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Att: CDM Executive Board

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Your ref.:	Our ref.:	Date:
CDM Ref 0977	MLEH/KCHA	23 May 2007

Response to request for review
Dalmia Sugars Limited Nigohi project (0977)

Dear Members of the CDM Executive Board,

We refer to the issues raised in the requests for review by three Board members concerning DNV's request for registration of the "Dalmia Sugars Limited Nigohi project" (0977) and would like to provide the following clarifications for your perusal and review.

The points raised and our response to the same are indicated below.

In accordance with the guidelines for completing the PDD, section B.5 of the PDD must contain evidence that the incentive from the CDM was seriously considered in the decision to proceed with the project activity, such evidence shall be validated by the DOE.

DNV Response:

The starting date of the project activity is 14 December 2005. This is the date of placing the order for the turbine and generator and this date was verified by DNV during validation. The fact that CDM revenues were considered for all new sugar plants with bagasse based cogeneration and power export by the project proponent prior to the project activity was also verified through the project report of the Dalmia Cements (Bharat) Limited, which addresses carbon credit benefits for GHG abatement projects. This document is attached as Annex 1.

The same is also substantiated from the fact that the project proponent was in touch with consultants for facilitating CDM registration and Carbon Asset Management for their various CDM projects as early as August 2005, and this is verifiable from the letter attached (Annex 2).

From the above it is our opinion that it is sufficiently demonstrated that the incentive from the CDM was indeed seriously considered in the decision to proceed with the project activity by Dalmia.

Further explanation is required to demonstrate that the identified barriers "Do not prevent the implementation of at least one of the alternatives".

DNV Response:

The project activity has two alternatives identified, these being

a) Installation of a lower efficiency plant

b) Proposed project not undertaken as a CDM project.

The identified barriers in the project activity are the institutional and policy barriers (short term PPA resulting in uncertainty of power prices, non-availability of grid due to grid downtime), uncertainty in availability of bagasse, technical barrier and risks of operating of high pressure steam system, and the common practice barriers.

The common practice in sugar mills is the installation of low pressure cogeneration plants, which cater to the power and steam needs of the individual sugar mill alone. This is quite evident from the data being provided by the project proponent on the recently completed sugar plants, where nearly half of the plants opt for low pressure system, sufficient to cater to their own demands. The rest of the plants which export power to the grid are in line for CDM status and hence cannot be considered in the common practice analysis. It is demonstrated that there is no sugar plant which is exporting power to the grid without the benefits of CDM revenues. Hence, in the absence of the project activity involving grid connected high pressure co-generating systems, the project participant would have opted for the low pressure system. Kindly refer to the table provided in the response from the project participant.

The barriers of institutional and policy do not prevent the implementation of the alternative (a) as power would be internally consumed and not exported. Also the alternative of (a) being a low pressure system, the requirement of bagasse would be less and therefore Dalmia would be self sufficient from the cane being crushed in-house.

As the project activity is taking place at a greenfield site, the common practice analysis should focus on recently completed sites rather than all sugar factories in the country/region.

DNV Response:

The common practice analysis has now been presented considering the recently completed sites as per the request for review. This has been elaborately presented in the project proponent response with official data culled from the Uttar Pradesh Ganna Vikas Vibagh, an association of the sugar manufacturers in the state of Uttar Pradesh (please refer to response from the project participant). As can be seen from the data provided, all the co-generation plants in the sugar industries, which have been completed recently, and are exporting power to the grid rely on CDM benefits and are in the various stage of validation/registration.

Calculation of EG project plant should be submitted and the efficiency of new plant with regard to electricity production should be clearly shown in the PDD and validated by the DOE

DNV Response:

The data on the EG project plant has been validated by us and is found to be reasonable at 126 187 MWh. This was arrived at considering a generation of 25.4 MW, plant load factor of 90%, total operational days of 250 and an auxiliary consumption of 8%.

As per the methodology, only the efficiency of the reference plant (that would be used in the absence of the project activity) is to be documented stating the relevant source of information and justification of the choice. This had been presented in the PDD and validated by us to be at 0.039. We would like to confirm that all the evidences for the values selected have been validated by us.

