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Date 5 SEP 2007

Reference CDM Ref 1185

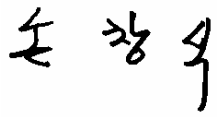
Attention UNFCCC Secretariat

Title Initial Comments about Request for Review of Project 1185

Dear Members of the CDM Executive Board

We are hereby submitting to the CDM Executive Board our comments about the request for review of Project 1185 [LG Chem Naju plant fuel switching project] in accordance with the clarifications to implement the review process (version 07, adopted by EB29). We sincerely hope that these comments will be fully considered by the Board.

Sincerely yours



Son, Chang-Sik
Director
5 SEP 2007

Attachment: Initial Comments about Request for Review of Project 1185
Revised Validation Report

[Attachment]

1) Reasons for Request 1: clarification is required regarding how many boilers are to be retrofitted, how many burners are to be installed and whether the burners are of sufficient capacity for the amount of natural gas to be consumed

    A. Comments from KEMCO

        i. The validation team checked in the LG Chem internal report on initial investments costs the installation of one boiler and four burners for the proposed project activity and confirmed that the capacity of the boiler and burners, i.e. production of 70 tonnes of steam per hour and consumption of 5,300 Nm^3 of natural gas per hour respectively would be sufficient to meet annual steam consumptions for the proposed project activity, i.e. 26,455,605 Nm^3 per year. But, we acknowledge that the PDD provided little description about that. It has therefore been confirmed that the revised PDD provides more detailed descriptions about the proposed project activity.

        ***** The response below is applicable only to the Request for Review 1*****

        ii. The Naju City where the LG Chem plant for the proposed project activity is located is currently controlling air quality in the local area in accordance with the national regulation on clean fuel use. The LG Chem plant has therefore used bunker fuel oil C (Surphur 0.5%) so far to meet the regulation. In addition, there are no applicable tax systems for SO_2 emissions in Korea.

        iii. The “additional income” in page 10 of the PDD means revenues from sales of CERs.

        iv. It has been confirmed that the minor changes are made in order to make more transparent the calculation process of emission reductions. In addition, please note that the NPV is calculated in KRW since the whole investment in the proposed project activity has been made by LG Chem only.

2) Reasons for Request 2: clarification is required regarding why an oxidation factor has not been used in calculating the emission reductions

    A. Comments from KEMCO

        i. The calculation of emission reductions attributable to the proposed project activity is based on the local available data and 2006 IPCC Guidelines. Please note that the 2006 IPCC Guidelines provides default CO_2 emission factors for combustion as the product of the default carbon content and carbon oxidation factor which is equal to “1” for all fossil fuels. It has therefore been confirmed that the PDD properly calculates emission reductions from the proposed project activity.

3) Reasons for Request 3: the monitoring plan includes monitoring of stream expressed in TJ, which in the project scenario is calculated using the monitored fuel consumption data and energy efficiency of the project boiler, i.e. not direct measurement. Clarification is required.

    A. Comments from KEMCO

        i. In accordance with the PDD, emission reductions attributable to the proposed project activity are calculated using fuel consumption and fuel efficiency of each fuel, i.e. bunker fuel oil C and natural gas. In this regard, ex-post monitoring of emission reductions is possible by measurement of natural gas consumption and fuel efficiency of natural gas only, without monitoring of the amount of steam generation since the amount of steam generation is not necessary for calculation of emission reductions. Please note that ACM0009 version 03 'Consolidated methodology for fuel switching from coal or petroleum gas to natural gas' and the registered small scale project, 'Fuel oil to natural gas switching at Votorantim Cimentos Cubatao' (ref No. 0755) also addresses selection of the data parameters to be monitored in the same way as the proposed project activity. Therefore our opinion is that the monitoring plan for the proposed project activity sufficiently addresses monitoring of emission reductions by focusing on fuel consumption and fuel efficiency, and for reference purposes only the amount of steam generation could be included in the monitoring plan.

4) Reasons for Request 4: there is also an inconsistency in the monitoring plan regarding the energy efficiency of the boiler with bunker fuel oil C ($e_{baseline}$). The source of this data parameter in Section B.6.2 (p.13) is "Manufacture specifications" while in Section B.4 (p.9) – "LG Chem"

    A. Comments from KEMCO

        i. It has been confirmed that the revised PDD consistently describes the data source for the energy efficiency of the boiler with bunker fuel oil C in Section B.4 and B.6.2.

5) Reasons for Request 5: the validation report states that, "the validation team is of the opinion that the LG Chem Naju Plant Fuel Switching Project is in full compliance with all the major requirements for the CDM." The validation report should confirm that all applicable requirements of the CDM have been met

    A. Comments from KEMCO

        i. The validation opinion in the validation report has been more clarified by explicitly stating that the LG Chem Naju Plant Fuel Switching Project is in full compliance with all "applicable" requirements for the CDM