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Att: CDM Executive Board

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0576

Our ref.:
MLEH/ETEL

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Response to requests for review Saihanba North 45.05 MW Windfarm Project (0576)

Dear Members of the CDM Executive Board,

We refer to the requests for review raised by four Board members concerning DNV's request for registration of the "Saihanba North 45.05 MW Windfarm Project" (0576).

The requests for review raised several issues. Please find below DNV's initial response to the issues raised by the requests for review.

(a) The application of the baseline methodology does not comply with the CDM EB approved methodology, ACM0002. The estimation of the build margin (BM) emission factor is not based on the guidelines as stipulated in ACM0002. Instead BM has been reported to be estimated based on the "substitute method as accepted by the EB". However no reference has been provided in the PDD to support this substitute method. In this regard, the validation report also refers to the CDM EB guidance on the applicability of AM0005 and AMS I.D in China but no reference has been provided relating the same to ACM0002.

On 7 October 2005, DNV submitted a request for deviation to the Board titled "Application of AM0005 and AMS-I.D in China". The Board's response stated the following:

"The Board took notice of the request for deviation in use of methodology AM0005 by several project activities in China, which were as follows:

- 1) Use of average efficiency of existing power plants in the grid as proxy for estimating fuel consumption.*
- 2) Use of capacity additions during last 1 - 3 years for estimating the build margin emission factor for grid electricity.*
- 3) Use of weights estimated using installed capacity in place of annual electricity generation.*

The Board did not accept deviation listed in 1) above. The Board while rejecting the suggested deviation from the suggested method in AM0005, suggested that the project participants use the following alternative solutions in absence of data:

- (i) For small-scale project activities, use the average emission factor of the grid as described in the AMS-I.D,*

(ii) Use the efficiency level of the best technology commercially available in the provincial/regional or national grid of China, as a conservative proxy, for each fuel type in estimating the .

The Board agreed to accept the proposed deviations in 2) and 3) above.”

From the above EB guidance, it can be seen that Board accepted the proposed method used for calculation of the BM emission coefficient.

It is true that the request for deviation was submitted relating to AM0005 and AMS-I.D only. However, in DNV's opinion the deviation clearly also applies to ACM0002 due to the following:

- AM0005 was valid from 14 April 2004 to 2 March 2006 and after this period, it was replaced by ACM0002.
- The calculation procedure of OM and BM in ACM0002 is the same as described in AM0005.

(b) Further, the BM has used single Carbon Emission Factor (CEF), applicable for coal (25.8 tC/TJ) which is the highest of other fuels' CEFs, comprising the grid, the lowest being 13 tC/TJ. This leads to overestimation of the BM based baseline emissions. Hence it is suggested that BM should be re-estimated by either using the respective CEF based on the fuel type or using a weighted average CEF.

Firstly, the respective capacity data for fossil-fueled power plants other than coal fired ones in China is not publicly available. Therefore, even respective CEFs based on the fuel type are available, it is impossible to calculate BM using this weighted average CEF method.

Secondly, it is true that the Northeast Power Grid includes the power plants firing varied types of fossil fuels. However, according to China Energy Statistical Yearbook (2000-2002, 2004, 2005 edition), it can be found that the emissions from burning coal to generate electricity accounts for majority of the total emissions from fossil fuelled power plants. In 2002, 2003 and 2004 98.34%, 98.72% and 98.08% of total emissions were from coal fired power plants. Therefore, to neglect the impact of other types of fossil fuelled power plants on BM calculation is acceptable. It must also be noted that the standard coal consumption of 320g/kWh applied to determine the BM emission factor is conservative (China Electricity Year Book, 2004 edition, gives standard coal consumption of power generation of 361g/kWh in Northeast Power Grid). Therefore, the value of 320g/kWh both reflects the best available technology (with the lowest carbon emission level) in China and is very conservative, thus compensating for not all fossil fuelled consumed for power generation being coal (the DNA of China has recently determined that the fuel consumption of the best available coal plant is 336.66 g/kWh).

(c) The project considers Northeast Power Grid as the project boundary to which it is connected for transmission of power without significant transmission constraints. Hence the baseline emissions from the several local grids (namely Heilongjiang power grid, Jilin power grid, Liaoning power grid and eastern Inner Mongolia power grid) connected to Northeast Power Grid has been estimated. However due to non-availability of power generation data from the EIMPG province, the same has been excluded for estimation of the baseline emissions. The PDD justifies that exclusion of the EIMPG province is insignificant with no impact on the conservativeness of the baseline emissions estimated. This approach is not in line with the applicability as stipulated in ACM0002 which states that “the geographic and

system boundaries for the relevant electricity grid can be clearly identified and information on the characteristics of the grid is available". The project proponent has to ascertain and report the level of uncertainty of GHG emissions based on the above issue besides conforming the acceptability of the above deviation by METH Panel / CDM EB through DOE.

Firstly, according to ACM0002, "Where the application of this methodology does not result in a clear grid boundary, given country specific variations in grid management policies:

(a) Use the delineation of grid boundaries as provided by the DNA of the host country if available; or

(b) Use, Where DNA guidance is not available, the following definition of boundary:

In large countries with layered dispatch systems (e.g. state/provincial/regional/national) the regional grid definition should be used. A state/provincial grid definition may indeed in many cases be too narrow given significant electricity trade among states/provinces that might be affected, directly or indirectly, by a CDM project activity;

In other countries, the national (or other largest) grid definition should be used by default. "

Therefore, the delineation of Northeast Power Grid (NPG) boundary provided by China DNA should be applied in priority. According to the grid emission factor calculation recently issued by DNA of China, the NPG is comprised of Liaoning, Jilin and Heilongjiang power grids, excluding of Eastern Inner Mongolia Power Grid (EIMPG). Therefore, the grid boundary definition in the PDD is as provided by the DNA of China and thus justified.

Secondly, the information on the characteristics of the NPG (defined as Liaoning, Jilin and Heilongjiang power grids) is available. This information can be clearly found in Annex 3 of the submitted PDD.

Thirdly, DNV assessed whether the exclusion of EIMPG is conservative before this PDD was submitted to EB for registration. The conservativeness of calculation without including EIMPG into the NPG has been proven by comparing the results of both scenarios, with and without EIMPG in the NPG.

We sincerely hope that the Board accepts our aforementioned explanations.

Yours faithfully
for DET NORSKE VERITAS CERTIFICATION LTD



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