

M N KRISHNAN

From: "S Chithra" <S.Chithra@in.ey.com>
To: "M N KRISHNAN" <mnkrishnan@kilburnchemicals.com>
Sent: Wednesday, September 06, 2006 4:52 PM
Attach: Registered CDM Projects.pdf
Subject: Re: CDM project - carbon benefits

Dear Mr. Krishnan

The replies to your queries are listed below in blue (bold):

1. What are the Windmill CDM Projects that you have successfully completed out of the list sent by you as your clients for this service?

The following is the status of the wind power projects (Once CDM projects get registered at UNFCCC, it can avail carbon benefits):

a) 11.25 MW wind power at Dhule, Maharashtra by Godrej - Will be registered as CDM project at UNFCCC on 15 Sep 06

b) 5 MW wind power project of Alembic Limited has completed validation and is awaiting host country approval (which is expected in 15 days time). The project is likely to be submitted for registration shortly (by Oct 1/2 week)

c) 125 MW wind power project of MSPL Limited at TN has been submitted for registration. It is currently being reviewed by the UNFCCC and the status of registration will be known by 30 Sep

d) Wind power project of Fairdeal Supplies is currently undergoing validation. Host country approval has been received

e) Wind power project of Shiva Texyarn is currently undergoing validation. Host country approval has been received

Pls also find enclosed E&Y's credentials in registered CDM projects in India. Out of 88 projects registered at the UNFCCC, about 43 projects have been facilitated/ advisory services provided by E&Y.

2. The cost calculations for return consider 12 EUR/tCO₂. Where can we get this information? Does this number not fluctuate? What is the trend of this value during the last 1 year? How is it going to move in the coming period?

The value of 12 EUR/ CER is based on current market rate. This number would fluctuate and depends on supply - demand situation. For CDM projects in India, 10 - 12 EUR is a conservative value.

E&Y has the necessary contacts and are daily interacting with CER buyers. We are closing deals at close to 13- 4 EUR.

Also, the deal (also called Emission Reduction Purchase Agreement or ERPA) needs to signed with the developed country entity for a period once your project gets registered.

Should you have more clarifications, please feel free to ask

regards

*How sure are you
on this?*

11/3/2006

ERNST & YOUNG ®
Ernst & Young Pvt. Ltd

Chithra Srinivasan
Manager

Risk and Business Solutions
BRS * ESS * FIDS * F&PM * TSRS

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"M N KRISHNAN"
<mnkrishnan@kilburnchemicals.com>

To "S Chithra" <S.Chithra@in.ey.com>

cc

Subject Re: CDM project - carbon benefits

09/06/2006 09:57 AM

Please respond to "M N KRISHNAN" <mnkrishnan@kilburnchemicals.com>

Dear Ms.Chitra,

I am sure you are into your busy schedule once again.

I have the following queries further to my mail sent earlier.

1. What are the Windmill CDM Projects that you have successfully completed out of the list sent by you as your clients for this service?
2. The cost calculations for return consider 12 EUR/tCO₂. Where can we get this information? Does this number not fluctuate? What is the trend of this value during the last 1 year? How is it going to move in the coming period?

With this data I shall initiate discussion with our management and shall get back to you early next week with information needs,if any.

Best Regards,
M.N.Krishnan

----- Original Message -----

From: S Chithra

To: M N KRISHNAN

Sent: Monday, September 04, 2006 1:08 PM

Subject: Re: CDM project - carbon benefits

Dear Mr. Krishnan

11/3/2006

I had tried to reach you sometime back today but I understand that you were busy in a meeting.

I just wanted to understand the status of our CDM proposal. I am aware (from your mail) that you would most probably be taking a decision by 8 Sept regarding the same. Kindly confirm

However, should you have any clarification kindly feel free to contact me.

regards

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"M N KRISHNAN" <mnkrishnan@kilburnchemicals.com>

08/31/2006 10:05 AM

Please respond to "M N KRISHNAN" <mnkrishnan@kilburnchemicals.com>

To "S Chithra" <S.Chithra@in.ey.com>

cc

Subject Re: CDM project - carbon benefits

Dear Ms. Chitra,
I am glad that you have replied even while you are away on vacation.
You have given me enough material to ponder over and work on.
Have a nice time and come back to office on Monday ready to go Bang!.Bang!
I shall come back to you if anything else is needed.

