sole two shareholders of Aliança Geração de Energia S.A., through Power Purchase Agreements. Therefore, variation on price is not expected.

Regarding the volume of energy generated, the project is subject to significant variations and uncertainties. The quantity of electricity sold is very close to plant load factors of the plants. To reach the benchmarking would be necessary an increase of 40.15% in revenues over the course of the entire WPP activity would be necessary.

According to the generation monitoring reports, published by Brazil's National Interconnected System Operator²⁰ (Operador Nacional do Sistema Elétrico – ONS), the average deviation from

¹⁹ At the website: <https://www.ccee.org.br/portal/faces/oquefazemos_menu_lateral/leiloes?_adf.ctrl-state=f243xypm8_1&_afLoop=154332466852759#!%40%40%3F_afLoop%3D154332466852759%26_adf.ctrl-state%3Df243xypm8_5>, please, see at "resultados", the results for the 28th, 29th and 30th public auctions.

²⁰ ONS Report "Boletim Mensal de Geração Eólica". From October 2018 to September 2019, available at:
 <http://www.ons.org.br/AcervoDigitalDocumentosEPublicacoes/Boletim_Eolica-set_2019.pdf>
 <http://www.ons.org.br/AcervoDigitalDocumentosEPublicacoes/Boletim_Eolica_ago2019.pdf>
 <<http://www.ons.org.br/AcervoDigitalDocumentosEPublicacoes/Boletim%20Mensal%20de%20Gera%C3%A7%C3%A3o%20E%C3%B3lica%202019-07.pdf>>
 <<http://www.ons.org.br/AcervoDigitalDocumentosEPublicacoes/Boletim%20Mensal%20de%20Gera%C3%A7%C3%A3o%20E%C3%B3lica%202019-06.pdf>>
 <<http://www.ons.org.br/AcervoDigitalDocumentosEPublicacoes/Boletim%20Mensal%20de%20Gera%C3%A7%C3%A3o%20E%C3%B3lica%202019-05.pdf>>
 <<http://www.ons.org.br/AcervoDigitalDocumentosEPublicacoes/Boletim%20Mensal%20de%20Gera%C3%A7%C3%A3o%20E%C3%B3lica%202019-04.pdf>>
 <http://www.ons.org.br/AcervoDigitalDocumentosEPublicacoes/Boletim_Eolica_mar%C3%A7o%202019.pdf>
 <http://www.ons.org.br/AcervoDigitalDocumentosEPublicacoes/Boletim_%20E%C3%B3lica_fev_%202019.pdf>
 <http://www.ons.org.br/AcervoDigitalDocumentosEPublicacoes/Boletim_E%C3%B3lica_jan_2019.pdf>
 <http://www.ons.org.br/AcervoDigitalDocumentosEPublicacoes/Boletim_Eolica_dez_2018.pdf>.

the electricity expected (based on plant load factors) and real electricity generated of all plants of the North-eastern Submarket of the Brazilian interconnected System is 5.44%, for the period of October 2018 to September 2019.

It is also important to consider that this deviation can vary according to local geomorphologic factors, seasonal factors, and between years. Furthermore, to commercialize the generated electricity surplus, contractual clauses must be respected, and it may not imply on a corresponding increase on the revenue. Hence, it is worth noting that even the scenario of revenue generation increase of 10% in the sensitivity analysis is unlikely to be maintained for such a long period.

CAPEX

CAPEX represents the most important investment of the enterprise. At the time of this VCS Project Description, the major components of the CAPEX were already budgeted.

The project proponent is a reference institution for the energy sector. Created in 2015, Aliança Geração de Energia was co-founded by Vale and Cemig Group. Vale is a global enterprise, present in 30 countries, with activities on mining, logistics, energy and others. Cemig Group is seen as one of the most important groups in the country for the energy sector, participating in over 200 societies and consortiums²¹.

An eventual CAPEX reduction scenario is possible. However, given the experience of the project proponent and its shareholders, it is considered impossible to reach the benchmark, once it would be necessary a reduction of 36.17% in the CAPEX.

O&M Costs

The result of the sensitivity analysis to benchmark shows that even if the O&M cost was disregarded (O&M Cost = 0), Equity IRR would not reach the benchmarking.

Thus, it is unlikely that these items may undergo changes that contribute with an increase in the economic and financial attractiveness that is not covered by the variation range between 0 and 10%. Therefore, the variation range between 0 and 10% cover more than the probable scenarios.

The tool for demonstration and assessment of additionality indicates that: If after the sensitivity analysis it is concluded that the proposed project activity is unlikely to be the most financially attractive or is unlikely to be financially attractive, then proceed to Step 3 (Barrier analysis)."

This way, as the sensitivity analysis showed that the proposed activity is unlikely to be financially/economically attractive, it must proceed to Step 3 (Barrier analysis).

Step 3. Barrier analysis

<http://www.ons.org.br/AcervoDigitalDocumentosEPublicacoes/Boletim_Eolica_nov_%202018.pdf>.

<http://www.ons.org.br/AcervoDigitalDocumentosEPublicacoes/Boletim_Eolica_out_2018.pdf>.

Last access: Oct 29th, 2019.

21 Aliança Geração de Energia. Nossa História e Estrutura Societária. Available at:

<<https://aliancaenergia.com.br/br/alianca-2/>>. Last Access: Oct. 29th, 2019

This step is optional and was not applied for this project. Continue to step 04.

Step 4. Common practice analysis

Sub-step 4a. Analyse other activities similar to the proposed project activity:

The common practice analysis follows the stepwise approach suggested by CDM tool Common practice, version 03.1. Each step and respective result are presented below:

- Step 1: calculate applicable capacity or output range as +/-50% of the total design capacity or output of the proposed project activity.

Outcome: The installed capacity of Gravier Wind Power Plant is 71.4 MW. Therefore, the capacity range applicable is from 35.7 MW to 107.1 MW.

- Step 2: identify similar projects (both CDM and non-CDM) which fulfil all the following conditions:

- (a) The projects are located at the applicable geographical area;
- (b) The projects apply the same measure as the proposed project activity;
- (c) The projects use the same energy source/fuel and feedstock as the proposed project activity, if a technology switch measure is implemented by the proposed project activity;
- (d) The plants in which the projects are implemented produce goods or services with comparable quality, properties and applications areas (e.g. clinker) as the proposed project plant;
- (e) The capacity or output of the projects is within the applicable capacity or output range calculated in Step 1;
- (f) The projects started commercial operation before the project design document (CDM-PDD) is published for global stakeholder consultation or before the start date of proposed project activity, whichever is earlier for the proposed project activity.

Outcome:

To develop this step, the following procedure was applied:

- All operational plants connected to the Grid. Source were identified at ANEEL database²².
- Selection of renewable plants (applying the same measure).
- Considering the Start date of the Project Activity as the day the plant begins to operate (August 1st, 2021), all renewable plants that are in operation were selected.

²² ANEEL, 2019. Available at: <<http://www2.aneel.gov.br/aplicacoes/capacidadebrasil/capacidadebrasil.cfm>>. Last Access on September. 2019.

