Nahar INDUSTRIAL ENTERPRISES LTD.

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Project Proponent Responses to Request for review raised by three Executive Board members:

Comment No 1:
The PDD does not provide strong evidence that CDM has been seriously considered in the decision to undertake the project activity.
Project Proponent's Reply:
The project proponent was well aware of the possible CDM benefits associated with the project activity. The following documents substantiate the fact that CDM was seriously considered in the decision to undertake the project.

Document No. 1 – Internal memo to the top management, seeking approval for the implementation of the project activity (Dated 03/11/2000)
During the planning stage of the project in the year 2000-2001, Nahar Industrial Enterprises Limited (NIEL) was well aware of the possible CDM benefits by implementing the Biomass based cogeneration project. In the internal memo seeking approval for the said project, the Chief Engineer (Mr. A.P. Singh) has apprised the Vice Chairman (Mr. Kamal Oswal) of Oswal Cotton Mills Ltd. (Oswal Cotton Mills got amalgamated with Nahar Industrial Enterprises Limited on 08/11/2001, please find attached High Court Order copy on the amalgamation as Annex 1a & 1b) regarding the possibility of getting carbon credits (through CDM) by implementing the project activity. The letter also discusses about the possibility of getting additional revenue (through CDM) to make the project quite viable.
This clearly substantiates that the CDM has been seriously considered in the decision to undertake the project activity. Please find attached the Internal Memo seeking top management approval, Dated 03/11/2000 as Annex 2.

Document No. 2 – (True copy of the abstract/resolution passed by the board of directors of the company in its meeting held on 11/01/2001)
In the Board Meeting held on 11/01/2001, Mr. A.P. Singh (Chief Engineer) explained before the Board, the details with respect to the biomass based cogeneration project along with various benefits that NIEL will be getting by implementing the project activity. During the Board meeting, Mr S.S. Aich (General Manager) raised technical and maintenance issues associated with the project activity and were quite apprehensive of going ahead with the project activity. To clear the issues raised by Mr Aich and to convince him and the Board members to undertake the project, Mr A.P. Singh informed and explained the Board about possibility of getting carbon credits with associated revenues by implementing the project activity. Mr A.P. Singh further explained that the CDM revenues from the project activity would help in offsetting the technical and maintenance issues raised by Mr Aich. After considering the explanation of Mr A.P. Singh regarding the possible CDM revenues by implementing the project, the Board decided to install the biomass based cogeneration plant after seriously considering the CDM benefits. Please find attached the "True copy of the abstract/resolution passed by the board of directors of the company in its meeting held on 11/01/2001" regarding CDM consideration before the implementation of the project activity

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as Annex 3. Please treat this document as highly confidential and we request the document to be made available only to EB members.

The above two documents clearly substantiate that the CDM was seriously considered in the decision to undertake the project activity.

The above information has also been included in the revised PDD under section B.3.

Comments No. 2:
The monitoring plan does not include the annual evaluation of whether there is a surplus of biomass in the region and any leakage that may need to be estimated and deducted from the emission reductions in accordance with the Board's "General guidance on leakage in biomass project activities (Version 2)".

Project Proponent's Reply

According to attachment C to appendix B of Indicative simplified baseline and monitoring methodologies for selected small-scale CDM project activity categories –"General guidance on leakage in biomass project activities" Version 2, for small scale project activities involving renewable biomass, there are three types of sources that are potentially significant (>10% of emission reductions) and attributable to the project activities. These emission sources may be project emissions (if under the control of project participants, i.e. if the land area where the biomass is grown is included in the project boundary) or sources of leakage (if the source is not under control of project participants). The following table summarizes, for different types of biomass, the cases where the emission source is relevant and the cases where it is not.