Best Regards,

M.N.Krishnan

----- Original Message -----

From: S Chithra

To: M N KRISHNAN

Sent: Wednesday, August 30, 2006 11:07 PM

Subject: Re: CDM project - carbon benefits

Dear Mr. Krishnan

Thanks for your response. Please see my response in 'RED':

11/3/2006

What is the extent of CER benefits we shall get ?

For the Wind power project of 2.5 MW (amounting to estimated reduction of 4000 tons CO₂/ annum), assuming a rate of 12 EUR/ tCO₂ @ 58 INR/EUR, Kilburn will get benefits of about 27.8 lac INR per annum for a crediting period of 10 years (i.e. 2.78 Cr during 10 years starting from the date of project registration at UNFCCC)

Describe

For the fuel switch project taken up in Phase 1 and 2 (amounting to reduction of 25000* tons CO₂/ annum), assuming a rate of 12 EUR/ tCO₂ @ 58 INR/EUR, Kilburn will get benefits of about 1.74 Crore INR per annum for a crediting period of 10 years (i.e. 17.4 Crores during 10 years starting from the date of project registration at UNFCCC)

* We will have to cap the emission reduction of the fuel switch project to 25000 tCO₂ considering methodology applicability criteria.

What will be the topline benefit that Kilburn shall get on account of this ?

First and foremost, if you take your projects through CDM, they will ultimately be registered at the United Nations Framework Convention of Climate Change (UNFCCC) in the name of Kilburn Chemicals Ltd. Kilburn would be known worldwide as a Company promoting sustainable development as the documents of your projects would be available to the public. Your stakeholders (customers, suppliers, transporters, employees, government bodies, community around your plant and related) would be aware that Kilburn has promoted sustainable development and you would surely get increased leverage out of this.

I am curious to know some details on Methodolgy Number ACM 0005 which talks of increasing Blend in Cement Production! Is it addition of Ferrous Sulphate?

Blending addresses 3 aspects - blending of flyash, gypsum and slag in clinker for producing cement. Flyash is a byproduct of coal based thermal power plants which are quite common in cement industries. Use of flyash in cement manufacture is allowed by the BIS from 15 - 35%.

Gypsum (CaSO₄) and slag could also be used as additives with clinker in cement manufacture. I can discuss with you on this aspect in more detail when I am back to office next week.

Currently I am on leave on a family occasion and would return to office on Monday. However should you need any clarification, please feel free to call me.

Thanks, regards

ERNST & YOUNG ®
Ernst & Young Pvt. Ltd

Chithra Srinivasan
Manager

Risk and Business Solutions
BRS * ESS * FIDS * F&PM * TSRS

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"M N KRISHNAN" <mnkrishnan@kilburnchemicals.com>

11/3/2006

08/30/2006 05:21 PM

Please respond to
"M N KRISHNAN" <mnkrishnan@kilburnchemicals.com>

To "S Chithra" <S.Chithra@in.ey.com>
cc
Subject Re: CDM project - carbon benefits

Dear Ms.Chitra,

I have reviewed the hard copy of your proposal.

The important query I have in my mind right away is that considering that the Project is approved,

- What is the extent of CER benefits we shall get ?
- What will be the topline benefit that Kilburn shall get on account of this ?
- I am curious to know some details on Methodolgy Number ACM 0005 which talks of increasing Blend in Cement Production! Is it addition of Ferrous Sulphate?

I shall present this information alongwith other questions I shall come back to you by Saturday to our Directors during their visit next month on the 8 th.

Best Regards,

M.N.Krishnan

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11/3/2006

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