



Mr. Rajesh Kumar Sethi
Chair, CDM Executive Board
UNFCCC Secretariat
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April 15th 2008

Re: Initial response to the request for review for the CDM project activity "Lihir Geothermal Power Project" (0279) for the monitoring period 1st October 2006 to 30th September 2007.

Dear Mr. Rajesh Kumar Sethi

SGS has been informed that the request for issuance for the CDM project activity "Lihir Geothermal Power Project" (0279) for the monitoring period 1st October 2006 to 30th September 2007 is under consideration for review because four requests for review have been received from members of the Board.

The requests for review are based on the reasons outlined below. SGS would like to provide an initial response to the issues raised by the request for review:

Request 1, 2, 3 and 4:

1. The DOE verified the calculation of emission reduction based a grid emission factor of 0.678tCO₂/MWh, which was calculated for the years 2002, 2003 and 2004 from the PDD. However, the monitoring plan requires the grid emission factor to be calculated yearly. Clarification is required.
2. The verification report states that the project comprises of 5 steam turbines of 11 MW with total capacity 55 MW, while the monitoring report states that the first stage (30MW) stage and the installation of two turbines (20MW) brings the full energy producing capacity to 50MW. Clarification is required on this discrepancy.

SGS's Response:

- Table D.1.2.3 on Pages 25-26 of the PDD refers only to the frequency with which data will be recorded. It was inadvertently mentioned in the PDD to calculate the Operating Margin or Build Margin ex-post as mentioned by PP. The Monitoring Plan contained in Annex 4 outlines the method for calculation of GHG emission reductions and does not indicate that either the OM or BM will be re-calculated. The DOE has verified the calculations of emission reduction based on grid emission factor value of 0.678 t CO₂/MWh. This was calculated for the years 2002, 2003 and 2004. This was accepted by the DOE as the same was inline with the registered validation report for the project activity (available at <http://cdm.unfccc.int/UserManagement/FileStorage/S1KDPZ9PACUMO3V2Q3SP16KN00Q2YD>). The validation report on its page 6, 8 and 10 mentions that the grid emission factor for the project activity was ex-ante calculated as combined margin of operating margin (OM; a 3-year average, based on the most recent statistics available at the time of PDD submission) and build margin (BM) and fixed for the crediting period. This was also inline with the approved methodology ACM0002 version 4 used for the project activity.
- The information provided in verification report refers to gross power generation capacity of the power plant which is inline with the registered PDD and validation report available at <http://cdm.unfccc.int/Projects/DB/DNV-CUK1143246000.13/view>. The 55 MW (5 steam turbines of 11 MW capacity) is gross power generation capacity (nominal capacity) of the power plant. The net capacity of the project activity as per registered PDD page 2 is 52.7 (31.7+21.1) MW. The monitoring report version 3.1 refers to the approximated net capacity of the power plant as 30 MW and 20 MW giving the total net capacity as 50 MW. The monitoring report is revised to reflect the nominal capacity of the power plant under each stage as 33 MW (first stage) and 22 MW (second stage). The revised



monitoring report is attached herewith as Annex 1. The turbine manual page for capacity of one turbine mentioning 11000 kW is also attached as Annex 2.

PPs Response:

Version 04 of ACM0002 which was used for preparation of the PDD provides the option to calculate the simple Operating Margin (page 6), Build Margin (page 9) and hence Combined Margin ex-ante or ex-post. It was always our intention to calculate the Operating Margin and Build Margin ex-ante and use a fixed value for the entire crediting period.

Table D.1.2.3 on Pages 25-26 of the PDD refers only to the frequency with which data will be recorded. It was not our intention to calculate the Operating Margin or Build Margin ex-post. The Monitoring Plan contained in Annex 3 outlines the method for *Calculation of GHG emission reductions* and does not indicate that either the OM or BM will be re-calculated.

As such we request a revision to the Monitoring Plan to conclusively state that the Operating Margin and Build Margin are calculated ex-ante, and thus remove any future ambiguity.

We feel that the clarification sought by board members has been taken into account. We do however apologize if this was not sufficiently clear from the earlier verification and certification report.

Vikrant Badve (+91 9860365556) will be the contact person for the review process and is available to address questions from the Board during the consideration of the review in case the Executive Board wishes.

Yours sincerely

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Enclosures

1. Revised Monitoring plan version 4.1 dated 14th April 2008
2. Annex 2 Turbine capacity