Biomass type	Activity / source	Shift of pre-project activities	Emissions from biomass generation / cultivation	Competing use of biomass
Biomass from forests	Existing forests	-	-	X
	New forests	X	X	-
Biomass from croplands or grasslands (woody or nonwoody)	In the absence of the project the land would be used as cropland / wetland	X	X	-

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	In the absence of the project the land would be abandoned	-	X	-
Biomass residues or wastes	Biomass residues or wastes are collected and used	-	-	X

For the project activity, the leakage emission sources can be identified as follows:

1. As the project activity utilizes only rice husk which is a biomass residue, the implementation of project activity did not lead to shifting of pre-project activities.
2. The rice husk being used in the project activity is a waste generated from the rice crop. This waste would have anyways been generated even in the absence of the project activity and would have burnt without being used productively. The plant uses the waste generated and does not need application of fertilizer and clearance of land. Hence there are no emissions due to the same.
3. The only possible source of leakage in the project activity can be competing uses of biomass - The biomass may in the absence of the project activity be used elsewhere, for the same or a different purpose.

To evaluate the same, biomass assessment in the region (the region is defined as the area within 100 km radius of the project activity area) will be carried out annually based on latest available literature / data from the government sources. In the absence of the official data, a biomass assessment study will be carried out. If it is demonstrated that the quantity of available biomass in the region, is at least 25% larger than the quantity of biomass that is utilised including the project activity, then this source of leakage can be neglected otherwise this leakage shall be estimated and deducted from the emission reductions.

In the context of the project activity, 'The District Biomass Assessment Study for Patiala' prepared by reputed organisation – 'The Energy and Resources Institute (TERI)' has been used to arrive at the net surplus biomass available in the region. This report is attached as Annex 4 to this document for further reference. The figures of net surplus biomass available for the district has been arrived at after deducting all competing uses of biomass in the region such as for fertiliser, manure, energy generation as well as other industrial uses (Refer: Page No. 17, Table No. 25 - District Biomass Assessment Study - Patiala, T E R I Report No. 2003SF62).

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Total Quantity of biomass (paddy husk) available in Patiala[1] ($TQ_{Biomass}$) =136255 MT/yr
Biomass Quantity utilized by other users ($BQ_{others\ users}$) = 3406 MT/yr
Biomass Quantity utilized by project activity ($BQ_{project}$) = 65712.5MT/yr
Quantity of Biomass less than the required 25% larger than combined usage ($LQ_{Biomass}$)
= 49857 MT/yr

The availability of biomass material (rice husk) in the Patiala district where plant is located is around 1.36 Million Tonnes per annum of which the utilization including the project activity is 0.69 Million Tonnes per annum. Since $LQ_{Biomass}$ is positive then there would be no leakage, this indicates that availability is 25% more than the present requirement including the project activity and hence the leakage can be neglected.

To evaluate annually if there is a surplus of the biomass in the region of the project activity, which is not utilized, a biomass assessment study will be carried out every year prior to the monitoring and verification of the project in the region. If the biomass assessment study demonstrates that the quantity of available biomass in the region, is at least 25% larger than the quantity of biomass that is utilised including the project activity, then this source of leakage will be neglected otherwise the leakage shall be estimated and deducted from the emission reductions.

The Leakage will be calculated as follows:

$LQ_{Biomass}$ = $[TQ_{Biomass} - (BQ_{project} + BQ_{other\ users})*1.25]$

$LQ_{Biomass}$ = Quantity of Biomass less than the required 25% larger than combined usage in MT

$TQ_{Biomass}$ = Total Biomass Quantity available in the region in MT

$BQ_{project}$ = Biomass Quantity utilized by project activity in MT

$BQ_{others\ users}$ = Biomass Quantity utilized by other users in MT

In case $LQ_{Biomass}$ is positive (+) then there would be no leakage, hence Leakage (L) will be zero. However, if $LQ_{Biomass}$ is negative (-), then the leakage would be due to the use of equivalent amount of coal in the region and the same shall be calculated using the following formulae:

$L = \{[-(LQ_{Biomass}) \times NCV_{Biomass}]\} \times EF_{Coal}$

L = Leakage (tCO_2)

$LQ_{Biomass}$ = Quantity of Biomass less than the required 25% larger than combined usage in MT

$NCV_{Biomass}$ = Net Calorific Value of Biomass (in TJ/Kg)

EF_{Coal} = Emission Factor of Coal (IPCC Default, tCO_2/TJ)

The above information has also been included in the monitoring plan of the revised PDD under section D.2. and in section E.1.2.2.

[1] District Biomass Assessment Study - Patiala, T E R I Report No. 2003SF62

For Nahar Industrial Enterprises Ltd.

Auth. Signatory

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