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Att: CDM Executive Board

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CDM Ref 0990	MLEH/KCHA	4 June 2007

Response to request for review
Dalmia Sugars Limited Jawaharpur RE project (0990)

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 Jawaharpur RE project" (0990) and would like to provide the following clarifications for your perusal and review.

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

1. The overall additionality argumentation does not seem strong enough. The issue of bagasse availability cannot be considered as a barrier, since it would occur anyway in the baseline scenario. The other presented barriers such as the uncertainties regarding the PPA, seem to be a general/market barrier, and not particular to this project activity. Some additionality evidence, regarding to this particular project activity, such as the Financial Analysis, should be incorporated.

DNV Response:

DNV hereby confirms that the issue of bagasse availability is indeed a barrier for the project activity and not for the baseline scenario. This is substantiated as follows:

In the baseline there would be no generation of surplus electricity for grid exports as the baseline would constitute a lower efficiency power plant that would just combust biomass (bagasse) to meet the captive power demand of the adjacent sugar factory. In other words, the bagasse will be supplied by the adjacent sugar plant to generate power for captive consumption of the adjacent sugar plant only. Since there is no grid export in the baseline, it is evident that the biomass requirement will be much less in comparison to the project scenario, where power will be exported to the grid during the cane crushing season and off season. The sugar plant operates only during the season (i.e. sugar factories in the state of Uttar Pradesh (central U.P.) typically operate on a crushing season of 129 days/year based on 8 year average with the maximum crushing season being 156 days/ year based on data from year 1997-2005). Hence, the biomass will be available only during the season for captive power generation in the baseline scenario and no power will be generated in the off season as the sugar plant will not be operating. However, for the project scenario the biomass requirement will be more as captive power consumption will be for season only and grid export will be for both the cane crushing season and off season. The project activity assumes the sugar factory will operate for 160 days to generate enough bagasse to operate during

the season and also provide some of the fuel for the 120 days of the off-season (about 60 days of this will be saved bagasse and the remainder purchased biomass).

Hence, it is in DNV's opinion evident that biomass availability is a barrier for the project but not for the baseline scenario.

The PPA barrier exists for the project as it is only applicable to those projects that undertake grid based bagasse cogeneration with power export to the grid. 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. The data provided by the project proponent on the recently completed sugar plants show that nearly 50% of the plants opt for low pressure system, sufficient to cater to their own demands. The rest 50% of the plants which export power to the grid are in line for CDM registration and hence do not have to be considered in the common practice analysis. Therefore, in the absence of the project activity involving a grid connected high pressure co-generating systems, it is deemed likely that the project proponent would have opted for the low pressure system with no power export to grid (thus no requirement of PPA).

Moreover, even if barriers such as the uncertainties regarding the PPA may be considered general/market barriers and also apply to other projects, this does in our opinion not question that this is also a barrier which applies to this project activity.

It remains our opinion that the additionality of the project is sufficiently demonstrated through a barrier analysis, and as such, in the opinion of DNV, demonstration of additionality through a financial analysis is not required.

2. The PDD states that "a total capacity of 2.25MVA of diesel generator sets will be installed for back-up purposes." (page 02). This variable should be included in the monitoring plan.

DNV Response:
This is to confirm that the 2.25 MVA diesel generation is for back-up purposes only, primarily during emergencies and shall not be used to export electricity to the grid. Therefore, there would also be a diesel generation set of the same capacity in the baseline scenario and hence the emissions from this source do not have to be considered as they occur in both the project and the baseline scenario. Moreover, the electricity generated by this diesel generator will not be included in the monitored amount of electricity that is the basis for claiming displacement of grid electricity. Hence, monitoring of this variable is in our opinion not required to be included in the monitoring plan.

We sincerely hope that the Board accepts our aforementioned explanations.

Yours faithfully
for DET NORSKE VERITAS CERTIFICATION AS

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