

Doc: (04)

A JAYADEV

From: "M N KRISHNAN" <mnkrishnan@kilburnchemicals.com>
To: "R RADHAKRISHNAN" <radhakrishnan@kilburnchemicals.com>; "A JAYADEV" <pur@kilburnchemicals.com>
Sent: Friday, December 23, 2005 9:57 AM
Attach: Proposal General.doc; List of Documents.doc
Subject: Fw: Proposal for CDM project development

Dear RR,
For your feedback and acceptance of the proposal based on which we could proceed further.
Best Regards,
M.N.Krishnan

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

From: Inderjeet Singh
To: mnkrishnan@kilburnchemicals.com
Sent: Thursday, December 22, 2005 6:38 PM
Subject: Proposal for CDM project development

Dear Mr. Krishnan,

Please find attached the proposal for development of your installation into candidate CDM project

With regards

Inderjeet Singh

.....
Dr. Inderjeet Singh

Manager-CDM

Senergy Global

D-39 Defence Colony

New Delhi - 110024

Tel: +91 11 2465 5141 to 43

Fax: +91 11 2465 5144

Mob: +91 9871 89 4089

Senergy Global

Offer for

- 1. Development of wind installations into candidate CDM project(s).**
- 2. Carbon Asset Management**
- 3. CER trading through brokerage arrangement.**

Senergy Global
D-33 Defence Colony
New Delhi - 110024
Tel: +91 11 2465 5141 to 43
Fax: +91 11 2465 5144
Email: is@senergyglobal.com

Name of Client

December 21, 2005
SG/P/462

Dear Sir,

Proposal for purchase/trading of Certified Emission Reductions from your Wind Power Projects

Suzlon through its sister concern Senergy Global, has formulated a novel scheme to provide the financial benefits of carbon emission reductions (available through the CDM) to wind energy projects. We have created various models for harnessing the CDM revenue, while minimising the risks involved in CDM project development and revenue realization.

It shall be our endeavour to provide the best CDM value to our patrons. To this end, we have developed following products which reflect the varying needs of wind farm project investors. We request you to assess these products and choose one that best fits your needs.

1. Fixed Revenue - After CDM Project Registration:

Rewards-

- Senergy Global will absorb all the CDM costs (both pre- and post registration) for a period up to December 2012.
- Guaranteed payment of INR 0.18 / kWh of the electricity supplied by the registered CDM installations to the grid.
- Payment will be made on annual basis, within 75 days of the finalization of the annual generation delivered to the grid.

Risks-

- No revenue stream if project fails to register

2. Floating Revenue: After CDM Project Registration:

Rewards-

- Senergy Global will develop the project (PDD) and will bear the project registration cost. Additionally 50% of the annual project verification cost will be absorbed by Senergy Global
- Payment of INR 0.XX / kWh of the electricity supplied by the registered CDM installations to the grid.
- The formula for calculation of XX will be $0.14 \times \frac{EU_{Transfer}}{EU_{Agreement}}$

Where:

- $EU_{Transfer}$ = EU Emission Reduction Price of Date of Transfer of CERS
- $EU_{Agreement}$ = EU Emission Reduction Price of Date of Agreement between investor and Senergy Global.

- Payment will be made on annual basis, within 75 days of the finalization of the annual generation delivered to the grid.

3 of 11

Risks / Expenditure-

- The revenue is linked to market fluctuations
- The project Validation cost will have to be absorbed by the investor.

3. Brokerage Option:

Rewards-

- The CERs generated from the registered CDM project activity / component of project activity will be traded in the international market both in long term sales and spot sales.
- Senergy Global will charge a sliding brokerage as follows:

CER Selling Price	Brokerage	Premium on Additional Price
Up to US\$ 8	5 %	Nil
US\$ 8 to US\$ 12	5 %	25%
Beyond US\$ 12	5 %	50%

- Payment will be made on annual basis, within 75 days of the finalization of the annual generation delivered to the grid.

Risks / Expenditures-

- **Sharing of Costs-** Senergy Global will absorb the Project costs up to host country approval i.e. PIN and PDD Development, whereas the investor will absorb the project validation cost. The registration charges of the CDM project will be shared equally by Senergy Global and investor.
- **Additional Investment** – The annual project verification cost will be absorbed by the investor.

We believe that one of the above offers will fit in your requirements. The offers provide risk and reward sharing on an equitable basis, and encourage us to do our best for you. We hope that your company will find attractive and competitive.

Please feel free to discuss it further for any clarification and assistance. We look forward to work with you.

With best wishes.

