

PROJECT REVIEW REPORT

This project review report includes findings raised during Verra’s review of the project specified below. The VVB must address the findings before the project request can be considered for approval by Verra. The project review report will be made publicly available on the Verra Registry. Confidential information may be provided in separate attachments.

Project ID	3095
Project Name	BIODIESEL PROJECT BY KOTYARK INDUSTRIES LIMITED
Review Type	Registration and Issuance Approval
Program(s)	VCS Program
Verification Period	15-September-2020 to 31-March-2022
Project Proponent	Kotyark Industries Limited Gujarat, India
Methodology	ACM0017: Production of biofuel -- Version 4.0
VVB	TÜV SUD South Asia Private Limited
Assessment Criteria	VCS Standard, v4.4
Date of First Issue	07 September 2023
Review Conclusion	Approved
Date of Final Issue	01 March 2024

FINDINGS

#	Finding Description	VVB Response	Status
1	Applicability condition to avoid double counting		
	<p><u>Issue</u> To meeting applicability condition in paragraph 5 of ACM0017 version 4, the project proponent has obtained "No double counting declaration certificate" from the buyers. However, it is not clear whether the indicated buyers are end-users of the biodiesel produced by the project activity, considering paragraph 5 of ACM0017 version 4 requires contractual agreement with the end-user(s).</p> <p><u>Action Required</u> 1. The VVB must ensure that the PP has obtained contractual agreement with the end-user(s) of the biodiesel produced by the project activity; 2. The VVB must clarify how it has verified that contractual agreement has been achieved with the end-user(s) of the biodiesel produced by the project activity to avoid double counting of emission reductions.</p> <p><u>Program Rule(s)</u> <i>Section 3.2 of VCS Joint Project Description & Monitoring Report Template, v4.2;</i> <i>Paragraph 5 of ACM0017 version 4.</i></p>	<p>Round 1</p> <p><u>VVB Response</u> The project proponent has contractual agreement with the end-user of biodiesel regarding supply of biodiesel which cannot be amended regarding double counting of CERs hence a declaration signed by end users is provided which was checked and found acceptable.</p> <p>PP has provided list of end users with consumption records and declarations were cross checked against the same.</p> <p><u>Verra Response</u> VVB has confirmed the ownership and the declarations. This finding is closed.</p> <p>Round 2</p> <p><u>VVB Response</u></p> <p><u>Verra Response</u></p>	Closed

#	Finding Description	VVB Response	Status
2	Applicability condition related to feedstock inputs		
	<p><u>Issue</u> 1. The JMR states that the project only uses waste oil/fat for biodiesel production. However, the JVVR does not specify what evidences have been checked by the VVB to confirm that waste oil/fat is the exclusive feedstock in producing biodiesel during</p>	<p>Round 1</p> <p><u>VVB Response</u> 1. The main feedstock is waste oil / fat for biodiesel production and PP is having contract with waste oil suppliers for procurement of the same. Amount of waste</p>	Closed

<p>this monitoring period.</p> <p>2. Neither JMR nor JVVR provides clarity on whether methanol is the exclusive type of alcohol used for esterification process in producing biodiesel in the project activity.</p> <p>3. Neither JMR nor JVVR provides clarity on whether methanol used is of fossil fuel origin or not. As per the applied methodology biofuel produced using fossil fuel-based methanol can be credited.</p> <p><u>Action Required</u></p> <p>1. The VVB must ensure that the PP has implemented project activity as per the descriptions in JMR, in particular the actual feedstock in producing biodiesel and ensure that the PP only claims emission reductions from the biodiesel produced with eligible feedstocks;</p> <p>2. The VVB must specify the evidences checked by the VVB to confirm the feedstock in producing biodiesel during this monitoring period;</p> <p>3. The VVB must ensure that the PP describes all type of alcohol used for esterification process in producing biodiesel in the project activity and only claims emission reductions from the biodiesel produced with the use of methanol;</p> <p>4. The VVB must clarify how it has verified the actual type of alcohol used for esterification process in producing biodiesel during this monitoring period, and how it has confirmed that emission reductions are exclusively claimed from the biodiesel produced with the use of methanol of fossil fuel origin.</p> <p><u>Program Rule(s)</u> <i>Paragraph 6(a) of ACM0017 version 4; Section 3.2 of VCS Joint Project Description & Monitoring Report Template, v4.2.</i></p>	<p>oil/fat purchased and processed for production of biodiesel was verified by purchase records / bills submitted.</p> <p>2. Methanol is the exclusive alcohol used for esterification in the project activity & same is mentioned under section 3.2 of the revised PDMR.</p> <p>3. PP has submitted methanol quantity consumed along with a third party detailed project report mentioning the usage of methanol exclusively in the project activity. The methanol used in the project activity is of fossil fuel origin & same is updated in Section 3.2 point 4 of the Applicability under revised PDMR.</p>	
	<p><u>Verra Response</u> The justification for applicability criteria has been provided. This finding is closed.</p>	
	<p>Round 2</p>	
	<p><u>VVB Response</u></p>	
	<p><u>Verra Response</u></p>	

