

## **Response to request for review for project 2069 “Cangxi Donghe Dongxi Hydropower Station”**

***Issue 1. The DOE is requested to clarify how it has validated the suitability of the 10% benchmark for investment analysis, specifically the appropriateness of a 1995 benchmark when assessing an investment decision made in 2007.***

### **Response from the Project Participant:**

The project compares the IRR against the 10% benchmark (project IRR post-tax) as per the “The Economic Evaluation Code for Small Hydropower Projects (SL16-95)”, which is applicable to hydropower stations with an installed capacity of no more than 50MW. This document is part of the “Professional Standards of the People’s Republic of China” and was approved and published by the Ministry of Water Resources of the People’s Republic of China in 1995.<sup>[1]</sup> Since then, no new documents prescribing benchmarks for hydropower stations with an installed capacity up to 50MW have been released by the Government of China, nor has the validity of this benchmark been repudiated in any way. In fact, the applicability of document SL16-95 was confirmed by the Ministry of Water Resources of the People’s Republic of China in 2002 in the “Bulletin of Valid Hydropower Technical Standards No 07 (2002)”.<sup>[2]</sup> Additionally, the Chinese Hydraulic Engineering Society (CHES) confirms that this benchmark is still in effect in July 2008.<sup>[3]</sup>

In addition, the 10% benchmark is still ubiquitously applied by stakeholders of hydropower projects with an installed capacity up to 50MW (e.g. Design Institutes, Investors, governments in charge of approving projects) to evaluate the feasibility of these projects. And, Chinese DNA’s approval of CDM project activities with an IRR below this benchmark indicates it is still valid.

The installed capacity of the project is 10MW, which is below the installed capacity of 50MW referred to document SL 16-95, therefore, the benchmark of 10% in the document SL16-95 as mentioned above is applicable to the project, as SL16-95 is applicable to hydropower stations with an installed capacity no more than 50MW.

In addition, the fact that the “the Economic Evaluation Code for Small Hydropower Projects (SL16-95)” is still appropriate is confirmed and reinforced by the fact that the Feasibility Study Report of the proposed project activity approved by local DRC specifically mentions the SL16-95.

For the above reasons, the 10% benchmark is the most adequate that can be and is widely applied. Therefore, the project appropriately employs the benchmark of 10% based on the document SL16-95.

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[<sup>1</sup>] <http://www.cws.net.cn/guifan/bz/SL16-95/>

[<sup>2</sup>] <http://www.cnhydro.com/techstandard/09.htm>

[<sup>3</sup>] <http://www.giwp.org.cn/index.do?act=mess&modu=160&mess=361>



L'ENERGIA CHE TI ASCOLTA.