The efficiency of the project plant, as per the requests for review, has now been provided to us by the project proponent and is reasonable at 0.143 (refer response of PP).

With respect to the efficiency of the project and reference plants ACM0006 requires the participant to "document relevant source of information and justify a choice". Further data and evidence is required regarding the documentation of the relevant source of input values used in the calculations in the PDD.

DNV Response
As stated in our response against comment 4 above, the efficiency of the reference plant has been provided in the annex 3 of the PDD. The values used in the calculations and the sources culled from, have been validated by us earlier, and we confirm that once again. The efficiency of the project plant has now been provided as per the request for reviews.

The methodology requires measurement of NCV of biomass residues combusted, while the monitoring plan indicates that "local record" may be used. Please clarify this.

DNV Response
This has been addressed and corrected to in the monitoring plan section of the revised PDD, where it is now stated that the net calorific value (NCV) for biomass (both bagasse and rice husk) will be measured in the laboratory.

We sincerely hope that the Board accepts our aforementioned explanations.

Yours faithfully
for DET NORSKE VERITAS CERTIFICATION AS

Michael Lehmann
Technical Director
International Climate Change Services

C Kumaraswamy
Manager – South Asia
Climate Change Services

Annex I

Chapter 10
INCENTIVES

A. State Incentives

In order to promote the sugar industry in the state, UP government has announced a policy whereby it has granted a number of incentives and reimbursement of duties to sugar mill investing more than Rs 350 cr. The details of incentives are as follows:

	Unit Rate	Rs. / MT
Sugar Incentives / MT of Sugar		
Reimbursement of expenses		
Sugar transport subsidy	213	192
Transport subsidy – sugarcane*	107.0	297
Total Reimbursement (A)		489
Exemption in expenses		
Entry Tax on sugar (assuming 50% within UP sale)	2%	156
Admn. Charges on molasses	110	55
Trade tax on molasses	4%	65
Purchase tax on sugarcane	20	200
Society commission (of SMP)	3%	239
Total Retention (B)		715
Total Benefits / MT of Sugar (A+B)		**1,203**

These benefits are available for 5 years if a company has invested Rs 350 crores and above and for 10 years if a company has invested a minimum of Rs 500 crores and above. Besides these benefits, the mill also gets one time benefit of 10% capital subsidy.

As proposed investment in sugar and related industries are over Rs 500 crores, the benefits would be available to the company for a period of 10 years.

B. Carbon Credit

With the global temperatures rising on back of the greenhouse effect, the United Nations framework Convention on Climate Change (UNFCCC) announced the Kyoto Protocol to bring down the emissions of the greenhouse gases. Of the three options (Joint Implementation,

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Prop. Dalmia Cement (Bharat) Ltd.
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Clean Development Mechanism and Emissions Trading) available to the parties required to reduce the emissions, India qualifies to be the host country for CDM projects.

Co-generation using Bagasse is a potential CDM project as biomass is considered Green House Gas neutral. The company proposes to register the project with UNFCC under CDM to avail Certified Emissions Reductions (CERs).These CERs can be traded with agencies in Developed countries. For cogeneration project, every 1000 units exported to grid qualifies for 0.9 CERs. This is the basis of the proposed investment of the company in the cogeneration project.

The current trading rate for CERs are between 6-15 US$.

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Annex II

EVI EMERGENT VENTURES INDIA PVT LTD
Linking people , technologies and business ideas

08-August-2005

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Mr Rajesh Ugre
08/19/X

Sub: **Proposal for facilitating CDM (Clean Development Mechanism) Registration and Carbon Asset Management for for 25 MW Co-generation plant**

Dear Mr. Mehta

This refers to our discussions regarding CDM projects registration and CER sale for your 25 MW bagaase based co-generation plant.

We are happy to enclose our proposal for the same.

Look forward to your confirmation.

Warm regards

Vinod K Kala

Director

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For Ramgarh Chini Mills
Prop. Dalmia Cement (Bharat) Ltd.

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