EcoSecurities Limited

Members of the CDM Executive Board
UNFCCC Secretariat
Martin-Luther-King-Strasse 8
D-53153 Bonn
Germany

1st Floor
Park Central
40/41 Park End Street
Oxford OX1 1JD
UK

Tel +44 (0)1865 202 635
Fax +44 (0)1865 251 438
Email uk@ecosecurities.com
www.ecosecurities.com

11 December 2008

Dear Members of the CDM Executive Board,

Request for review –2033 Jiadu River Zhentong Power Plant Project

Please find below our responses to the issues raised as part of the request for review for this project.

> ***Request: The DOE is requested to justify the suitability of the 10% benchmark, in particular, the appropriateness of a benchmark of year 1995 when assessing the additionality with investment decision made in 2006.***

Please see the DoE's response as well as the response below:

The 10% benchmark of the proposed Project is based on the "Economic evaluation code for small hydropower projects (Document No. SL16-95)". This code was issued by the Ministry of Water Resources of China (MWR) and became effective on 01/07/1995. Section 1.2 of SL16-95 states that it is applicable to all hydropower projects with an installed capacity below 25MW and to hydropower projects with an installed capacity below 50MW located in rural regions[1]. The installed capacity of the proposed Project is 8MW. SL16-95 is thus applicable to the proposed Project.

On 09/09/2006, The MWR announced that this regulation was still effective[2]. Furthermore, no new regulation has taken over the effectiveness of this code since then. To double-check this information, a first call was placed to the MWR on 28/05/2007[3] and a second one on 26/11/2008[4]. The MWR confirmed during both calls that this code and its benchmark are still in effect. Therefore, 10% benchmark was applicable at the time of the decision making in 2006 (and still remains in effect today).

[1] See http://www.cws.net.cn/guifan/bz%5CSL16-95. The Code applies to small hydropower projects below 25MW and to hydropower projects below 50MW in rural areas.

[2] See <Notification of Current Effective Water Conservancy Technical Standards > by The Ministry of Water Resource of PRC, (http://www.mwr.gov.cn/tzgg/qt/20060926000000479251.aspx)

[3] As part of the PP answer to the Request for Review of project 996 - Zhoubai Hydroelectric Project (http://cdm.unfccc.int/Projects/DB/DNV-CUK1173700712.12/history)

[4] +8610-63202593

Since 1995, hydropower design institutes in China have widely applied this code and the 10% benchmark when developing Feasibility Study Reports (FSRs) and Preliminary Design Reports (PDRs) for small-scale hydropower projects. The 10% benchmark given in this code is the most specific benchmark for small hydropower projects and is representing the common Chinese practice for investment decision processes[5]. The 10% benchmark has also been consistently applied by the shareholders of the proposed Project in assessing other similar investment (i.e. small hydropower project)[6]. This shows that it is reasonable to assume that a lower benchmark would not be applicable to the proposed Project.

Therefore, we believe that the use of a 10% benchmark for assessing the additionality of the investment decision made in 2006 is appropriate.

We hope that the information provided adequately addresses the concerns raised.

Yours sincerely

Belinda Kinkead
Head of Implementation
belinda.kinkead@ecosecurities.com
Direct line +44 (0) 1865 297 132
Direct fax +44 (0) 1865 251 438

[5] The Research and Design Institute of No.14 China Hydro Engineering Bureau and the National Research Institute for Rural Electrification, accredited by the Chinese Government, both claim that SL 16-95 is still used by design institutes when assessing the financial feasibility of small hydropower projects.

[6] See the Feasibility Study of Nansilong 1st Stage Hydro Power Project (4MW) in Yingjiang County, Yunnan Province.