

**Response to Review Request for**  
**Top Gas Pressure Recovery based Power Generation from 'G' Blast Furnace**  
**(UNFCCC Ref. No.: 00001648)**

Comment 1

*The DOE is requested to explain further how it has validated that the project is additional based on the results of the investment analysis, in particular with reference to the applied benchmark.*

Response by the Project Proponent

The project activity under consideration falls under the Improvement Category project. This category of projects is assessed by using the Internal Rate of Return (IRR) as the financial indicator. The internal benchmark for approval for such projects at Tata Steel Limited for the period 2003-2007 was 20% IRR. The DOE has been provided with the list of projects which were approved and which were not approved by the Management of Tata Steel Limited for the period 2003-2007. The same will also substantiate that the internal benchmark of 20% IRR has been adopted in the project approval process for the Improvement Category projects at Tata Steel Limited during that period.

The DOE will provide further feedback on the same following the clarification required by the Executive Board of UNFCCC.

Comment 2

*Further clarification is required on how the DOE has validated the baseline determination, in particular that the continuation of current situation - import of power from a captive power plant is a more economically attractive alternative than the project activity undertaken without CDM.*

Response by the Project Proponent

The project proponent hereby wishes to clarify that the project activity under consideration falls under the Improvement Category projects and the viability of such projects at Tata Steel Limited are assessed with respect to their Internal Rate of Return (IRR). The IRR of Improvement Category projects are compared with the internal benchmark for such projects at the time of project approval to determine the project's viability. In accordance with this practice, the Management of Tata Steel Limited assessed the financial viability of the project activity under consideration with

respect to the internal benchmark prevailing at the time of its approval. The project activity was found to be non-viable without the consideration of CDM revenue and under these circumstances the continuation of current situation – import of power from Jojobera Thermal Power Plant would have continued.

The project proponent has adopted the Benchmark Analysis approach to demonstrate additionality of the project activity. It may be noted that Benchmark Analysis approach is the most appropriate approach for the project activity under discussion. As per the “Guidance on the Assessment of Investment Analysis”,

- (a) Investment comparison analysis shall be used if the proposed baseline scenario leaves the project participant no other choice than to make an investment to supply the same (or substitute) products or services.

In the proposed baseline scenario for the project activity, the project proponent would not have made any investment to supply the electricity (product). The electricity would have been sourced from the existing coal based power plant –Jojobera Thermal Power Plant. Therefore investment comparison analysis is not an appropriate approach.

- (b) If the alternative to the project activity is the supply of electricity from a grid this is not to be considered an investment and a benchmark approach is considered appropriate.

In the case of the project activity, the alternative to the project activity is sourcing electricity from an existing coal based power plant –Jojobera Thermal Power Plant which does not entail investment. Therefore investment comparison analysis is not to be considered and a benchmark approach is considered appropriate.

This explains that the financial performance of the project activity is not compared with the current practice of importing power from Jojobera Thermal Power Plant (an alternative to the project activity) since the project activity requires investment and the current practice does not entail any investment. This is in accordance with the standard practice of Tata Steel Limited and the “Guidance on the Assessment of Investment Analysis”.