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Att: CDM Executive Board

Your ref.:
 CDM Ref 1928

Our ref.:
 MLEH

Date:
 25 November 2008

Response to requests for review of the project “Jincheng Fengrun CMM Utilisation from Nine Mines in Jincheng City Shanxi Province China ”(1928)

Dear Members of the CDM Executive Board,

We refer to the issue raised by the requests for review by three Board members regarding project activity 1928 “Jincheng Fengrun CMM Utilisation from Nine Mines in Jincheng City Shanxi Province China” and would like to herewith provide our initial response to the issue raised.

Question 1: The DOE shall clarify how it has validated that CMM will be purchased at a fixed price of 0.15 RMB/m³ CH₄. In doing so, the PP/DOE shall provide the documentary evidence based on the CMM purchase and supply agreements, actual invoices and payments made (if any). The DOE is requested to confirm whether the CMM price includes the costs of CMM extraction and supply.

DNV Response:

In assessing the price of 0.15 RMB/m³ for the purchased CMM, DNV has verified the following two documented evidences:

- *Notice on CMM Price*, issued by the Jincheng City Government Price Administration Bureau, dated 24 November 2003. By checking the document, DNV was able to confirm that in China the price administration bureau has the authority to issue price regulating documents, and the price listed for CMM in this document was 0.15 RMB/m³;
- *CMM purchase and supply agreements*, signed between project owner and the mines providing the gas (described in the PDD) after project start date (the earliest date of construction contract signing - 02/08/2005). By checking this document, DNV was able to verify that a fixed price of 0.15 RMB/m³ for a period of 10 years (from January 1, 2006 to January 1, 2016) was defined in the agreement. Given that the energy price trend in China is increasing, it is conservative to use the fixed price in the investment analysis for the whole lifetime of the project.

In assessing the price components for the CMM, by checking *Price Law of the People's Republic of China* and the *Notice on CMM Price*, DNV was able to confirm that the price determined for CMM considers the average market price for CMM in the region of Jincheng City, and that none

of the additional costs associated with the extraction and supply were considered in the financial analysis by checking the breakdown of the total investments in the feasibility study researches for the project.

Question 2: The DOE is requested to provide reliable evidence that CDM was considered prior to the project start date and that continuing and real actions were taken to secure CDM status for the project activity in parallel with its implementation following the guidelines from paragraph 5, Annex 46, EB 41.

DNV Response:

By checking the construction contract signed between the project owner and the construction company for this project (Henan Jiaxing Construction Municipal Engineering Co., Ltd.) dated 02 August 2005, DNV was able to confirm that the starting date of the project was properly defined as 02 August 2005.

DNV was also able to confirm that the CDM was considered prior to the project start date by checking the following evidences:

- The project proponent's correspondence with Jincheng Municipal CMM and Natural Gas Utilisation Development Committee regarding the CDM development plan for the proposed project dated 10 January 2005;
- The feasibility study researches conducted by the Jincheng Engineering Consulting Center for the project dated January 2005, including CDM consideration, as well as the approvals by Jincheng Development Planning Committee dated 07 June 2005.

By checking the following documented evidence, DNV was further able to confirm that continuing and real actions were taken to secure CDM status for the project activity in parallel with its implementation:

- Confidential agreement signed between the project developer and Buyers dated 28 January 2006;
- Term sheet signed between the project owner and Trading Emissions Plc dated 25 November 2006;
- ERPA signed between the project owner and Trading Emissions Plc dated 16 May 2007;
- PDD for the project published for global shareholders comment dated 23 May 2007.

Question 3: The DOE is requested to clarify how it has validated that:

(i) the CMM supplied to the project will not be supplied from sources other than that allowed by the methodology, considering that CMM is being purchased from near by mines, not owned by the PP, and that the methodology remains applicable to the project throughout the crediting period;

(ii) The CMM would have been vented to atmosphere and not sold in absence of the project activity;

And (iii) there will be no double counting in claiming emission reductions due to venting of CMM to atmosphere (if any) in absence of the project activity by the owners of the mines and the PP.

DNV Response:

For the comment (i), DNV was able to confirm that, during onsite visit, the CMM supplied to the project was and would only be from the coal mines defined in the PDD, which meet the applicability requirement of ACM0008 as explained in the PDD and validated in the validation report. DNV was also able to confirm that the project participant has proposed to include the “checking of the project pipeline and source of the gas feeding the pipeline during verification” in an updated version of the monitoring plan. It will be added into the revised PDD after conclusion of this request for review to ensure that the methodology remains applicable to the project throughout the crediting period.

For the comment (ii), DNV was able to confirm through the following assessment that the CMM would have been vented to atmosphere and not sold in absence of the project activity:

- Feeding the CMM into the pipeline was not feasible as discussed in the baseline scenario determination. During the site visit, it was confirmed there is no municipal pipeline connection in place. The project sites are located a significant distance from any large urban centre. The villages in the region are dispersedly distributed.
- Using the CMM to generate power was not financially attractive in the absence of CDM;
- No other feasible options were identified for the utilization of the CMM.

For the comment (iii), DNV was able to confirm it is unlikely for double counting in claiming emission reductions related to the project activity, by assessing the following:

The owners of the mines cannot claim the emission reductions related to the project activities, as

- Emission reductions can only be achieved by destroying the CMM and, i.e. generate electricity as it is the purpose of the project activities; it is unreasonable for the owners of the coal mines to claim emission reductions by making use of any external gas destruction activities, when there is no possession of gas ownership or destruction units.
- Chinese DNA will supervise the emission reductions claiming processes to ensure that only one owner is being assigned for each claimed emission reductions.
- The locations and monitoring meters will be described in detail in the PDD to make sure only the emission reductions related to the project activities will be claimed by the PP solely.

We sincerely hope that the Board find our elaboration on the above satisfactory.

Yours faithfully
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