



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

DET NORSKE VERITAS  
CERTIFICATION AS

Veritasveien 1  
N-1322 Høvik  
Norway  
Tel: +47 6757 9900  
Fax: +47 6757 9911  
<http://www.dnv.com>

Att: CDM Executive Board

Your ref.:  
CDM Ref 1485

Our ref.:  
MLEH

Date:  
18 March 2008

### Response to request for review

#### "Lishiluo Erji 6.4MW Small Hydropower Project in Yunnan Province" (1485)

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 project activity 1485 entitled "Lishiluo Erji 6.4MW Small Hydropower Project in Yunnan Province", and we would like to provide the following response to the issues raised by the requests for review.

#### Request for review:

##### *Comment 1 & 2:*

*Further clarification is required on how the DOE has undertaken an independent assessment to confirm that the input values used in the investment analysis adequately reflect the situation of the project activity.*

##### *Comment 3:*

*The DOE should provide an independent validation opinion of the input values used in the investment analysis.*

#### DNV's response:

The main input values used in the investment analysis of the project 1485 are taken from the feasibility study report (FSR), which was completed in December 2004 and approved by Nujiang Prefecture Development and Reform Committee dated 16 November 2005<sup>1</sup>. The electricity tariff is taken from the document of "Yunnan Province Development and Reform Committee" dated 30 August 2005<sup>2</sup>. All the documents have been assessed and verified by DNV during the validation of the project. In DNV's opinion, these data adequately reflect the actual situation of the project activity for the following reasons:

- a) As mentioned in the section C.1.1 of the PDD, the starting date of the project activity is 25 December 2005, which is defined as the date when the final decision to invest into the project was made. Although the FSR was already completed in December 2004, the FSR was checked and found adequate by the Nujiang Prefecture Development and Reform Committee in November 2005. It is in our opinion unlikely in the context of the underlying project activity that the input values would have materially changed between the finalization of FSR (16 November 2005) and investment decision (25 December 2005).
- b) DNV was also able to confirm that the input values used in the investment analysis are fully consistent with the values used in the FSR and the stipulation from the local government. As stated above, only

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<sup>1</sup> The Feasibility Study report by Institute of Xiangtan City Hydropower Reconnaissance Design, Hunan Province in December 2004 and the approval letter by Nujiang Prefecture Development and Reform Committee dated 16 November 2005 (NuFaGaiNengYuan[2005]385#).

<sup>2</sup> The notice for electricity tariff for grid connected output in Yunnan province by Yunnan Development and Reform Committee (YunFaGaiJiaGe[2005]792#)

one value, the electricity tariff, is taken from another source, i.e. the above mentioned document by “Yunnan Province Development and Reform Committee” dated 30 August 2005.

- c) DNV has cross-checked the input values used in the investment analysis with other similiar hydropower projects in China and was able to confirm that the input values are reasonable.

The above assessment is in accordance with the guidance adopted by the Board at its 38<sup>th</sup> meeting (paragraph 54) for cases where project participants rely on values from Feasibility Study Reports (FSR) that are approved by national authorities for proposed project activities.

It must be noted that project activity 1485 was submitted for registration prior to the Board’s 38<sup>th</sup> meeting and even prior to the Board’s 37<sup>th</sup> meeting, at which the EB started to request that values taken from FSRs are independently assessed by DOEs.

We sincerely hope that the Board accepts our above explanations.

Yours faithfully  
for Det Norske Veritas Certification AS



Michael Lehmann  
*Technical Director*

International Climate Change Services