- Only plants with the capacity output calculated on STEP 1 were selected (35.7 MW to 107.1 MW).
- For Wind Power Plants, it was used database supplied by ABEEÓLICA. Through this database, it could be identified Wind Power Plants Complexes. These complexes groups several plants under the same umbrella. So, they could be compared to the Gravier Wind Power Plant. At ANEEL database, operational plants of each complex were presented individually. The plants identified under a complex group at ABEEÓLICA database were crosschecked with the information at ANEEL database.

The outcome is presented at the table below:

Table 10 – Outcome Step 2

Energy Source	Plant	Operational Start Date	Installed Capacity (MW)	Number
Biomass	Jataí	28/02/2013	105.0	1
Biomass	Delta	01/12/2001	101.9	2
Biomass	Cenibra	01/01/1976	100.0	3
Biomass	Vale do Rosário	01/06/1994	97.0	4
Biomass	Angélica	18/03/2009	96.0	5
Biomass	Chapadão Agroenergia	01/11/2012	92.0	6
Biomass	Mandu	19/06/2006	90.0	7
Biomass	LDC Bioenergia Rio Brilhante (Antiga Louis Dreyfus Rio Brilhante)	02/04/2009	90.0	8
Biomass	Moema	01/01/1994	89.0	9
Biomass	LDC Bioenergia Lagoa da Prata (Antiga Louis Dreyfus Lagoa da Prata)	25/04/2009	85.0	10
Biomass	Santa Cruz AB (Antiga Ometto)	22/05/2009	84.0	11
Biomass	São José Colina	23/09/2008	83.0	12
Biomass	Santa Juliana	09/09/2010	82.0	13
Biomass	Ferrari	01/01/1982	80.5	14
Biomass	São José	01/05/1994	80.3	15
Biomass	Quirinópolis	22/11/2007	80.0	16
Biomass	Boa Vista	22/07/2008	80.0	17
Biomass	Equipav II	19/12/2008	80.0	18
Biomass	Tropical Bioenergia	12/11/2009	80.0	19
Biomass	Amandina	10/06/2014	80.0	20
Biomass	Pedro Afonso	25/09/2013	80.0	21
Biomass	Unidade de Bioenergia Costa Rica	22/11/2011	79.8	22
Biomass	Unidade de Bioenergia Água Emendada	24/01/2013	79.8	23
Biomass	Gasa	01/01/1996	78.0	24
Biomass	Ipaussu Bioenergia	09/11/2011	76.0	25
Biomass	Catanduva I (Antiga Cerradinho)	01/10/2001	75.0	26

Biomass	Costa Pinto	01/05/1977	75.0	27
Biomass	Buriti	07/10/2011	74.3	28
Biomass	Passa Tempo	01/05/2001	73.8	29
Biomass	São Martinho	01/01/1975	73.0	30
Biomass	Unidade de Bioenergia Alto Taquari	23/04/2013	72.7	31
Biomass	Unidade de Bioenergia Morro Vermelho	24/01/2013	72.7	32
Biomass	Biolins	27/02/2010	72.0	33
Biomass	Alta Mogiana	19/04/1994	71.0	34
Biomass	São Luiz	15/08/1999	70.0	35
Biomass	São João da Boa Vista	01/01/1997	70.0	36
Biomass	Pitangueiras	02/05/2002	70.0	37
Biomass	Da Pedra	31/05/2012	70.0	38
Biomass	Sebastianópolis I (Antiga Noroeste Paulista)	27/11/2009	68.0	39
Biomass	Codora	24/09/2011	68.0	40
Biomass	Esplanada (Antiga Jalles Machado)	01/07/2003	65.0	41
Biomass	Vale do Verdão	19/03/2002	65.0	42
Biomass	Biopav II	10/01/2012	65.0	43
Biomass	Guarani Cruz Alta	18/02/1982	64.8	44
Biomass	Iaco Agrícola	20/08/2014	64.0	45
Biomass	Usiminas 2	31/01/2009	63.2	46
Biomass	Barra Grande de Lençóis	14/05/2003	62.9	47
Biomass	Bioflex Caeté	03/10/2014	62.5	48
Biomass	Fartura	23/09/2006	62.0	49
Biomass	Itumbiara	29/05/2010	61.5	50
Biomass	Colombo Ariranha	-	61.0	51
Biomass	Vista Alegre	25/03/2010	60.0	52
Biomass	Vista Alegre I (Antiga Energética Vista Alegre)	31/07/2009	60.0	53
Biomass	Bioenergética Vale do Paracatu - BEVAP	15/02/2011	60.0	54
Biomass	Rio Pardo	31/10/2009	60.0	55
Biomass	Meridiano I (Antiga Meridiano)	31/07/2012	60.0	56
Biomass	Paranapanema	16/06/2012	60.0	57
Biomass	Equipav	01/10/2002	58.4	58
Biomass	Santa Elisa - Unidade I	28/08/2002	58.0	59
Biomass	Colorado	01/08/1981	56.7	60
Biomass	Quatá	01/01/1999	56.1	61
Biomass	São Judas Tadeu	13/03/2009	56.0	62
Biomass	Ituiutaba	27/05/2010	56.0	63
Biomass	Jari Celulose	01/01/1976	55.0	64
Biomass	Guaíra Energética	10/06/2010	55.0	65
Biomass	Vale do São Simão	21/10/2010	55.0	66

Biomass	Santa Cândida II	17/12/2016	55.0	67
Biomass	Volta Grande	-	54.9	68
Biomass	Nardini	01/01/1994	54.0	69
Biomass	Cevasa	01/03/2006	54.0	70
Biomass	Cerradão	22/12/2009	54.0	71
Biomass	Ripasa	01/06/1974	53.5	72
Biomass	Vertente	01/06/2005	53.0	73
Biomass	Iacanga	07/04/2010	53.0	74
Biomass	BEN Bioenergia	05/04/2013	53.0	75
Biomass	Agropéu	12/11/2016	51.6	76
Biomass	Maracaí	13/06/2000	51.0	77
Biomass	Santa Terezinha	31/05/2006	50.5	78
Biomass	Rafard	01/01/1941	50.0	79
Biomass	Bio Coopcana	28/08/2013	50.0	80
Biomass	Colombo Santa Albertina	01/06/2009	50.0	81
Biomass	Viralcool Castilho	26/06/2006	50.0	82
Biomass	Bio Alvorada	09/11/2013	50.0	83
Biomass	WD	01/05/1988	48.0	84
Biomass	Itaenga	31/01/2007	47.0	85
Biomass	NG Bioenergia I	04/03/2017	47.0	86
Biomass	Goiasa	30/09/2005	46.5	87
Biomass	Vale do Tijuco	19/05/2010	45.0	88
Biomass	Clealco Queiroz	10/04/2010	45.0	89
Biomass	Baldin	27/08/2010	45.0	90
Biomass	Univalem Bioenergia	31/07/2012	45.0	91
Biomass	Santa Isabel	01/08/1980	44.0	92
Biomass	Canabrava	22/08/2012	44.0	93
Biomass	Viralcool	01/01/1983	43.0	94
Biomass	São José da Estiva	-	42.5	95
Biomass	Santa Adélia	01/08/2002	42.0	96
Biomass	Santa Fé	01/05/1976	42.0	97
Biomass	UFL	11/07/2014	42.0	98
Biomass	Santa Vitória	25/06/2015	41.4	99
Biomass	São João	01/01/1975	40.8	100
Biomass	Potirendaba I (Antiga Cerradinho Potirendaba)	01/08/2008	40.2	101
Biomass	Ester	01/01/1954	40.0	102
Biomass	Baía Formosa	02/09/2011	40.0	103
Biomass	Santo Ângelo	02/09/2014	40.0	104
Biomass	Usaciga	-	40.0	105
Biomass	Interlagos	31/05/2007	40.0	106
Biomass	Da Mata	24/09/2009	40.0	107

