EB Question 1:
The project participant is requested to explain why it did not apply for CDM registration at an earlier point if the revenues from the CDM were considered to be necessary to ensure the viability of the project.

PP Response:
JAL applied for CDM soon after the final approval of the projects by the Board in March and July 2002 respectively. (Annexure 1). However, due to various reasons, as elaborated below with Annexures as proof, we could not get the CDM project completed before this application.

In July 2002, we contacted a Chennai based CDM consultant, Renco Technologies. The consultant sent us a proposal in August 2002 detailing the CDM submission process. (The detail of this proposal is provided in Annexure 2). The consultant pointed out that the cost of doing the project on our own will be around USD 90,000 and they were willing to do it at a lower cost with a large success fee. However, we did not feel confident of the competence of the consultant. We subsequently asked our wind mill supplier, Enercon to help us apply for the CDM benefits. In October 2002, Enercon sent across its offer for CDM benefits (Their proposal is detailed in Annexure 3). However, Enercon pointed out to us that the expected CER's from the project was too small to be taken up on its own and will need to be bundled. They mentioned that buyers will be interested only in 200,000 CER and above and our project was likely to generate only around 20,000 CER's, less than 10% of the required CER (Annexure 4)

We asked Enercon for clarification on CDM activity as a bundled project in October 2002. (Our request is provided Annexure 5). The internal assessment of doing the CDM project was prepared in an internal note and circulated (Annexure 6). However, as we did not get any positive response from Enercon, it was decided that the project should be best taken up as an internal project in December 2002.

Since we did not have any CDM experience, we asked for assistance from Jindal Vijaynagar Steel (JVSL), a major steel manufacturing organization. JVSL had recently submitted its CDM project to the DNA for host country approval. JVSL is run by a family member of the chairman, Dr S R Jindal. However, JVSL is a completely independent entity and has no direct involvement with JAL. Mr. P K Mohanty (Company secretary JAL) and Mr P K Sarkar (DGM Environment, JVSL) coordinated to prepare the PIN and PDD in December 2002. (The formal acknowledgement of this is provided in Annexure 7)

We were advised to first obtain host country approval through the Ministry of Environment. At this point in time we were also informed that no DOE had been appointed by the UN, so we needed to wait for a validator to be appointed before we could proceed with the registration. We were also informed by JVSL of the time frame required for CDM process.
We wrote to DNA asking for guidance in filing CDM documents and submitted our PDD and PIN in January 2003. The receipt is acknowledged by DNA (MoEF) (Annexure 8, 9). Our Delhi office was instructed to follow up with the MoEF.

The host country approval got delayed as we were told that the format for submission was not in order. At that point in time there was no proper guidance document available for evolving a PDD. It had to be done as per the new PDD format. The PDD and PIN were resubmitted as per guidance of Mr. R K Sethi, Director, MoEF in July 2003.

In parallel, we were in negotiation with Karnataka Power Trading Corporation Limited (KPTCL) for signing a Power Purchase Agreement (PPA), which had already been delayed by more than a year. At this point in time, KPTCL was a government owned monopoly in power distribution in the state. This was affecting the revenue streams, as although our plant was ready and waiting to be commissioned, we could not get any revenues as KPTCL was delaying the signing of PPA. In July 2003, KPTCL introduced a clause for 70:30 CER sharing (in favour of KPTCL) as a prerequisite for signing PPA. As the windmills were being commissioned, we had no option but to sign the PPA. (The relevant sections of the PPA outlining this clause are provided in Annexure 10). This clause put a question mark on the ownership of the CER's and there was no clarity on the sharing of costs. We felt this is an absolutely unwarranted clause, as this put all our revenue projections in jeopardy. However, KPTCL did not change its position on the sharing despite repeated representations.

A further complication arose when KPTCL issued a notice mentioning that they will not be paying for any power produced during the night times in the monsoon season. This order was withdrawn after representation to KPTCL.

In November 2004, we decided to go ahead with the CDM project despite the sharing clause in the PPA and the complications created by KPTCL as referred to above, as the lack of CDM benefits was affecting the returns on the project.

We asked Ernst &Young (E&Y) and Price Waterhouse Coopers (PWC) to take up the project (Annexure 11). However, the small scale of the project got a lukewarm response from the consultants and the high upfront costs quoted by the consultants created a difficulty in selecting a consultant. Meanwhile, a representation was made again to Bangalore Electricity Supply Company (BESCOM. BESCOM is designated by KPTCL for customer interactions) regarding the CER sharing in October 2005 (Annexure 12). However the issue of CER sharing was not resolved. JAL finally went ahead in July 2006 with the assistance of Amoda Solutions for the CDM application.

Conclusion:
As is evident from the above sequence of events, we undertook all possible options including external advice, advice from companies already involved in CDM and advice from DNA in submitting its CDM proposal. Due to lack of clarity and conflicting information, the process got delayed.
The lack of CDM revenues had already made our organization to decommission 0.6 MW WTG as it was not performing to even the minimum PLF. This de-commissioning could have been avoided if the CER revenues were available to offset the loss of revenues due to lower PLF.

EB Question 2:

The DOE is requested to explain to the Executive Board the level of assurance with which it can validate that the CDM was seriously considered in the development of this project activity, and that the benchmark listed in the PDD can be considered a rate below which this company would not invest in a project activity.

PP Response

The documentary evidence for considering CDM from the project conception has been provided in detail as per EB Question 1 to the validator.

During the period of investment mentioned, JAL had the following investment options.

1. To invest in corporate deposits, yielding an average of 14% returns in the same period as the investment decision for the wind mill was made. Corporate deposits give high returns at practically no risk to us. The evidence for the investments has been provided to the validator. For JAL to invest in any project, the return would have to be 14% and higher. (Annexure 13)

2. To invest in the 8.5 MW Wind Mill project. For the wind mill project under consideration, the equity IRR with CDM consideration is 14.75%, making it attractive for the investment with CDM revenues. The absence of CDM revenues makes the project less attractive than the other option, given the risk involved in setting up any project.

3. During the same period, we also evaluated the investment in an integrated steel plant in Orissa. The integrated steel plant was a larger project with higher complexity; hence a higher return on the project was required to make it attractive. The proposed IRR for the project, if calculated from the projected cash flow figures from the feasibility report, was 21%. (Annexure 14,15,16,17)

As this project was much larger in scale (project cost of USD 60 million), the site selection and feasibility was completed by October 2003. Detailed feasibility was conducted and the approval from Govt of Orissa was also obtained by December 2003. The project was dropped after delays from the State govt on various issues.
In addition, community involvement has been integral to the company since its inception. JAL, under the guidance of Dr. S R Jindal, the Chairman of the company, has invested in employee housing, hospitals, technical institutions of higher education, public schools and adopted over 100 villages all over India. It has also set up a renowned centre of healing by nature cure. These investments are not driven by any returns, financial or otherwise.

In conclusion, JAL, like any corporate entity, takes its investment decision after careful consideration of merits of each project, equity requirement, the cost of funds and the returns based on risk perception of the industry.

EB Question 3:
The DOE is requested to explain why the emission factor for a project commencing in 2002 has been calculated using data published in 2007.

PP Response

The DOE has provided the explanation in their response.

We hope that our explanation is appropriate and to your satisfaction. We have suffered financially during the past five years due to the underperformance of our wind generators and decommissioning of one of the windmill due to inadequate performance.

We therefore request you to kindly register the project.

M Ravindranath