



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

Att: CDM Executive Board

Your ref.: CDM Ref 0995

Our ref.: YM/MRSA Date: June 27, 2007

Subject: DNV Response to request for review “Fujian Dongshan Wujiaobay 30MW Wind Power Project” (0995)

Dear Members of the CDM Executive Board,

We refer to the requests for review raised by three Board members concerning DNV’s request for registration of the “Fujian Dongshan Wujiaobay 30MW Wind Power Project” (0995), and we would like to provide the following response to the issues raised by the requests for review.

Comment:

“The project proponents and DOE should clarify the elements in the common practice analysis, as there are already three existing wind power projects in Fujian and one of those is implemented as a CDM activity.”

DNV Response:

The common practice analysis is done at the provincial level. Projects developed within the same province face a similar regulatory framework that make them comparable (e.g. the electricity price is approved at the provincial level¹) and thus, It is DNV’s opinion that the selection of the province as the benchmark area to analyze similar activities is in line with the requirements of the sub-step 4a of the additionality tool version 02 *Analyze other activities*

¹ *Interim Measurement of Development and Utilization of Wind Energy* by Fujian Provincial Government (Min Zheng [2006] No. 7)



similar to the proposed project activity: “Provide an analysis of any other activities implemented previously or currently underway that are similar to the proposed project activity. Projects are considered similar if they are in the same country/region and/or rely on a broadly similar technology, are of a similar scale, and take place in a comparable environment with respect to regulatory framework, investment climate, access to technology, access to financing, etc. Other CDM project activities are not to be included in this analysis”.

The project developer’s response to this request for review includes the analysis at a broader level, East China power grid, the grid the project supplies the electricity to (including Fujian Province, Zhejiang Province, Shanghai Province, Jiangsu Province and Anhui Province).

The source of data for the common practice analysis, as stated in the PDD, was the document “Wind Power farms engineering and technical manuals. China Machine Press, Mar. 2004”. Among the three existing wind power projects in Fujian Province, Fujian Zhangpu Liu’ao 30.6MW wind power project has been registered as a CDM project and thus is not taking into account for further analysis (refer to the additionality tool, step 4a)

The sub-step 4b of the additionality tool requires to “demonstrate why the existence of these activities does not contradict the claim that the proposed project activity is financially unattractive or subject to barriers”. The other two projects, i.e. Fujian Pingtan 6MW wind power project and Fujian Dongshan 6MW wind power project are small scale projects which benefited from a very favorable electricity tariff of 0.75 RMB/kWh² (Including VAT). The approved electricity tariff of the proposed project is only 0.585 RMB/kWh³ and thus the situation of the other two projects is not comparable to this project activity.

At the time of this response, a more updated source is available (“Installed Capacity of Wind Farm in China in 2005, by Mr. Shi Pengfei, Vice Chairman of Wind Power Association of China”. <http://www.cwea.org.cn/upload/200612391640820.doc>). It can be observed that only one more project was installed in 2005 i.e. Fujian Nanridao Windfarm, also a CDM project.

If the common practice analysis is done at the East China Region, there are seven wind power projects which are of similar scale as the proposed project installed until 2005. Among them, two enjoyed high electricity tariff of 1.20 RMB/kWh⁴ (Including VAT), one enjoyed electricity tariff of 0.773 RMB/kWh⁵ (Including VAT), two enjoyed electricity tariff of 0.75 RMB/kWh⁶ (Including VAT), and the other two can not benefit from that high tariff thus are also applying for CDM benefits due to the same financial unattractiveness as the proposed project. The references of the above electricity tariffs have been verified by DNV.

² Min Price [2000] Shangzi NO.461 of 16 December 2000
(<http://www.fsou.com/html/text/lar/169079/16907959.html>)

³ National Development and Reform Commission Price [2007] No. 1260

⁴ http://www.biox.cn/environ/200609/20060927025244_268647.shtml

⁵ http://www.61970.com/data/2006/0203/article_9320.htm

⁶ Approval of the Electricity Tariff of Pingtan and Dongshan Wind Power Projects by the Price Bureau of Fujian Province, Min Price [2000] Shangzi NO.461 of 16 December 2000
(<http://www.fsou.com/html/text/lar/169079/16907959.html>)



New wind power projects constructed since 2006 have also applied for the assistance of CDM, such as the Jiangsu Rudong Huangang Dongling Wind Power Project, Jiangsu Qidong Wind Power Project, Jiangsu Dongtai 201MW Wind Power Project, etc.

If the analysis is done based on the installed capacity and power generation by wind sources (source: China Electric Power Yearbooks) it can be concluded that the installed capacity of wind power accounts for only 0.046% of the total installed capacity of East China Region in 2004 and 0.092% in 2005. And the power generated from wind resource accounts for only 0.014% of the total power generation in East China Region in 2004 and 0.021% in 2005.

Therefore, it can be concluded that wind generation is not representative either at the provincial level or grid level and that there are essential distinctions between the proposed project and existing similar projects (except those seeking CDM benefits) mainly related to the electricity tariff and thus, the existence of the similar projects does not contradict the claim that the proposed project activity is financially unattractive and faces barriers.

In summary, the proposed project can not be said to represent the common practice.

We sincerely hope that the Board accepts our above explanations.

Yours faithfully.

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Einar Telnes
Director
International Climate Change Service

A handwritten signature in black ink, appearing to read 'Miguel Rescalvo Santandreu', is positioned above the name and title.

Miguel Rescalvo Santandreu
Project Manager
International Climate Change Service