Biomass	Cachoeira Dourada	19/01/2013	40.0	108
Biomass	Vale do Tijuco II	18/05/2012	40.0	109
Biomass	Rio Vermelho	12/06/2014	40.0	110
Biomass	Colombo Ariranha 2	30/04/2015	40.0	111
Biomass	Rio Vermelho 2	16/12/2014	40.0	112
Biomass	Amandina II	03/05/2018	40.0	113
Biomass	LDC Bioenergia Leme (Antiga Coimbra - Cresciumal)	01/05/1986	39.6	114
Biomass	São Martinho Energia	25/05/2013	39.5	115
Biomass	Alcídia	-	38.1	116
Biomass	Guarani - Tanabi	15/05/2014	38.0	117
Biomass	Klabin Correia Pinto (Antiga Celucat)	24/05/1969	37.8	118
Biomass	Itamarati	-	37.5	119
Biomass	Lwarcel (Antiga Lençóis Paulista)	01/01/1987	36.4	120
Biomass	Santa Terezinha Paranacity	22/08/2009	36.0	121
Hydro Power Plant	Queimado	16/06/2004	105.00	122
Hydro Power Plant	Salto Grande	01/01/1956	102.00	123
Hydro Power Plant	Jurumirim (Armando Avellanal Laydner)	21/09/1962	100.96	124
Hydro Power Plant	14 de Julho	25/12/2008	100.00	125
Hydro Power Plant	Pereira Passos	01/01/1962	99.90	126
Hydro Power Plant	Corumbá III	24/10/2009	96.45	127
Hydro Power Plant	Salto do Rio Verdinho	06/07/2010	93.00	128
Hydro Power Plant	Barra dos Coqueiros	19/06/2010	90.00	129
Hydro Power Plant	Paraibuna	20/04/1978	87.02	130
Hydro Power Plant	Retiro Baixo	03/03/2010	83.66	131
Hydro Power Plant	Canoas I	09/05/1999	82.50	132
Hydro Power Plant	Caconde	22/08/1966	80.40	133
Hydro Power Plant	Coaracy Nunes	30/12/1975	78.00	134
Hydro Power Plant	Sá Carvalho	01/01/1951	78.00	135
Hydro Power Plant	Passo São João	24/03/2012	77.00	136
Hydro Power Plant	Monjolinho (Antiga Alzir dos Santos Antunes)	01/09/2009	74.00	137
Hydro Power Plant	Salto Grande (Lucas Nogueira Garcez)	31/05/1958	73.80	138
Hydro Power Plant	Rondon II	31/03/2011	73.50	139
Hydro Power Plant	Alecrim	01/01/1974	72.00	140
Hydro Power Plant	Canoas II	13/07/1999	72.00	141
Hydro Power Plant	Pirajú	12/09/2002	70.00	142
Hydro Power Plant	Engenheiro José Luiz Muller de Godoy Pereira (Antiga Foz do Rio Claro)	05/08/2010	68.40	143
Hydro Power Plant	Caçu	24/07/2010	65.00	144
Hydro Power Plant	Santa Clara	20/02/2002	60.00	145
Hydro Power Plant	Sobragi	01/07/1998	60.00	146

Hydro Power Plant	Santa Branca	21/05/1999	56.05	147
Hydro Power Plant	Itupararanga	01/01/1914	55.00	148
Hydro Power Plant	Rosal	18/01/2000	55.00	149
Hydro Power Plant	Batalha (Antiga Paulista)	17/05/2014	52.50	150
Hydro Power Plant	Itutinga	01/01/1955	52.00	151
Hydro Power Plant	São José	29/03/2011	51.00	152
Hydro Power Plant	Picada	01/07/2006	50.00	153
Hydro Power Plant	São Domingos	14/06/2013	48.00	154
Hydro Power Plant	Camargos	01/01/1960	46.00	155
Hydro Power Plant	Salto Apiacás	17/09/2016	45.00	156
Hydro Power Plant	Canastra	09/05/1905	44.80	157
Hydro Power Plant	Ourinhos	07/12/2005	44.00	158
Hydro Power Plant	Curuá-Una	01/01/1977	42.80	159
Hydro Power Plant	Juba I	10/11/1995	42.00	160
Hydro Power Plant	Juba II	16/08/1995	42.00	161
Hydro Power Plant	Barra	01/01/1986	40.40	162
Hydro Power Plant	Barra do Braúna	25/12/2009	39.00	163
Wind power plant	Salto Curucaca	03/09/2016	37.04	164
Hydro Power Plant	Salto do Iporanga	01/01/1989	36.87	165
Hydro Power Plant	Fumaça	01/01/1964	36.40	166
Hydro Power Plant	Guaricana	01/05/1957	36.00	167
Wind Power Plant	Alegria I	30/12/2010	51.0	168
Wind power plant	Alegria II	30/12/2011	100.7	169
Wind power plant	Amontada	20/08/2014	75.6	170
Wind power plant	Areia Branca	09/12/2014	90.0	171
Wind Power Plant	Bons Ventos	11/02/2010	50.0	172
Wind Power Plant	Cabeço preto II	19/11/2016	70.0	173
Wind Power Plant	Cacimbas	10/05/2018	86.1	174
Wind Power Plant	Caetité	09/09/2015	54.4	175
Wind Power Plant	Campo dos Ventos	23/06/2016	105.6	176
Wind Power Plant	Canoa Quebrada	26/01/2010	57.0	177
Wind Power Plant	Curva dos Ventos	09/10/2014	56.4	178
Wind Power Plant	Dunas de Paracuru	22/12/2012	42.0	179
Wind Power Plant	Echo 1	04/05/2012	87.6	180
Wind power plant	Echo 4	07/12/2017	83.6	181
Wind Power Plant	Echo 5	27/12/2018	50.8	182
Wind Power Plant	Eurus	20/08/2015	95.0	183
Wind Power Plant	Fontes dos Ventos	04/02/2015	79.9	184
Wind Power Plant	Icarai	29/03/214	65.1	185
Wind Power Plant	Icaraizinho	14/10/2009	54.6	186
Wind Power Plant	Miassaba 3	01/02/2014	68.5	187

