K. Krishan
Chairman

MPPL/CDM/868/2006-07 June 30th, 2006

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

Att: CDM Executive Board

Sub: Request for Review for "4.5 MW Biomass (low density Crop Residues) based Power Generation unit of Malavalli Power Plant Pvt. Ltd. (0298)

Dear Members of the CDM Executive Board,

We take reference to email dated April 28th, 2006 intimating to us of the request for review.

We are accordingly furnishing below clarifications for the consideration of the Executive Board

1. The ***Investment Barrier*** faced by Malavalli Power Plant Private Limited (MPPL) relates essentially to the lower cost of power from a grid connected fossil fuel power plant as compared to a Biomass Power.

2. At the project location (Kirugaval village, Malavalli Taluka, Mandya District) there was no sustainable surplus of conventional biomass (mill residues), eg. Bagasse/rice husk.

   All the near by Sugar Mills have their own Cogeneration Plants which consume bagasse, leaving no surplus.

   Mandya District has a large number of "***Brick-Kilns***", which are fired by rice husk. Most of the rice husk generated in the rice mills is committed to the brick-kilns. These brick-kilns create thousands of rural jobs and also provide a key construction input to rural households. As such, diverting rice husk, in large quantities, for Biomass Power Generation would be a leakage source and would have adversely impacted current social practices and rural livelihoods.

   As such, the project participants established a ***sustainable biomass supply chain*** based on Crop Residues, e.g. cane trash, coconut fronds, branches of eucalyptus trees etc. This pioneering effort created 450 rural jobs (in the Biomass Supply Chain) apart from preventing environmental pollution/GHG emissions through the current practices of burning such residues in the fields or allowing them to decay at field periphery.

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3. This unique approach to Biomass Power generation was highlighted by the project participants.

The DOE sought clarification on the financial viability of the project vis-à-vis 8 MW bagasse based plant (Validation Report, Table 3, CL 2). The economical comparison between the 4.5 MW Project and a potential 7.5 – 8 MW bagasse/rice husk based project was provided only for this purpose.

4. It is hence clarified that

a) The project meets the Additionality criteria to the extent of the following barriers.

* ***Investment Barriers*** :
Higher cost of Power Generation from a 4.5 MW Crop Residues fired Power Plant as compared to grid connected fossil fuel power plant.

* ***Technological Barriers*** :
4.5 MW Crop Residues fired Power Plant (based on the only sustainably available surplus biomass at the project location) required significant technical technological innovation with related costs.

* ***Barrier Due to Prevailing Factors*** :
The prevailing practice has been reliance on State grid. Furthermore, MPPL was the first MW range, stand-alone (grid-connected) Biomass Power Plant to be commissioned in Karnataka.

* ***Other Barriers*** :
Shortfall to the tune of INR 22.18 million in anticipated project funding and INR 11.18 million shortfall in receipts from the state electricity board (KPTCL, as on March 2005) have rendered project unviable to continue operations in the absence of funding from CDM. (elaborate more carefully)

b) An 7.5 – 8 MW rice husk/bagasse fired Power Plant was not an available option to the Project Participants at the project location, in view of non availability of surplus bagasse/rice husk.

Thanking you.

With regards

Krishan

(K. KRISHAN)

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