#	Finding Description	VVB Response	Status
3	Applicability condition related to biofuel plant and products		
	<p><u>Issue</u></p> <p>1. The JVVR does not provide information on how the VVB has verified that the biodiesel produced in the project activity complies with national regulations (if existent) or with suitable international standards.</p> <p><u>Action Required</u></p> <p>1. The VVB must ensure that the PP specifies the national regulation (if existent) or international standards which is applicable for the biodiesel produced and ensure the compliance of it;</p> <p>2. The VVB must clarify how it has verified the compliance of the biodiesel produced with the applicable national regulation or international standards.</p> <p><u>Program Rule(s)</u></p> <p><i>Paragraph 6(c)(i) of ACM0017 version 4;</i> <i>Section 3.2 of VCS Joint Project Description & Monitoring Report Template, v4.2.</i></p>	<p>Round 1</p> <p><u>VVB Response</u></p> <p>In the host country (India), all the biodiesel producers are bound to follow National Policy on biofuel. The link of recently amended policy is provided in footnote in the revised PDMR under section 3.2 for reference.</p> <p><u>Verra Response</u></p>	Closed
		<p>Round 2</p> <p><u>VVB Response</u></p> <p>The details of national regulations as applicable have been provided. This finding is closed.</p> <p><u>Verra Response</u></p>	

#	Finding Description	VVB Response	Status
4	Applicability condition related to consumption of biofuel		
	<p><u>Issue</u></p> <p>1. The end users of the biodiesel produced include vehicles, however, the relevant target consumer group and distribution system of the biodiesel are not identified or described in the JMR, as required by paragraph 6(d)(ii) of ACM0017 version 4.</p> <p>2. Page 22 of the JMR indicates that there is not blending in the project. Neither JMR nor JVVR provides clarity on how the technical performance characteristics of the biodiesel produced do not differ significantly from those of petrodiesel and comply</p>	<p>Round 1</p> <p><u>VVB Response</u></p> <ol style="list-style-type: none"> 1. The relevant target consumer group of biodiesels are bulk consumers and same is mentioned in revised PDMR under section 3.2. 2. There is no blending at PP's facility but later done by OMCs (Oil manufacturing companies) by 7% and same is mentioned throughout the revised PDMR. <p>The technical performance characteristics of the</p>	Closed

<p>with all local regulations.</p> <p><u>Action Required</u></p> <ol style="list-style-type: none"> 1. The VVB must ensure that the PP identifies and describes the target consumer group and the distribution system of the biodiesel in case of vehicles as the end users; 2. The VVB must clarify how it has verified the compliance of the description of end users in JMR with paragraph 6(d)(ii) of ACM0017 version 4; 3. The VVB must ensure that the PP specifies the technical performance characteristics of the biodiesel produced and local regulations applicable; 4. The VVB must clarify how it has verified the technical performance characteristics of the biodiesel produced do not differ significantly from those of petrodiesel and comply with such local regulations. <p><u>Program Rule(s)</u></p> <p>Section 3.2 of VCS Joint Project Description & Monitoring Report Template, v4.2;</p> <p>Paragraph 6(d)(ii) and 6(d)(viii) of ACM0017 version 4.</p>	<p>biodiesel is governed by Laboratory test reports on annual basis. Further, biodiesel production, blending and consumption by bulk consumer are following National Standard.</p>	
	<p><u>Verra Response</u></p> <p>VVB has confirmed that the alcohol used for esterification is methanol from fossil origin. PP has further defined relevant target consumer group of biodiesels. This finding is closed.</p>	
	<p>Round 2</p>	
	<p><u>VVB Response</u></p>	
	<p><u>Verra Response</u></p>	