Wind Power Plant	Modelo	23/10/2014	56.4	188
Wind Power Plant	Parque Eólico de Osório	29/06/2006	50.0	189
Wind Power Plant	Parque Eólico dos Índios	13/12/2006	50.0	190
Wind Power Plant	Parque Eólico Elebrás Cidreira 1	21/05/2011	70.0	191
Wind Power Plant	Parque Eólico Sangradouro	30/09/2006	50.0	192
Wind power plant	Praia Formosa	26/08/2009	105.0	193
Wind Power Plant	Rei dos Ventos 1	01/02/2014	58.5	194
Wind Power Plant	Rei dos Ventos 3	01/02/2014	60.1	195
Wind Power Plant	RN 15 - Rio do Fogo	15/07/2006	49.3	196
Wind Power Plant	Statkraft Bahia	06/07/2012	95.2	197
Wind Power Plant	Taíba	19/06/2014	56.7	198
Wind Power Plant	Trairí	20/12/2016	37.8	199
Wind Power Plant	Vamcruz	05/12/2105	93.0	200
Wind Power Plant	Ventos de Santo Augusto	24/03/2017	88.1	201
Wind Power Plant	Vila Pará	07/12/2016	75.0	202
Wind Power Plant	Volta do Rio	03/09/2010	42.0	203

- Step 3: within the projects identified in Step 2, identify those that are neither registered CDM project activities, project activities submitted for registration, nor project activities undergoing validation. Note their number N_{all} ²³.

Outcome: Thirty-five (35) plants were identified as CDM Project (Biomass Power Plants Alta Mogiana, Catanduva I, Colombo Ariranha 2, Equipav, Esplanada, Interlagos, LDC Bioenergia Leme, Moema, Santa Adélia, Santa Elisa – Unidade I, Santa Terezinha, Vale do Rosário, Hydro Power Plants 14 de Julho and Engenheiro José Luiz Muller de Godoy Pereira Wind Power Plants Amontada, Areia Branca, Bons Ventos, Caetité, Campo dos Ventos, Canoa Quebrada, Curva dos Ventos, Dunas de Paracuru, Echo 1, Eurus, Fontes dos Ventos, Icaraí, Modelo, Parque Eólico de Osório, Parque Eólico dos Índios, Parque Eólico Sangradouro, Statkraft Bahia, Taíba, Trairí, Vamcruz, Vila Pará).

Therefore $N_{all} = 168$.

- Step 4: within similar projects identified in Step 3, identify those that apply technologies that are different to the technology applied in the proposed project activity. Note their number N_{diff} .

Outcome: Forty-four (44) plants are hydro power plants and one hundred and nine (109) are thermoelectrics (Biomass). Therefore $N_{diff} = 153$.

²³ For the present Common Practice Analysis, only CDM projects were considered, as instructed by the TOOL24. Given the low value for the F factor, considering projects from other programs would not consist on a significant change at the result.

- **Step 5: calculate factor $F=1-N_{diff}/N_{all}$ representing the share of similar projects (penetration rate of the measure/technology) using a measure/technology similar to the measure/technology used in the proposed project activity that deliver the same output or capacity as the proposed project activity.**

Outcome: $F = 1 - 153/168 = 0.089$

According to the tool, the project activity is a “common practice” within a sector in the applicable geographical area if the factor F is greater than 0.2 and $N_{all}-N_{diff}$ is greater than 3.

$F = 0.089$ and $N_{all}-N_{diff} = 15$, therefore, the project activity is not a common practice.

After following all steps, it can be concluded that the project is additional.

2.6 Methodology Deviations

Not applicable. There is no methodology deviation in this project.

3 QUANTIFICATION OF GHG EMISSION REDUCTIONS AND REMOVALS

3.1 Baseline Emissions

Baseline emissions include only CO₂ emissions from electricity generation in fossil fuel fired power plants that are displaced due to the project activity. The methodology assumes that all project electricity generation above baseline levels would have been generated by existing grid-connected power plants and the addition of new grid-connected power plants. The baseline emissions are to be calculated as follows:

$$BE_y = EG_{PJ,y} \times EF_{grid,CM,y}$$

Equation 01

Where:

BE_y = Baseline emissions in year y (t CO₂/yr)

$EG_{PJ,y}$ = Quantity of net electricity generation that is produced and fed into the grid as a result of the implementation of the project activity in year y (MWh/yr)

$EF_{grid,CM,y}$ = Combined margin CO₂ emission factor for grid connected power generation in year y calculated using the latest version of the “Tool to calculate the emission factor for an electricity system” (t CO₂/MWh)

If the project activity is the installation of a Greenfield power plant, then:

$$EG_{PJ,y} = EG_{facility,y}$$

Equation 02

Where:

$EG_{PJ,y}$ = Quantity of net electricity generation that is produced and fed into the grid as a result of the implementation of the project activity in year y (MWh/yr)

$EG_{facility,y}$ = Quantity of net electricity generation supplied by the project plant/unit to the grid in year y (MWh/yr)

Calculation of Combined margin CO₂ emission factor for grid connected power generation in year ($EF_{grid,CM,y}$)

According to the “Tool to calculate the emission factor for an electricity system”, version 07.0, Project participants shall apply the following six steps:

- (a) **Step 1:** Identify the relevant electricity systems;
- (b) **Step 2:** Choose whether to include off-grid power plants in the project electricity system (optional);
- (c) **Step 3:** Select a method to determine the operating margin (OM);
- (d) **Step 4:** Calculate the operating margin emission factor according to the selected method;
- (e) **Step 5:** Calculate the build margin (BM) emission factor;
- (f) **Step 6:** Calculate the combined margin (CM) emission factor.

In this section, project participants describe how these six steps are applied to this project:

- (a) **Step 1:** Identify the relevant electricity systems;

According to the tool, “if the DNA of the host country has published a delineation of the project electricity system and connected electricity systems, these delineations should be used. If such delineations are not available, project participants should define the project electricity system and any connected electricity system and justify and document their assumptions in the CDM-PDD”.

Brazilian DNA defined in 2008, through the resolution nº 8, that the National Interconnected System should be considered a unique electricity system and that this configuration is valid for

calculating the CO₂ emission factors used to estimate the greenhouse gases emissions reductions electricity generation projects.

(b) **Step 2:** Choose whether to include off-grid power plants in the project electricity system (optional);

Project participants may choose between the following two options to calculate the operating margin and build margin emission factor:

Option I: Only grid power plants are included in the calculation.

Option II: Both grid power plants and off-grid power plants are included in the calculation.

The option I was chosen for the project activity, once the operation margin and build margin emission factor calculated by the Brazilian DNA or alternatively calculated by the project developer are based on data of plants connected to the grid.

(c) **Step 3:** Select a method to determine the operating margin (OM);

The calculation of the operating margin emission factor ($EF_{grid,OM,y}$) is based on one of the following methods:

(a) Simple Operation Margin; or

(b) Simple adjusted Operation Margin; or

(c) Dispatch data analysis Operation Margin; or

(d) Average Operation Margin.

