



11/21/2008

**RESPONSE FOR REQUEST FOR REVIEW –
BHARAT PETROLEUM CORPORATION LIMITED (BPCL)'S
5 MW WIND POWER PROJECT, INDIA (2036)**

1. *The PP/DOE should provide evidence of consideration of CDM prior to the date of investment decision as per EB 41, Annex 46 guidance on prior CDM consideration.*

PP's Response:

The PP would like to first refer to start date of project activity as discussed in EB 41 para 67: "In light of the above definition, the start date shall be considered to be the date on which the project participant has committed to expenditures related to the implementation or related to the construction of the project activity."

The PP had placed purchased order for the wind turbines on 28/03/2007 and the same has taken as start date of the project activity. A copy of the purchase order has been attached as Annexure-I.

BPCL being a Public Sector Undertaking of Government of India does the appointment of "Consultant" and "DOE" by following a proper tendering procedure. The PP had started process of identifying Consultant since 12th April 2006 (proof attached as Annexure-II) for all potential projects at BPCL. The appointment of CDM consultant happened on 24th July 2006 (Letter of Intent (LOI) proof attached as Annexure-III). The CDM Consultant's appointment document clearly states that they have been appointed for all eligible CDM projects/ proposals in BPCL, till 2012. At the same time the PP had started the process of identifying and appointing "DOE" for potential projects at BPCL. The PP had started identification of DOE from 18th August 2006 (proof attached as Annexure-IV). The DOE was appointed on 04th January 2007 The Letter of Intent (LOI) proof attached as Annexure-V. The DOE has been appointed for all eligible CDM Projects/ Proposals in BPCL, till 2012. It is noteworthy that both these important appointments for any CDM project had happened before the start date of subject Wind Power project activity. As is evident, the knowledge of CDM was there with BPCL since early part of 2006. Based on this knowledge the project was approved after due consideration of CDM benefits.

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Evidence of consideration of CDM prior to the date of investment decision as per EB 41, Annex 46:

As per para 5 (a), the project participant must indicate awareness of the CDM prior to the project activity start date, and that the benefits of the CDM were a decisive factor in the decision to proceed with the project. Evidence to support this would include, inter alia, minutes and/or notes related to the consideration of the decision by the Board of Directors, or equivalent, of the project participant, to undertake the project as a CDM project activity.

PP's Response:

As already described earlier, the PP had knowledge of Kyoto Protocol and CDM benefits prior to the project activity start date (28/03/2007) which can be evident by prior appointment of CDM Consultant and DOE. Deputy General Manager (Business Development) was looking after the Wind Project at BPCL and he had considered CDM benefits as part of financials for the project. In fact he had sent a note (Attached as Annexure-VI) dated 27/07/2006 on this particular project referring to a presentation made to the team on possibility of availing carbon credits for the project. In the same note he had instructed the team preparing financials of the project to incorporate benefits of carbon credit, in the financial model before presenting it to the Board. The Board has also approved the project after considering CDM benefits because as per the instruction of DGM (Business Development) the financials presented to Board had considered CDM benefits as cash inflow. A certificate to this effect has been issued by the Deputy General Manager (Business Development) duly vetted by the Statutory Auditors proof attached at Annexure-VII

As per para 5(b) the project participant must indicate, by means of reliable evidence, that continuing and real actions were taken to secure CDM status for the project in parallel with its implementation. Evidence to support this should include, inter-alia, contracts with consultants for CDM/PDD/methodology services, Emission Reduction Purchase Agreements or other documentation related to the sale of the potential CERs (including correspondence with multilateral financial institutions or carbon funds), evidence of agreements or negotiations with a DOE for validation services, submission of a new methodology to the CDM Executive Board, publication in newspaper, interviews with DNA, earlier correspondence on the project with the DNA or the UNFCCC secretariat;



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PP's Response:

The complete chronology of the project activity has been listed down below:

Start for Identification of CDM Consultant (Tender date)	12/04/2006
Appointment of CDM Consultant (LOI)	24/07/2006
Note sent by Deputy General Manager (Business Development)	27/07/2006
Board Approval	13/10/2006
Start for Identification of DOE (Tender date)	18/08/2006
Appointment of DOE (LOI)	04/01/2007
Purchase Order Placed for Wind Turbines	28/03/2007
Host Country Presentation	22/10/2007
PDD uploaded for GSP	30/11/2007
Host Country Approval	27/12/2007

Both Consultant and DOE were appointed before the start date of project activity. The PDD was submitted to "Host country approving authority" and "DOE" at the same time and process was taken up parallel. It is evident from the chronology that CDM was seriously considered and continuous efforts were made to attain Carbon credits for the project.

- 2. *The PP/DOE should further clarify why electricity generation was the only parameter considered in the sensitivity analysis and, if any, financial incentives to renewable energy generation projects in India have been considered in the investment analysis.***

PP Response:

The most important parameter for financial viability of a wind energy project is electricity generation. The other parameter is the rate of sale of electricity and as per PPA signed between PP and HESCOM, the rate of sale is fixed for next ten years (relevant page attached as Annexure-VIII). Therefore the sensitivity analysis is only done for electricity generation.



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For any renewable energy generation project in India, some form of benefits is provided by Ministry of New and Renewable Energy. For wind projects, the incentives are provided in form of accelerated depreciation and tax benefits. Both these incentives have been considered in working out the financial analysis.

For & on behalf of
BHARAT PETROLEUM CORPORATION LTD.

 21/11/08

(G.S. BAVEJA)
GENERAL MANAGER (HSE)