

Dec (05)

M N KRISHNAN

From: "Inderjeet Singh" <is@senergyglobal.com>
To: "M N KRISHNAN" <mnkrishnan@kilburnchemicals.com>
Sent: Wednesday, December 28, 2005 6:48 PM
Subject: RE: Proposal for CDM Project Development

Dear Shri Krishnan

Please find replies to your observations / comments

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

From: M N KRISHNAN [mailto:mnkrishnan@kilburnchemicals.com]
Sent: Wednesday, December 28, 2005 3:26 PM
To: is@senergyglobal.com
Cc: 'R RADHAKRISHNAN'; 'A JAYADEV'
Subject: Proposal for CDM Project Development

Dear Mr. Inderjeet Singh,
Thanks for the different options sent as per your proposal letter.
I was surprised to hear that you wanted us to respond within a time-line of 27 th of Dec'05 as there was no mention of it in your letter. I was travelling and hence could read it completely only yesterday.

Looking at the urgency shown in your letter dated December 20, 2005, we were under the impression that you are interested in quickly completing the necessary formalities. The project registration is never closed, and you can always get your project registered with UNFCCC for availing the CDM benefits for a period of 10 years.

Please clarify the following points so that we can decide the suitable option at the earliest:

1. Option 1. Fixed Revenue:

- Who will get the Project registration done? The question may sound naive but I presume you will get it done for all the cases.

Senergy Global – in all the three options

- Who will develop PDD for this case? Is it not required?

Senergy Global and it is required

- When you say Senergy Global will absorb all the CDM costs does it mean Project Validation, Registration fee as well as Project Verification fee. Project Verification fee according to me should be applicable from 2 nd year only as you are validating the project in the first year. Please clarify.

All costs till 2012 will be absorbed by Senergy Global for fixed price option, for other options it will vary. Additionally we would like to apprise you that the proposal / offer made by Senergy Global changes with change in market scenarios, thus the current offer is not valid beyond January 31, 2006.

- Project verification costs from the second year will have to be borne by the investor. Is this assumption Correct?

No, for fixed we are absorbing till 2012

- In this option EB readings shall be directly used. Is this assumption correct?

yes

- Under risks where you have mentioned if Project fails to register should be applicable to all the options. Is this assumption correct?

Yes success rate can be about 70% for wind projects

- What is Host Country approval? While going through I have seen various stages of this process. Please give us a total time-line activity wise so that we are clear about the time frame for the benefit accrual. Is this time-line different for different options?

Time line for all the options is same; project registration will take between 6 to 8 months

- Please define site.

Site?? I am unable to understand your question, kindly elaborate. To me it seems that you are refereeing the geographical location where project has been implemented.

12/29/2005

2. Floating revenue:

- Please give us EU transfer trends for the last 3-4 years so that we know what to look for in future. (EU Emission Reduction Price of CER's).

EU ETS was not in place 3 years back. It is functional for last one year only, and the trend was upward for first few months, now it is stagnant.

3. Brokerage Option:

- Who will get the Project registration done?

We will, but all the costs will be absorbed by you

- Who will develop PDD for this case? Is it not required?

It is and we will

- What is the present CER selling Price?

About USD 6 to 7/ CER

- Describe Premium with an example so that we are clear with the financial implication. This can be done for both the 8\$-12\$ as well as >12\$ ranges.

Say we get you a price of USD 8 the sharing will be Kilburn 7.60 and SG 0.40

If we get you USD 9 the sharing will be Kilburn 8.35 and SG (0.40 + 0.25)

If we get you USD 13 the sharing will be Kilburn 11.1 and SG (0.40 + 1.00 + 0.50)

Additional Clarifications:

- Under Contract Negotiations with Buyer there are is a point on Assured delivery of CER's and penalty clauses. Since we have a running contract for both Performance guarantee and Maintenance with Suzlon it becomes the responsibility of Suzlon to take care of this. Please clarify. In case of possible 'No wind' situations it is different.

The penalty is a recourse created for conditions like – if Kilburn enters into a contract with us and later on 3 years down the line sells off the turbine to a third party who refuses to trade CERs through us.

- In the case of Requirements for development of PDD for the Wind Mill Project as well as documents required for Project Validation there is a point on Actual Project financials. We have just started in Sep'05 and we could give you information for the last few months only. Will it suffice?

Yes it will

Please come back to us at the earliest so that we can decide and get going on this. This will ensure that we meet the January deadline that you told us to-day.

Best Regards,
M.N.Krishnan

Best regards

Inderjeet Singh

12/29/2005