

**Response to the request for review for the CDM project activity**

***“Jiangxi Fengcheng Mining Administration CMM Utilization Project” with the reference number 1135***

Attention: Kai-Uwe Barani Schmidt, Manager  
CDM Section

August 10, 2007

Dear Sir or Madam,

We were informed that our project *“Jiangxi Fengcheng Mining Administration CMM Utilization Project”* (reference number 1135) was requested for review by CDM Executive Board. As required by the Board, we would like to answer the question and clarify the issues, as required by the Board as follows.

**Issue 1**

**Further clarification is required on how the benchmark rate, including its components, was validated.**

**Our clarification:**

The relevant references on how the benchmark rate was selected were provided to DOE. According to *“Productivity in the UK 5: Benchmarking UK productivity performance”* published by Department of Trade and Industry and HM Treasury, the hurdle rate for average large industry is 13.5%. In addition, (summarized from the data taken from a study conducted by NYU’s Stern School of Business toward more than 7000 firms globally. Damodaran, Aswath. January 2005), the document *“Cost of Capital by Sector”*, which is available from [http://pages.stern.nyu.edu/~adamodar/New\\_Home\\_Page/datafile/wacc.htm](http://pages.stern.nyu.edu/~adamodar/New_Home_Page/datafile/wacc.htm), shows that the average cost of capital in the energy related sectors was 6.8%, and the survey made by *“Corporate Finance”* suggests that a risk premium would be added to project investment in China to approximately 5%, thus the IRR requirements for such projects in China would be 11.8%.

Moreover, *“Economic Evaluation Code and Parameter for Construction Project (Version 03)”* published by China NDRC and National Construction Committee suggests that the benchmark IRR for coal and gas relevant industry in China is generally 13%.

Among the above IRR values, 11.8% is the lowest one. So use of 11.8% as the benchmark

rate of this project is considered to be conservative.

**Issue 2**

**The DOE validated the OM emission coefficient as 0.9279tCO<sub>2</sub>/MWh (p.36), while the value in the PDD is 1.2775tCO<sub>2</sub>/MWh. Clarification is required from the DOE.**

**Our clarification:**

The correct OM emission coefficient should be 1.2775tCO<sub>2</sub>/MWh. The detailed calculation process is shown in PDD Annex 3.

With the above clarification, explanation and supplementing information, we hope that the CDM Executive Board would approve the registration of “*Jiangxi Fengcheng Mining Administration CMM Utilization Project*”.

Yours sincerely,

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