The method chosen for the calculation of operation margin emission factor for the project is the dispatch data analysis operation margin method.

(d) **Step 4:** Calculate the operating margin emission factor according to the selected method;

The method chosen for the calculation of the operation margin emission factor of this project was the dispatch data analysis.

The calculation of the Operation Margin emission factor follows the method by dispatch data analysis ($EF_{grid,OM-DD,y}$) and it is calculated and defined by the Brazilian DNA in accordance with the dispatch data supplied by ONS - National System Operator.

According to the “tool to calculate the emission factor for an electricity system”, for the dispatch data analysis OM it must be used the year in which the project activity displaces grid electricity and the emission factor must be updated annually during monitoring. This way, data are ex-post.

(e) **Step 5:** Calculate the build margin emission factor

In terms of data vintage, project participants can choose between one of the following two options:

Option 1. For the first crediting period, calculate the build margin emission factor ex-ante based on the most recent information available on units already built for sample group m at the time of CDM-PDD submission to the DOE for validation. For the second crediting period, the build margin emission factor should be updated based on the most recent information available on units already built at the time of submission of the request for renewal of the crediting period to the DOE. For the third crediting period, the build margin emission factor calculated for the second crediting period should be used. This option does not require monitoring the emission factor during the crediting period.

Option 2. For the first crediting period, the build margin emission factor shall be updated annually, ex-post, including those units built up to the year of registration of the project activity or, if information up to the year of registration is not yet available, including those units built up to the latest year for which information is available. For the second crediting period, the build margin emission factor shall be calculated ex-ante, as described in option 1 above. For the third crediting period, the built margin emission factor calculated for the second crediting period should be used.

The option that was chosen by project participants was Option 2.

(f) **Step 6:** Calculate the combined margin (CM) emission factor.

The calculation of the combined margin (CM) emission factor ($EF_{grid,CM,y}$) is based on one of the following methods:

- (a) Weighted average Combined Margin; or
- (b) Simplified Combined Margin.

This Project uses option (a) to calculate the combined margin emission factor. The combined margin emission factor is calculated according to the following equation:

$$EF_{grid,CM,y} = w_{OM} * EF_{grid,OM,y} + w_{BM} * EF_{grid,BM,y}$$

Equation 03

Where:

$EF_{grid,BM,y}$ = Build margin CO₂ emission factor in year y (tCO₂/ MWh)

$EF_{grid,OM,y}$ = Operating margin CO₂ emission factor in year y (tCO₂/ MWh)

W_{OM} = Weighting of operating margin emissions factor (%)

W_{BM} = Weighting of build margin emissions factor (%)

The “*Tool to calculate the emission factor for an electricity system*” recommends that the following default values should be used for W_{OM} and W_{BM} :

- Wind and Solar power generation project activities: $W_{OM} = 0.75$ and $W_{BM} = 0.25$ for the first crediting period and for subsequent crediting periods.
- All other projects: $W_{OM} = 0.5$ and $W_{BM} = 0.5$ for the first crediting period, and $W_{OM} = 0.25$ and $W_{BM} = 0.75$ for the second and third crediting period, unless otherwise specified in the approved methodology which refers to this tool.

This way, for the first crediting period of this project, it was adopted the following weights: $W_{OM} = 0.75$ and $W_{BM} = 0.25$.

3.2 Project Emissions

According to ACM0002: “Grid-connected electricity generation from renewable sources” (version 19.0), for most renewable energy power generation project activities, $PE_y = 0$. This is applied to grid-connected wind power plants as the enterprises of Gravier Renewable Energy.

3.3 Leakage

No other leakage emissions are considered. The emissions potentially arising due to activities such as power plant construction and upstream emissions from fossil fuel use (e.g. extraction, processing, transport etc.) are neglected.

3.4 Net GHG Emission Reductions and Removals

Emission reductions are calculated as follows:

$$ER_y = BE_y - PE_y \quad \text{Equation 04}$$

Where:

ER_y = Emission reductions in year y (t CO₂e/yr)

BE_y = Baseline emissions in year y (t CO₂/yr)

$$PE_y = \text{Project emissions in year } y \text{ (t CO}_2\text{e/yr)}$$

Baseline Emissions Calculations

As presented on section 3.1, the baseline emissions are calculated as follows:

$$BE_y = EG_{PJ,y} \times EF_{grid,CM,y} \quad \text{Equation 05}$$

Where:

$$BE_y = \text{Baseline emissions in year } y \text{ (t CO}_2\text{/yr)}$$

$$EG_{PJ,y} = \text{Quantity of net electricity generation that is produced and fed into the grid as a result of the implementation of the project activity in year } y \text{ (MWh/yr)}$$

$$EF_{grid,CM,y} = \text{Combined margin CO}_2 \text{ emission factor for grid connected power generation in year } y \text{ calculated using the latest version of the "Tool to calculate the emission factor for an electricity system" (t CO}_2\text{/MWh)}$$

As **Gravier Renewable Energy** is a greenfield wind power plant, then:

$$EG_{PJ,y} = EG_{facility,y} \quad \text{Equation 06}$$

For the period 01/08/2021 to 31/07/2031, $EG_{facility,y}$ was estimated as the product between Installed Capacity of the Plant, Plant Load Factor and the number of hours per year (8,760 hours per year). Table below shows the estimation of $EG_{facility}$ for this period.

Table 11 - $EG_{facility}$ Estimation

Installed Capacity (MW) (A)	Plant Load Factor (%) (B)	$EG_{facility,y}$ Estimation $C = A \times B \times 8,760$ (MWh)
71.4	45.42	284,100,0

To calculate the combined margin emission factor, the following equation is used.

$$EF_{grid,CM,y} = WOM * EF_{grid,OM,y} + WBM * EF_{grid,BM,y}$$

Equation 07

Where:

$EF_{grid,BM,y}$ = Build margin CO₂ emission factor in year y (tCO₂/ MWh)

$EF_{grid,OM,y}$ = Operating margin CO₂ emission factor in year y (tCO₂/ MWh)

W_{OM} = Weighting of operating margin emissions factor (%)

W_{BM} = Weighting of build margin emissions factor (%)

For this first crediting period of the project, $W_{OM} = 0.75$ and $W_{BM} = 0.25$.

For ex-ante emission reductions estimations from 01/08/2021 to 31/07/2031 (DD/MM/YYYY), $EF_{grid,OM,y}$ and $EF_{grid,BM,y}$ for 2018 were used. This is the latest information available. These parameters were calculated by Brazilian DNA²⁴.

The values are:

$$EF_{grid,OM,2018} = 0.5390 \text{ tCO}_2\text{e/MWh}$$

$$EF_{grid,BM,2018} = 0.137 \text{ tCO}_2\text{e/MWh}$$

Applying these values to Equation 03,

$$EF_{grid,CM,2018} = 0.75 \times 0.5390 + 0.25 \times 0.137 = 0.4385 \text{ tCO}_2\text{e/MWh}.$$

Applying estimation of annual E_{GPJy} to equation 02, $BE_y = 284,100,0 \text{ MWh} \times 0.4385 \text{ tCO}_2\text{e/MWh} = 124,586 \text{ tCO}_2\text{e/year}$.