5 Identification of realistic and credible alternative(s) to determine baseline		
<p><u>Issue</u></p> <ol style="list-style-type: none"> 1. In identifying the realistic and credible alternative of element Material (M), alternative M5 (Disposal of material in an anaerobic or aerobic manner) is considered no feasible, by stating that no waste oil/fat is treated by anaerobic or aerobic technologies in India. However, such statement is not consistent with the other statement (i.e. The waste oil/fat generate every day in the local area were discharged into the municipal sewage system without recovery.) in page 29 of the JMR. <p><u>Action Required</u></p>	<p>Round 1</p>	Closed
	<p><u>VVB Response</u></p> <ol style="list-style-type: none"> 1. As confirmed, the most plausible baseline scenario for the project is: P1: Continuation of current practices with no investment in biodiesel production capacity; C1: Continuation of petroleum diesel consumption; M2: Use for material production of substances other than fuel. The mentioned statement regarding discharge of waste oil / fat is corrected in section 3.4 of the revised PDMR. 	
	<p><u>Verra Response</u></p> <p>The statement has been corrected. This finding is closed.</p>	

<p>1. The VVB must ensure that PP justifies the selection of baseline alternatives. 2. The VVB must clarify how it has validated the realistic and credible alternative(s) identified for the element Material (M).</p> <p><u>Program Rule(s)</u> Section 3.4 of VCS Joint Project Description & Monitoring Report Template, v4.2; Paragraph 28 of ACM0017 version 4.</p>		
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6 The investment analysis sheet and its input values, and information presented in common practice analysis		
<p><u>Issue</u></p> <p>1. The investment analysis sheet is not submitted. 2. Not all input values are listed in the JMR, e.g. the project cost and raw material cost. 3. The information of common practice analysis presented are not consistent between JMR and JVVR, e.g. the number Nail is 3 in JMR (page 37) whereas the same is considered as 0 in JVVR (page 51).</p> <p><u>Action Required</u></p> <p>4. The VVB must ensure that the IRR calculation spreadsheet is provided for further reference and further information shall be included in the Joint PD-MR to allow a third party to replicate the IRR calculations. The VVB shall consider that as per the VCS Standard v4.4 section 3.5.3: “Information in the project description related to the determination of the baseline scenario, demonstration of additionality, and estimation and monitoring of GHG emission reductions and removals shall not be considered to be commercially sensitive and shall be provided in the public versions of the project description.” 5. The VVB must validate the investment analysis sheet as required. 6. The VVB must ensure that all input values of investment</p>	<p>Round 1</p> <p><u>VVB Response</u></p> <p>1. The investment analysis sheet is submitted with the PRR responses. 2. All input values are updated in section 3.5 of the revised PDMR in line with the Investment analysis sheet. 3. The information of common practice analysis presented in joint PDMR is in line with CPA analysis. The JVVR is also corrected in line with joint PDMR.</p> <p><u>Verra Response</u></p> <p>The investment analysis sheet has been provided and input values have been provided in JPD-MR. The common practice analysis has been corrected. This finding is closed.</p>	<p>Closed</p>

<p>analysis are complete and consistency as well as that of the common practice analysis.</p> <p>7. The VVB must validate and cross-check all the input values of the investment analysis sheet and common practice analysis with actual values or information from other sources if deemed necessary to confirm that the project is in real need of additional revenues, as the project has been operating without any carbon revenues for the last 3 years.</p> <p><u>Program Rule(s)</u> <i>Section 3.5 of Joint Project Description & Monitoring Report Template v4.2;</i> <i>Section 3.5.3 of VCS Standard v4.4;</i> <i>Section 3.14.2 of VCS Standard v4.4.</i></p>		
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7 Further information on the appropriateness of input values used in the investment analysis		
<p><u>Issue</u></p> <p>1. The JVVR indicates that the VVB has cross-checked the assumed input values against cross-checking reference, however the values in the cross-checking reference are not reported. E.g. The assumed project cost of 725.39 INR Mn has been cross-checked against Chartered Accountant Certificate (page 42 of JVVR) and Supply Agreements (page 43 of JVVR) whereas none of the actual project costs in either Chartered Accountant Certificate or Supply Agreements are reported in the JVVR.</p> <p><u>Action Required</u></p> <p>1. The VVB must further substantiate how it has validated the suitability of the assumed input values through cross-checking, by specifying the references and relevant values used for cross-checking.</p> <p><u>Program Rule(s)</u> <i>Section 3.5 of Joint Validation and Verification Report Template,</i></p>	<p>Round 1</p> <p><u>VVB Response</u> JVVR is now revised to include the details for the concerned values.</p> <p><u>Verra Response</u> VVB has provided assessment of input values. This finding is closed.</p>	<p>Closed</p>

