

UNFCCC Secretariat
Martin-Luther-King-Strasse 8
D-53153 Bonn
Germany

Zürich, 29 June 2006

Attention: CDM Executive Board

Subject: Response to request for review “4.5 MW Biomass (Low Density Crop Residues) based Power Generation Unit of Malavalli Power Plant Ltd.” (0298)

Dear Members of the CDM Executive Board,

Being a not-for-profit organization active mainly in the field of voluntary carbon offsets, myclimate is very concerned about the credibility of the projects it supports. In our view additionality of CDM projects is the most crucial aspect in order to guarantee real and credible greenhouse gas reductions. Therefore, before committing to the project under consideration, myclimate has done a strict evaluation of additionality issues.

In our view the project “4.5 MW Biomass (low density Crop Residues) based Power Generation unit of Malavalli Power Plant Pvt Ltd” is additional due to the barriers demonstrated in the PDD (investment barrier, technological barrier, barrier due to prevailing practice and other barriers). Since the EB has raised concerns regarding the investment barrier, myclimate will only comment on this specific part of the additionality section.

Comments on Investment barrier:

The project under consideration is a stand-alone grid-connected power plant. In absence of the project activity the energy amount produced throughout the crediting time of the project (around 190 GWh in seven years) would have been taken up by the existing and recently constructed, largely coal fired grid-connected power plants in the Southern Region.

The primary investment barrier is hence related to higher cost of biomass power as compared with grid-connected power plants (comprising a high percentage of coal fired power plants). Consequently, a stand-alone grid-connected biomass power plant was not the most attractive and least cost option for the project participants.

In the PDD a comparison was made between an 8 MW bagasse/rice husk biomass power plant and the project activity as per suggestion of the DOE during the validation process. The purpose of this comparison was to enhance the investment barrier test by stating that the project is economically and technically less attractive than a conventional 8 MW bagasse/rice husk power plant. This is mainly related to a smaller size and the technological innovations

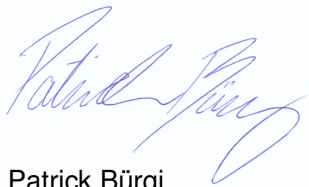
required to fire low density crop residues¹, which are not normally used for energy production purposes.

However, the comparison between the project activity and the 8 MW bagasse/rice husk power plant is just theoretical, since an 8 MW standard biomass power plant was never an alternative to the project. This is due to the fact that at the plant location there is no surplus bagasse or rice husk available to operate an 8 MW power plant (see MPPL's comments).

In our view, the proposed project activity is truly additional and showcases an innovative model for the sustainable usage of biomass for electricity generation.

For this project, registration failure would further aggravate financial losses incurred since inception of the project. This could even lead to plant shutdown and the loss of over 550 rural jobs (450 in the biomass supply chain + 100 in the biomass power plant), which in our opinion does not reflect the aims of CDM in terms of fostering less GHG intensive energy systems and sustainable development.

Yours faithfully



Patrick Bürgi
Director Carbon Offset Projects
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¹ The biomass residues used as fuel in the project activity, such as such as cane trash (limited to cane leaves i.e. no bagasse), coconut fronds and corn cob/maize stalks have a higher moisture content and a lower calorific value than biomass residues typically used for energy purposes, such as bagasse and rice husk. The characteristics of the low density crop residues being used in the project activity imply a series of technological adaptations compared to standard biomass power plants. These adaptations include, among others, an innovative boiler design and anti-corrosive piping for the exhaust gases, which are more aggressive due to fuel mix composition.