As this project does not present any emission nor leakage, emission reduction estimation is equal to baseline emissions as presented in the table below.

²⁴ Source: MCTI, 2019. <http://www.mctic.gov.br/mctic/opencms/ciencia/SEPED/clima/index.html> . Accessed on Oct., 2019.

Table 12 - Emission Reduction Estimation

Year	Estimated baseline emissions or removals (tCO ₂ e)	Estimated project emissions or removals (tCO ₂ e)	Estimated leakage emissions (tCO ₂ e)	Estimated net GHG emission reductions or removals (tCO ₂ e)
2021	52,224	0	0	52,224
2022	124,586	0	0	124,586
2023	124,586	0	0	124,586
2024	124,586	0	0	124,586
2025	124,586	0	0	124,586
2026	124,586	0	0	124,586
2027	124,586	0	0	124,586
2028	124,586	0	0	124,586
2029	124,586	0	0	124,586
2030	124,586	0	0	124,586
2031	72,362	0	0	72,362
Total	1,245,860	0	0	1,245,860

4 MONITORING

4.1 Data and Parameters Available at Validation

Table 6 - Data and Parameters Available at Validation

Data / Parameter	The percentage share of total installed capacity of the specific technology
Data unit	%
Description	The percentage share of total installed capacity of the specific technology in the total installed grid connected power generation capacity in the host country
Source of data	ANEEL
Value applied	9.0%
Justification of choice of data or description of measurement methods and procedures applied	Data provided by ANEEL ²⁵
Purpose of Data	Calculation of baseline emissions

²⁵ ANEEL Management Information Report, March/2019. Available at: <https://www.aneel.gov.br/documents/656877/14854008/Boletim+de+Informa%C3%A7%C3%B5es+Gerenciais+-+1%C2%BA+trimestre+de+2019/b860054f-79ec-6608-951a-fb2288701434>. Last access on October, 2019.

Comments	-
Data / Parameter	The total installed capacity of the technology
Data unit	kW
Description	The total installed capacity of the technology in the host country
Source of data	ANEEL
Value applied	14,872,793
Justification of choice of data or description of measurement methods and procedures applied	Data provided by ANEEL ²⁵
Purpose of Data	Calculation of baseline emissions
Comments	-

4.2 Data and Parameters Monitored

Table 7 – Data and Parameters Monitored

Data / Parameter	EG _{facility,y}
Data unit	MWh/yr
Description	Quantity of net electricity generation supplied by the project plant/unit to the grid in year y (MWh/yr)
Source of data	Project Activity Site: Meters at substation Mossoró IV
Description of measurement methods and procedures to be applied	Electricity Meters
Frequency of monitoring/recording	Continuous measurement and at least monthly recording
Value applied	284,100 MWh (for a complete year)
Monitoring equipment	At the substation Mossoró IV, there are two meters (one principal and one rear) that register net electricity supplied to the grid by the project. Class, precision and calibration procedures of the meters shall follow ONS and National Authorities Guidelines and Procedures.

QA/QC procedures to be applied	<p>The uncertainty level for these data is low. The electricity supplied to the grid is monitored by the project participants directly from the meters. Operation and Maintenance (O&M) team supports measurement data collection and cross-checks the information with data provided by CCEE's Website (Electric Power Commercialization Chamber).</p> <p>Meters are calibrated according to National Operator of the System (ONS) Procedures.</p>
Purpose of data	Calculation of baseline emissions
Calculation method	Two specific meters are located in the Substation Mossoró IV that registers net electricity generated by all plants to the Grid. No calculation is necessary.
Comments	CCEE - Entity responsible for measurements, accounting and settlement on Brazilian electric energy market.

Data / Parameter	$EF_{Grid,CM,y}$
Data unit	tCO ₂ e/MWh
Description	Combined margin emission factor for the grid in year y
Source of data	<p>The combined margin emission factor will be calculated using the procedures of the "Tool to calculate the emission factor for an electricity system", version 07.0. $EF_{grid,OM,y}$ and $EF_{grid,BM,y}$ data will be supplied by Brazilian Designated National Authority of the CDM (Brazilian DNA).</p> <p>The combined margin emission factor used on the Project will be calculated based on data of National Interconnected System supplied by Brazilian DNA.</p>
Description of measurement methods and procedures to be applied	<p>As per the "Tool to calculate the emission factor for an electricity system". For this the first crediting period of the project, WOM = 0.75 and WBM = 0.25.</p> <p>As Gravier Renewable Energy uses Dispatch data analysis OM method for operating margin emission factor, $EF_{grid,OM,y}$ is calculated ex post.</p> <p>For the first crediting period, the build margin emission factor shall be updated annually, ex-post, including those units built up to the year of registration of the project activity or, if information up to the year of registration is not yet available, including those units built up to the latest year for which information is available.</p> <p>For ex-ante emission reductions estimations from 01/08/2021 to 31/07/2031 (DD/MM/YYYY), $EF_{grid,OM,y}$ and $EF_{grid,BM,y}$ for 2018 were used. This is the latest information available.</p>

	These parameters were calculated by Brazilian DNA.
Frequency of monitoring/recording	Annually
Value applied	0.4385 tCO ₂ e/MWh from 2018 to the end of the crediting period.
Monitoring equipment	Not applicable
QA/QC procedures to be applied	As per the “Tool to calculate the emission factor for an electricity system”.
Purpose of data	Calculation of baseline emissions
Calculation method	As per the “Tool to calculate the emission factor for an electricity system”. Dispatch Data Analysis for OM Operating Margin Emission Factor. Data supplied by Brazilian CDM DNA will be used.
Comments	More information was described on item 3.

4.3 Monitoring Plan

Monitoring has the objective of measuring the emission reductions achieved by the project. The monitoring plan follows the Monitoring Methodology of consolidated baseline methodology for grid-connected electricity generation from renewable sources ACM0002, version 19.0. All data collected as part of monitoring should be archived electronically and be kept at least for two years after the end of the last crediting period. All measurements will be conducted with calibrated measurement equipment according to Brazilian industry standards. The main parameters that will be monitored are:

- $EG_{\text{facility},y}$ - Quantity of net electricity generation supplied by the project plant/unit to the grid in year y (MWh/yr);
- Combined margin emission factor for the grid in year y ($EF_{\text{Grid,CM},y}$)

Monitoring of $EG_{\text{facility},y}$

Operation and Maintenance (O&M) team is responsible for the operation and maintenance activities of the Gravier Wind Power Plant, as well as for measurement activities. It collects and storages all measurement data.

O&M team is also responsible for monitoring and analysing $EG_{\text{facility},y}$ information. It monitors data and cross-checks it with information provided by Chamber of Electricity Commercialization (CCEE).