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8 Calculation of emission reductions			
	<p><u>Issue</u></p> <p>1. The calculation of leakage is not correct, in particular $LE_{FF,y}$ (Leakage related to the avoided production of fossil fuel in year y) as a conversion factor from GJ to TJ is missing in the calculation (e.g. cell I14 of in the table “Leakage”).</p> <p>2. For the parameter $LE_{BR,y}$ it is simply mentioned that there are no leakage emissions from displacement of existing uses of waste oil/fat or biomass residues without providing any explanation.</p> <p><u>Action Required</u></p> <p>1. The VVB must ensure that the emission reductions are calculated correctly.</p> <p>2. The VVB must substantiate how it has validated the correctness of emission reduction calculation in the spreadsheet, in particular $LE_{FF,y}$ (Leakage related to the avoided production of fossil fuel in year y).</p> <p><u>Program Rule(s)</u></p> <p><i>Section 5.3 of Project Description & Monitoring Report Template v4.2.</i></p>	<p style="background-color: #2c3e50; color: white; padding: 2px;">Round 1</p> <p><u>VVB Response</u></p> <ol style="list-style-type: none"> 1. The calculation of leakage particularly $LE_{FF,y}$ is corrected in Actual as well as estimated ER sheet. 2. The explanation is added in the revised PDMR regarding parameter $LE_{BR,y}$. <p><u>Verra Response</u></p> <ol style="list-style-type: none"> 1. The leakage calculations have been corrected. However, the actual emission reductions reported in table provided in section 5 of JVVR (60,496 tCO₂e) are inconsistent with the actual emission reductions reported in JPD-MR section 7.5 as 57,876 tCO₂e. 2. The value of actual emission reductions are inconsistent in the workbook ‘Actual ER Sheet VCS 3095’ sheet ‘Emission Reductions’ cell E26, G36 and F36. 3. Further the comparison of estimated ex-ante GHG emission reductions and removals and the achieved emission reductions and removals for this monitoring period is missing in line with the template in both section 7.5 of JPD-MR and JVVR. 4. The estimated emission reductions values provided in table of section 1.10 of JPD-MR and section 5 of JVVR are inconsistent with section 5.4 of JPD-MR and the calculation spreadsheet. <p><u>Action Required</u></p> <ol style="list-style-type: none"> 1. VVB must ensure that the emission reductions values including baseline, project and leakage emissions are correctly and consistently reported throughout in JPD-MR, JVVR and calculation spreadsheets. 2. VVB must ensure that comparison of estimated ex-ante 	Closed

		<p>GHG emission reductions and the achieved emission reductions for this monitoring period is provided in line with the template.</p> <ol style="list-style-type: none"> The section number for leakage emissions in JPD-MR (section 7.4) should be correctly mentioned. VVB must ensure that estimated emission reductions are correctly and consistently reported throughout in JPD-MR, JVVR and calculation spreadsheet. The year details in table in section 1.10 of JPD-MR should be clearly defined as per actual crediting period dates. 	
		<p>Round 2</p>	
		<p><u>VVB Response</u></p> <ol style="list-style-type: none"> The values of emission reductions (57,874 tCO₂e) are updated in JPD-MR, JVVR as per ER sheet and now all the documents are consistent. The values of emission reductions (57,874 tCO₂e) are updated in workbook 'Actual ER Sheet VCS 3095' sheet 'Emission Reductions' cell E26, G36 and F36 now all the documents are consistent. Comparison of estimated ex-ante GHG emission reductions and removals and the achieved emission reductions and removals for this monitoring period is incorporated in JPD-MR, JVVR. The values of estimated emission reductions (238,373tCO₂e) are updated in JPD-MR, JVVR as per estimated ER sheet and now all the documents are consistent. 	
		<p><u>Verra Response</u> The emission reductions have been reported consistently now. This finding is closed.</p>	

