



Danish Energy Management

A part of Danish Management Group

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7th Sept 2007

Attn: Mr.Chee Keong Lai

Sir,

**Response to Request for Review for “Golden Hope Composting Project- Merotai”
(Ref.no. 1108)**

Referring to the request for review from CDM EB for *Golden Hope Composting Project- Merotai*, we have prepared the responses to the 3 requests.

We have also made the necessary changes to the PDD according to the response given in Attachment 1 and have enclosed it with this letter.

The contact person for further correspondence will be;

Mr.Henrik Rytter Jensen (hrj@dem.dk) for Danish Energy Management who is the CDM consultant for the above project.

Yours truly,

Henrik Rytter Jensen
Chief Consultant
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Encl.: Clarifications to the request for review.

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Clarifications to the request for review

Request 1. The PP/DOE shall further demonstrate the additionality of the project activity, as the benchmark used for the investment analysis has not been selected from a documented source and the rates of POME production per year that are used are higher than those values actually measured at the plant.

The benchmark used for the calculation is based on the expected return on investment by the Golden Hope Plantations Berhad. The 10% benchmark is in accordance with the average return on assets (ROA) for the Group as a whole. This benchmark is verified by the Financial Reports of the Group, where the average ROA for the 3-year period (2003-2005) prior to the project was 10%. The financial highlight can be found on Golden Hope Plantations Berhad's web site: http://www.ghope.biz/financial_highlights.htm.

The additionality test includes an investment analysis, which is based on the expected POME production at the Palm Oil Mill and the expected POME utilization in the co-composting project. These figures are estimated from general assumptions. The actual POME production fluctuates over the years according to the processing of crops in the Palm Oil Mill and was not known before the project started and could therefore not be included in the investment analysis.

The actual measured values for year 2006 is not representative as an average as the composting facility only started operation by end of February and thus only 10 months was accounted for. Furthermore it took 3 months to fully build up the composting windrows, so the POME utilization for the first three months was lower than a "normal" month.

Request 2. In addition, the DOE states that it has validated that the CDM was considered before project implementation through a Letter of Intent which was signed between the Danish Government and Golden Hope Plantations Bhd on 8 April 2003 to indicate their intention to develop CDM projects (page 10 of 55 of the Validation Report). That letter of intent seems to refer to CDM projects in general and not to this specific project. Further clarification is required.

The Merotai project was part of the pipeline of prospective CDM considered under the Letter of Intent of 8th April 2003. A document entitled "Final CDM Project Pipeline" has been submitted to DOE during validation which includes the Golden Hope Composting Project-Merotai as part of the pipeline proposed to the Danish Ministry of Foreign Affairs.

The final Emission Reduction Purchase Agreement was signed on 12th Dec 2006 and refers to the LOI signed on 8th April 2003. This ERPA includes the Merotai composting project among the projects covered by the agreement and the cooperation between the parties.

Request 3. The methodology requires the diesel consumption related to the project activity be monitored.

The diesel consumption will be monitored as per the request. Section D.3 of the PDD has been amended accordingly with the data parameter Q_{diesel} .

Request 4. Clarification is required as to why diesel consumption is included in Annex 5 of the PDD but not in the table of data to be monitored in D.3.

Section D.3 has been updated to include monitoring of diesel consumption (Q_{diesel}).