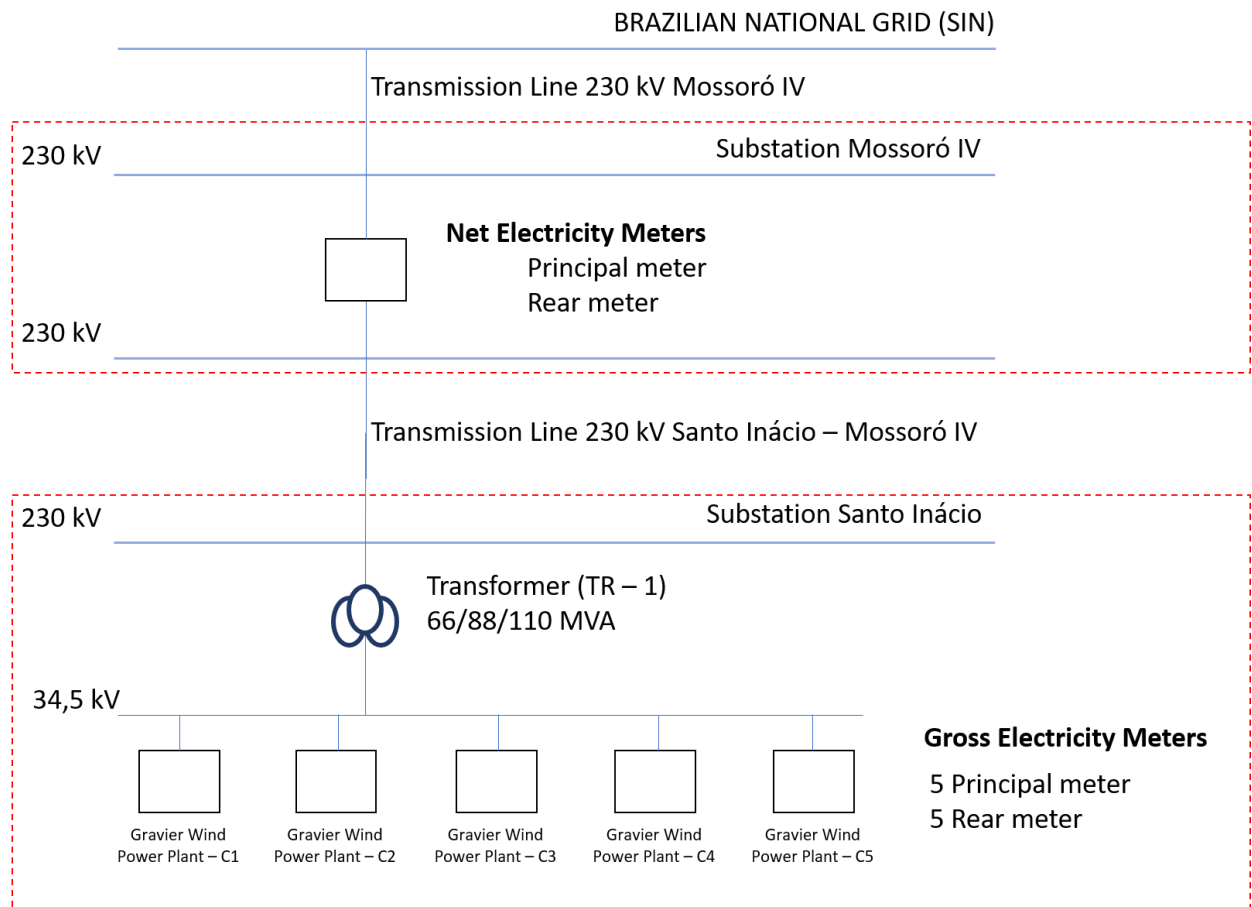
The wind power plant is connected to Substation Santo Inácio (34.5 to 230 kV), where there are five principal meters and the other five rear meters. These meters register gross electricity

generated by the plant. This substation can also include energy generated by facilities outside the boundary project.

Energy from Gravier Wind Power Plant and other facilities are then conducted through a transmission line (230kV) to substation Mossoró IV, where two meters (one principal and one rear) that register net electricity supplied to the grid ($EG_{\text{facility},y}$) by Gravier WPP are located. These meters can also include energy generated by facilities outside the project boundary. The total amount of energy dispatched to the SIN monitored by these meters will be prorated between each project facility according to the proportional amount of electricity generation measured in the electrical substation for each facility.

ONS Grid Procedures defines the calibration frequency and other maintenance procedures. All meters of the plants are calibrated according to Brazilian Standards.

Diagram below shows the measurement scheme of the project:



In the Diagram, C1, C2 and C3 are connected to four turbines each, C4 is connected to three turbines and C5 is connected to two turbines. The five groups are connected to the transformer on Substation Santo Inácio.

It is important to state that net electricity supplied to the grid impacts directly the revenues of the plant once electricity is the main product of the project. Therefore, a straight control is performed about this information.

Monitoring of $EF_{Grid,CM,y}$

The Combined margin emission factor for the grid in year y is calculated by consulting company hired by the project proponent. Calculations follows tool to calculate the emission factor for an electricity system, version 07.0 as described on section 02. Data supplied by Brazilian CDM DNA will be used.

5 SAFEGUARDS

5.1 No Net Harm

The Simplified Environmental Report is part of the environmental licensing, which is a legal obligation in Brazil. Before construction phases, some impacts were identified at the Simplified Environmental Report (*Relatório Ambiental Simplificado* in Portuguese - RAS) and monitoring programs were designed to mitigate these impacts. The Environmental Basic Program gives details of actions taken to mitigate socio-economic impacts.

At this section, project proponents present just the negative environmental and social impacts identified at the RAS and actions planned to mitigate them. It is worth pointing out that main impacts of the project were identified as positive impacts but are not mentioned in this section.

The negative impacts identified for the plant are:

- Changes in the community's daily life;
- Landscape modification;
- Dust emission;
- Sound alteration;
- Risk of soil contamination;
- Risks to non-manifested archaeological patrimony;
- Floating population increase;
- Vegetal cover losses;
- Rise in vehicles traffic;
- Risks of road accidents involving local population and wildlife;
- Stress over existing basic infrastructure;

- Intervention in permanent preservation areas;
- Vegetation fragmentation and losses;
- Natural habitats destruction;
- Interference in areas of permanent preservation;
- Erosive processes acceleration;
- Organic residues disposal;
- Risk of work accidents;
- Morphological and geotechnical alterations;
- Interference in watercourses;
- Risk of accidents involving birdlife;
- Risk of daylight interference over nearby settlements;
- Risk of Strobe Effect and shadow over nearby settlements;
- Demobilization of manpower after the construction of the Wind Power Plant.