9	Compliance of monitoring plan with the applicable methodology
<u>Issue</u>	Round 1

<p>ACM0017 version 4 requires monitoring (1) compliance of produced biofuel with national regulation, biofuel properties; and (2) quantity of biofuel that is either produced with alcohols other than methanol from fossil origin or produced using feedstock other than those eligible under this methodology according to the applicability conditions in year y (parameter $PD_{BF,other,y}$). However, such monitoring parameters are missing in the monitoring plan.</p> <p><u>Action Required</u> The VVB must explain how it has validated the compliance of the monitoring plan with ACM0017 version 4 (page 25 and 27).</p> <p><u>Program Rule(s)</u> <i>Section 6.2 of Joint Project Description & Monitoring Report Template v4.2;</i> <i>ACM0017 version 4 (page 25 and 27).</i></p>	<p><u>VVB Response</u></p> <ol style="list-style-type: none"> 1. The produced biofuel and its properties are complying National Standard.¹ And hence it is not part of monitoring plan. 2. The technology employed for biodiesel production in project activity is transesterification of oils (triglycerides) with methanol hence no other alcohols from fossil fuel origin or produced using any other feedstock is used. The parameter $PD_{BF,other,y}$ is added under section 6.2 of the revised PDMR by PP. <p><u>Verra Response</u> The monitoring plan has been corrected. This finding is closed.</p>	<p>Closed</p>
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10 Compliance of monitoring plan with the applicable methodology		
<p><u>Issue</u> The JVVR is not clear if compliance to the monitoring and verification requirements notably clause 62, 63 (c), 64 and 65 of the applied methodology have been assessed or not.</p> <p><u>Action Required</u> The VVB must explain if the above mentioned clauses were checked and assessed as part of the validation & verification process or not.</p> <p><u>Program Rule(s)</u> <i>Clause 62, 63 (c), 64 and 65 of ACM0017 version 4 (page 23 and 24).</i></p>	<p>Round 1</p> <p><u>VVB Response</u> JVVR is now revised for the same.</p> <p><u>Verra Response</u> The JVVR has been revised. This finding is closed.</p>	<p>Closed</p>

¹ <https://mopng.gov.in/files/article/articlefiles/Notification-15-06-2022-Amendments-in-NPB-2018.pdf>

11 Grievance Mechanism		
<p><u>Issue</u></p> <ol style="list-style-type: none"> In section 2.2 of the joint project description and monitoring report, the project proponent does not describe the project’s mechanism for on-going communication. In section 2.2 of the joint project description and monitoring report, the project proponent does not state whether there were any grievances during the monitoring period, and how due account was taken. <p><u>Action Required</u></p> <ol style="list-style-type: none"> The VVB is required to ensure that the project proponent provides a description of the project’s mechanism for on-going communication. The VVB is required to assess the mechanism for on-going communication in section 3.3.2 of the joint validation and verification report. The VVB is required to ensure that the project proponent includes information on whether the project has received any grievances during this monitoring period. In section 3.3.2 of the joint validation and verification report, the VVB shall assess whether the project proponent has taken due account of all and any input during this monitoring period. <p><u>Program Rule(s)</u></p>	<p>Round 1</p> <p><u>VVB Response</u></p> <ol style="list-style-type: none"> Mechanism for on-going communication with local stakeholders is included in Section 2.2 of the revised PDMR. During current monitoring period, no grievance received from local stakeholders & same is mentioned in section 2.2 of the revised PDMR. 	<p>Closed</p>
	<p><u>Verra Response</u></p> <p>The grievance mechanism details have been provided. This finding is closed.</p>	
12 Incomplete list of documents for cross-check of information		
<p><u>Issue</u></p> <p>In Appendix 1 of the joint validation and verification report, the VVB has not referenced the other sources to compare and</p>	<p>Round 1</p> <p><u>VVB Response</u></p> <p>JVVR is revised for the same.</p>	<p>Closed</p>

<p>cross-check information in the joint project description and monitoring report.</p> <p><u>Action Required</u> The VVB must reference the other sources to compare and cross-check information in the joint project description and monitoring report.</p> <p><u>Program Rule(s)</u> <i>VCS Joint Validation and Verification Template v4.2, section 2.2</i></p>	<p><u>Verra Response</u> JVVR has been revised with the references. This finding is closed.</p>	
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