

Project Participants

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Response to the request for review for the CDM project activity

--“Comprehensive utilization of waste coal gas for electricity generation project in Shaanxi Xinglong Cogeneration Co. Ltd”, (1397)

Dear CDM Board Members :

With regard to the review of our project “Comprehensive utilization of waste coal gas for electricity generation project in Shaanxi Xinglong Cogeneration Co. Ltd”, (1397), raised by the Executive Board, we would like to forward our answers and clarifications as following:

1. The DOE is requested to describe how the input values used in the investment analysis have been validated, in particular the transfer price of the waste gas since it is obtained from an affiliate company and was flared in the pre-project scenario..

Please refer to the response of DOE (JCI).

2.The financial and technological barriers have to be substantiated and the common practice analysis must explore similar activities at least at the regional level.

First, in the version 03 of “Tool for the demonstration and assessment of additionality”, if *“after the sensitivity analysis it is concluded that the proposed CDM project activity is unlikely to be the most financially attractive or is unlikely to be financially attractive”*, the step 3 of “Barrier analysis” can be ignored.

Financial barrier

Any way, as the review request, the following paragraph has been added in the revised PDD: Due to the proposed project is waste gas recovery and energy conservation project, it is very difficult to get loan from commercial bank in china, which is shown as the reject letter of loan application on 2005. In fact, the funds shortage in phase one is covered by the staffs raise fund, which is very difficult persuade the staff to lend money to invest on the proposed project. The fund shortage in phase two depends on the introduction of another new shareholder to mitigate fund pressure and introducing the CDM, which can be demonstrated by the new shareholder cooperation document and the project owner make effort to contact varied CERs buyers and attend the CDM workshop, and then finally get the commercial loan.

Technological barrier

The proposed project is the first one of recovering the redundant waste gases to generate electricity in Shaanxi province, which is new to the project owner without management experience and technology staffs; and due to no investment on staff training, therefore, the project activity has some risk implement. In fact, considering the possible revenues from CDM, the project owner will invest to carry out professional and system training on his staff, which can be demonstrated by the training plan document.

Common practice

And for common practice analysis, the Tools defined the similar activities as “*activities (i.e. technologies or practices) that are of similar scale, take place in a comparable environment, inter alia, with respect to the regulatory framework and are undertaken in the relevant geographical area*”. In China, the provincial government is the highest level of local government. The region is only a geological conception and there is no any governmental institution at “regional level”. The local regulatory framework is often set by local government (e.g. Price regulation, investment policy and so on). Then only the activities in the same province could be regarded as sharing the same “comparable environment” and that is why the province is selected as the boundary of common practice analysis in this PDD.

As the review request, we have surveyed the similar projects in a regional scale. The North West China includes five provinces: Shaanxi, Gansu, Ningxia, Qinghai and Xinjiang with a area of almost 3 million km². Based on the latest statistics available when this response is prepared (China Energy Statistical Yearbook 2006), there is no similar project in North-West of China (Page 226, 230, 234, 238 and 242).

We appreciate the opportunity for providing the above clarification.

Yours sincerely,

Bo WU

Chairman of the board of directors, General Manager
Shaanxi Xinglong Cogeneration Co.Ltd.