Sincerely yours,

Inderjeet Singh
(Manager-CDM)
Mobile - 9871894089

Abbreviations:

S. No.	Abbreviation	Expansion
1.	UNFCCC	United Nations Framework Convention on Climate Change http://cdm.unfccc.int
2.	CDM	Clean Development Mechanism
3.	CER	Certified Emission Reduction 1 CER = 1 ton of CO ₂
4.	DNA	Designated National Authority Statutory body of Govt. of India for giving Host Country Approval to CDM projects http://envfor.nic.in
5.	DOE	Designated Operational Entity Independent bodies for project validation and verification. Examples: DNV, TUV SUD, BVQI, SGS, TUV Rhine
6.	PCN	Project Concept Note, also called as PIN or Project Idea Note
7.	PDD	Project Design Document
8.	GHG	Green House Gas Example – CO ₂ , CH ₄ , N ₂ O, SF ₆ , HFC etc

Development of Wind Power Projects into a CDM Project Activity

1. PREPARATION OF PROJECT IDEA NOTE / PROJECT CONCEPT NOTE:

The preparation of PIN / PCN will essentially create a platform for preparation of Project Design Document for the Project. The following steps will be involved in completing this task

- Visit to the Project Site & Collection of Essential Data: Senergy Global will make a visit to the project site for collection of data & other relevant information pertaining to the project as per the prescribed rules of Indian Designated National Authority for Host Country Approval.
- A: Local stakeholder's comments
- B: Current land use pattern
- C: Power generation statistics
- E: Transmission network
- F: Power available at the Bus Bar;
- G: Auxiliary Consumption of Power / Reactive Power;
- H: Power fed to the Grid;
- I: Built Margin & Operating Margin of Grid;
- J: Grid Average - Emissions from Grid for generation of 1 unit (kWh) of Power
- K: Current Internal Rate of Return (IRR) & Debt Service Coverage Ratio (DSCR) of the Project.
- L: Possible monitoring / verification methodology

2. PREPARATION OF PROJECT DESIGN DOCUMENT:

The preparation of PDD is a detailed analysis of the project to obtain designated set of clearances and approvals for the project. PDD is required for obtaining the following clearances

- A. Host Country Approval: Under the umbrella of Ministry of Environment & Forests, Indian Designated National Authority has been formed. It typically includes experts from Planning Commission, Ministry of Non-conventional Energy Sources, Ministry of Environment & Forests, Bureau of Energy Efficiency along with individual experts. Indian DNA requires PDD & PCN for approval purposes.
- B. Pre Validation & Validation: PDD is an essential document required for carrying out Pre Validation & Validation of the project.
- C. Public Comments: PDD is kept on the UNFCCC website for public comments on the project.
- D. Executive Board Approval & Project Registration: PDD is required for CDM Executive Board Approval
- E. Buyer Country Approval: PDD is also required to obtain buyer country approval for purchasing CERs.

The preparation of PDD will take into account macro & micro details of the project. The following will be dealt in depth along with the data collected for preparation of PIN / PCN. The Detailed Project Report (DPR) of the projects will be required by Senergy Global during the preparation of PDD

- A: Financial strength of developers
- B: Land procurement details
- C: Power purchase agreement with the state power utility / details of captive usage if a part has been put to captive use.
- D: Success rate of similar projects in vicinity
- E: Baseline of the project.
- G: Project Boundaries
- H: Additionality issues in the project & managing additionality tests set out by CDM Executive Board
- I: Promotion of Sustainable Development.
- J: Stakeholders Comments
- K: Lifecycle costing of the project
- L: Improvement in Project financial through CER revenue.

3. COMPLETION OF PROJECT DESIGN DOCUMENT:

The prepared PDD will be submitted to the Indian Designated National Authority (MoEF) for Host Country Approval.

In case a financial aid is provided by International Donor Agency, copy of PDD will be submitted to them as per the terms and conditions fixed at the time of signing the aid agreement with them.

4. HOST COUNTRY APPROVAL (DNA Approval):

Senergy Global will apply to the Indian DNA for obtaining the Host Country Approval for the project. Indian DNA generally organizes monthly meetings to consider the projects for Host Country Approval. This includes the following steps:

- Submission of PDD to Indian DNA
- Submission of PCN to MoEF in a specified format
- Financials of the project.
- Credentials of the Developer.
- Ways of selling CERs
- CER sharing arrangement with third party - if any (Private Entity / State Govt. / Local Stakeholders / NGOs etc)
- Representing & defending the project before the members of Indian DNA

This process generally takes 2 - 4 weeks depending on the date of DNA meeting.