To mitigate these impacts, several actions were planned in the RAS. The main actions are presented as follows:

- Civil Works Signalling Program;
- Technical Training and Use of Manpower Program;
- Worker Protection and Workplace Safety Program;
- Risks Management Plan;
- Soil Quality Monitoring Program;
- Rational Deforestation Program;
- Landscape Preservation and Protection of Permanent Preservation Areas Program;
- Erosive Processes Monitoring and Prevention Program;
- Solid Wastes Management Program;
- Wastewater Monitoring Program;

- Recuperation of Degraded Areas Program;
- Social Communication Program;
- Environmental Education Program;
- Health Monitoring of Nearby Populations Program;
- Safety and Rescue of Local Fauna Program;
- Wildlife Monitoring Program;
- Wildlife Protection and Rescue Program;
- Noise Monitoring Program;
- Water Quality Monitoring Program;
- Vibrations Monitoring Program;
- Eventual Deactivation of the Entrepreneurship Plan;
- Environmental Audits Program;
- Archaeological Patrimony Management Program;

5.2 Environmental Impact

The environmental licensing is a legal obligation prior to the installation of any entrepreneurship or activity potentially pollutant or degrading to the environment in Brazil. The obligation of environmental licensing in Brazil is shared by State Environmental Organs and by Ibama – Instituto Brasileiro do Meio Ambiente e dos Recursos Naturais Renováveis (Brazilian Institute of Environment and Renewable Natural Resources), as part of SISNAMA – Sistema Nacional de Meio Ambiente (National Environmental System).

State Environmental Superintendence of Ceará State (SEMA-CE) is responsible for environmental licensing of the Gravier wind power plant. At the time of this Project Description elaboration, the plant has prior licenses requested. The number and date of the request were presented on section 1.11 of this report.

The process of environmental licensing has three different phases: Prior Licensing, Installation Licensing and Operation Licensing. Prior License (PL) does not authorize the installation of the project. It approves the environmental viability of the project and authorizes its location and technological conception. Besides, it establishes the conditions to be considered in the development of the executive project. The Installation License (LI) authorizes the start of the entrepreneurship construction. The deadline for this license is established by the timetable of the project construction, which cannot be superior to 6 (six) years.

The Operation License (LO) must be requested before the entrepreneurship begins its operation, once it authorizes the start up. Its issuance is conditioned to an inspection to verify whether all the demands and technical details described in the project approved were developed. It is also verified if they meet what is expected in the LP and LI. During the licensing process, some entities as Federal Entities Historic Heritage Management (Órgãos Federais de Gestão do Patrimônio Histórico – IPHAN), Indigenous National Foundation (FUNAI), Traditional Quilombolas Communities (Fundação Palmares), Health National Foundation (FUNASA) are consulted.

To subsidize the LO phase, the entrepreneur elaborates a group of reports, describing the execution of the environmental programs and mitigating measures expected in the phases of LP and LI.

Potential negative impacts of the plants and actions planned to mitigate them were presented on section 5.1. In this section, we also present positive impacts of the projects identified on Simplified Environmental Report.

- Generation of positive expectations in the communities surrounding areas of direct impact, as many may envision some business and / or employment opportunity because of the project;
- Direct and Indirect jobs generation, including local workers during construction;
- Greater currency circulation;
- Local commerce growth/stimulation;
- Increase in taxes collection;
- Renewable Energy Supply to National Interconnected System;
- Greater reliability for the Energy Production System;
- Roads infrastructure improvement;
- Increase of land value.

5.3 Local Stakeholder Consultation

Local stakeholder Consultation is one of the phases of the Licensing process. According to the CONAMA Resolution n. 237/97, when an environmental license (prior, installation and operational license) is requested or renewed, it must be made public for the communities that may be affected by the project activity, regardless the level of impact it may be submitted to. This procedure consists on informing the main characteristics of the wind power plants, such as installed capacity and location.

In addition, all environmental data and information registered under the National System of Environment (*Sistema Nacional de Meio Ambiente* in Portuguese – SISNAMA) must be available for public consultation as per law n. 10.650 of April 16th of 2003. To meet this requirement, a

National Website for Environmental Licensing (PNLA – *Portal Nacional de Licenciamento Ambiental* in Portuguese) was developed by the Environmental Ministry. All the information registered for the project will be available at the website for public consultation once the prior License has been registered. Meanwhile, information about the project can be found at the SEMA-CE website²⁶.

Additional comments may also be directed to the project through the website of Aliança Geração de Energia S.A.²⁷

During the licensing process of the Gravier Wind Power Plant project, an inform about the prior licensing request was published at the local paper “O Estado” on July 12th 2019. Inputs could be presented any time since the day of the announcement, and a channel for additional contributions will remain available throughout the project implementation. Questions raised from local stakeholder consultation will be answered by Aliança Geração de Energia S.A. and dully registered by the entrepreneurship.

Therefore, local stakeholder consultation comprised two stages:

1. From the moment of the publication at the local paper until the composition of the present Project Description. Information was also made publicly available for public consultation through the IDEMA website. No comments from local stakeholders were received through the website of Aliança Geração de Energia S.A. or the environmental entity responsible for the licensing process;
2. From the publication of the present Project Description until the implementation of the project. Given the project is not yet fully implemented, local stakeholders can still submit comments and will be taken into account until its complete implementation through Aliança’s website.

Any comments received during the implementation of the project shall be dully registered by the environmental entity responsible for the licensing process and by Aliança Geração de Energia S.A. All comments will be reviewed and addressed to the responsible sectors within Aliança.

In addition, Aliança Geração de Energia S.A. developed environmental plans and programs to mitigate any potential impact local stakeholders may be subject to, to be carried out at the second stage of the local stakeholder consultation. Some of the activities are listed below:

- Technical training and use of manpower program;
- Employee protection and workplace safety program;
- Social Communication program;
- Environmental Education program;
- Health monitoring program for the populations surrounding the project activity;

²⁶ Please, see at the website: <<http://mobile.semace.ce.gov.br/consultaProcesso>>, under the field N. SPU, type the code 06159243/2019, or at “Nome do Interessado”, type Alianca Geracao de Energia S.A.

²⁷ Inputs about the project may be presented at: <<https://aliancaenergia.com.br/br/fale-conosco/>>.

- Noise level monitoring program;
- Water Quality monitoring program;
- Plan for eventual deactivation of the project activity;

The most relevant program considered under a local stakeholder consultation perspective is the Social community program. It intends to create a communication channel between the company and the local community, to answer questions, allow for criticism and gather suggestions, mitigate any eventual impacts, as well as keeping the community informed about the project activity status.

The target audience for this project are people involved at the implementation and operation of the wind power plant, and the communities from Gravier, Assentamento Ariza, Ninho da Ema and Miranda. The activities will be conducted during the installation phase of the project, every other month.

The main activities to be developed are: distribution of informative material, meetings with local social workers and meetings with the residents. Small informal meetings may also be held to better understand the needs of the local community. All complaints must be registered and status on the implementation of the solutions must be updated periodically. These activities will be documented by photos and attendance lists. Reports about the activities shall be developed, being consolidated on a main final report.

The implementation and execution of the environmental programs and plans will be inspected by the environmental entity responsible for the licensing process (IDEMA) and all the results must be registered and reported on an annual basis. These documents will be considered during the approval of the Operational License, required for the operation of the wind power plant.

At the time of this Project Description, no comments were received, and therefore, did not cause any changes in the project.

5.4 Public Comments

The project was published for public comments as indicated by VCS rules and it did not receive any comments.