Indian DNA generally declares their stand on the project within a month from the date of meeting.

5. PROCUREMENT OF VALIDATION SERVICES:

The task of project validation will be assigned to CDM Executive Board accredited operational entity. Negotiations will be done with various agencies to finalize the validating agency. The procurement of validation agency will take around 2 weeks of time. Senergy Global will be responsible for providing all the necessary information to the validating agency.

6. VALIDATION OF PROJECT:

The validation of the project will take about 10 – 12 weeks and is essentially carried out to fulfill all the requirements of UNFCCC (CDM Executive Board). A detailed analysis of PDD as well as Pre Validation will be done to verify the trustworthiness of information provided and suitable method for CER monitoring will be suggested during the crediting period. Senergy Global will assist the validation team in working out the validation procedure, information & data verification, monitoring activities etc.

7. REGISTRATION OF PROJECT:

The validated project will be registered with the UNFCCC – CDM Executive Board. The registration of approved methodologies project is generally done on the basis of Validation Report. This approximately requires a period of 6 – 8 weeks depending on the Executive Board meeting & representation made by validating agency & Senergy Global before the board.

8. FINALIZATION OF BUYER FOR CER SELLING:

After obtaining the CDM Executive Board clearance & registering the project with them, Senergy Global shall look for potential buyers of the CERs in Annex Countries depending upon the Carbon Inventory of the company & country. This will be done to get the best deal in terms of:

- A: Maximum possible CER pricing
- B: Long term sale agreement, at least up to the end of first crediting period (year 2012)
- C: Minimum or no penalty clauses
- D: CER revenue stream.

9. APPROVAL BY BUYER DNA:

In some cases, the Buyer DNA approval is required before finalizing the deal. Senergy Global will assist the Buyer Company / agency obtaining the Buyer DNA approval. This process usually takes two to four weeks.

8 of 11

11. CONTRACT NEGOTIATIONS WITH BUYER:

Senergy Global along with investor will draft the contract document for CER selling, essentially considering the following:

- A: Crediting Period & duration of contract
- B: Amount of CERs to be sold
- C: Assured delivery of CERs & Penalty Clauses
- D: Payment terms
- E: Coordination & Monitoring of CERs – legal bindings of Buyer DNA (If any)
- F: New joint initiatives for further developing / replicating such projects in other feasible areas for fulfilling the additional carbon demand of buyer.

12. CONTRACT SIGNING WITH BUYER:

Contract signing with Buyer Company / agency is the last stage of selling of CERs. After signing of CERs sale agreement investor can directly deal with the buyer agency. Senergy Global will be readily available to assist investor in fixing the micro issues pertaining to contract.

Requirements of documents for development of PDD for your Wind Project:

The following documents will be required at the first stage for preparation of PDD

To be provided in chronological order

1. Copy of decision of the company to invest in wind power project
2. Proof of consideration of CDM as one of the possible revenue stream to mitigate the generation risks during the repayment period of the project
3. Copies of loan application submitted to financial institutions
4. Copies of financial appraisal / loan sanction letter
5. Project financials proposed by the EPC contractor (cash flow, IRR & DSCR)
6. Copies of Purchase orders to EPC contractor
7. Copies of land acquisition documents
8. Proof of acceptance of Purchase Order by EPC contractor
9. Copies of invoices
10. Copies of Power Purchase Agreement / Wheeling Agreement
11. Copies of Commissioning certificate
12. Copies of Operation & Maintenance agreement
13. Micro-site drawings and with metering locations
14. Documents for export of power to the grid (JMR Sheets)
15. Actual project financials (cash flow, IRR & DSCR)

List of Documents
Required for project validation
To be provided in chronological order

1. Copy of decision of the company to invest in wind power project
2. Proof of consideration of CDM as one of the possible revenue stream to mitigate the generation risks during the repayment period of the project
3. Copies of loan application submitted to financial institutions
4. Copies of financial appraisal / loan sanction letter
5. Project financials proposed by the EPC contractor (cash flow, IRR & DSCR)
6. Copies of Purchase orders to EPC contractor
7. Copies of land acquisition documents
8. Proof of acceptance of Purchase Order by EPC contractor
9. Copies of invoices
10. Copies of Power Purchase Agreement / Wheeling Agreement
11. Copies of Commissioning certificate
12. Copies of Operation & Maintenance agreement
13. Micro-site drawings and with metering locations
14. Documents for export of power to the grid (JMR Sheets)
15. Actual project financials (cash flow, IRR & DSCR)
16. HT Service connection number