

Our ref. : KFQGHG-52
Date : 08 August 2008

Request for Review

Dear Sirs,

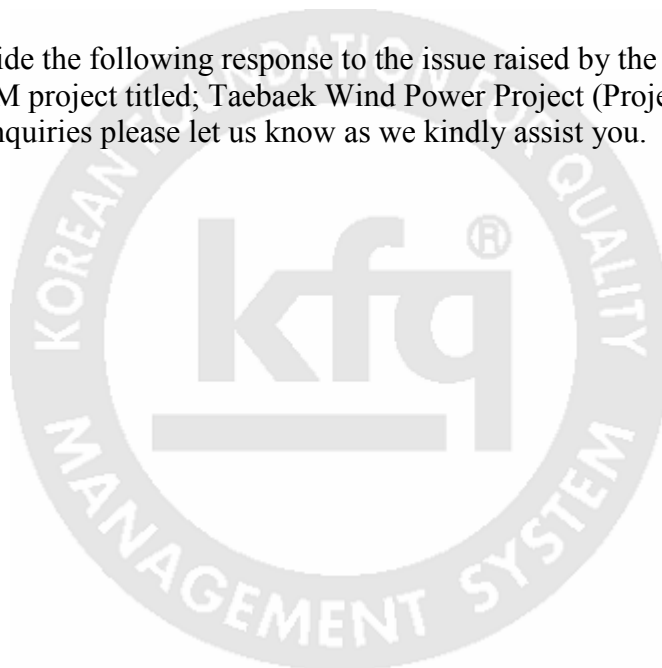
We would like to provide the following response to the issue raised by the requests for review formulated for the CDM project titled; Taebaek Wind Power Project (Project No. 1771). In case you have any further inquiries please let us know as we kindly assist you.

Yours sincerely,

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Jae Ryong Kim
President & CEO of KFQ



Issue 1

The DOE is requested to provide reliable evidence that CDM was considered prior to the project start date and that continuing and real actions were taken to secure CDM status for the project activity in parallel with its implementation, following the guidelines from paragraph 5, Annex 46, EB 41.

Referring to Issue 1:

Response by Project Participants

There were a lot of active debates on whether to give recognition to Unilateral CDM when the Taebaek Wind Power Project was taken into account as a CDM. Therefore, the project participants (PP) decided to wait for UN EB final Decision on the unilateral CDM project (Unilateral CDM gained recognition in CDM EB 18th conference on 25 Feb 2005). In 2005, some projects had been registered as unilateral CDM, but the whole installation of wind turbines were planned to be conducted divided into 3 stages and due to the characteristics of wind power business (big fluctuation of generating results), it was considered more desirable to proceed with registration after completion, when credible operation data is in hand. It was only after the end phase of the 3rd stage of the project in November 2006 when the work on CDM registration finally started, in contact with a CDM expertise consulting company. However, the selection of the proposing company was deferred through an internal evaluation. The Taebaek City Hall then requested support of KEMCO for a smooth proceeding of CDM. After reaching an agreement on work, the two organizations signed MOU to commence their roles as CDM participants. KEMCO placed an order of the Taebaek wind power CDM registration to CDM consulting companies and through bidding, Ecosian Co., Ltd. made contract as a CDM registration consulting firm of Taebaek wind power project. Ecosian Co., Ltd. started to work on PDD with technical data provided from Taebaek City Hall. The facts mentioned above tell that Taebaek wind power project was taken into account as a CDM in advance by project participants.

Response by DOE

Taebaek City Hall performed feasibility study on the wind resource Gangwon area.

Based on this study, Taebaek City Hall established the '2003 local energy project plan' (2003.02.28) which includes this proposed project activity and expected financial revenue through Kyoto Mechanism, CDM. In this document, incentive from this CDM project was expected as CERs with 0.52 tCO₂/MWh and about 17 million KRW at the exchange rate of 1,350 KRW to the Euro. Thus, KFQ have recognized this document as evidence of prior consideration of project start date, 15 May 2003. And relevant evidence provided by PP had reviewed by validation team during validation procedure and this is described in the PDD Version 6.1(25/07/2008) with evidence.

And KFQ assessed continuing and real actions were taken to secure CDM status for the project activity in parallel with its complementation as below based on the evidence provided by PP, explanation of CDM and KFQ understands on CDM circumstances in Korea.

Since the starting date of this project activity, PP couldn't compilation the CDM-PDD in parallel with implementation of this project activity due to following reasons:

In 2003, investor from Annex-I country must participate as project participant for the CDM project according to the CDM modalities and procedure. In the beginning of CDM program/scheme initiation, regardless of putting effort to search investor by Taebaek City Hall and concerning of investor, PP were not able to decide investor from Annex-I country. And at the same time, chance of the unilateral CDM project was introduced in study paper from Korea Government and from oversea experts, so PP was waiting for final EB decision on the unilateral CDM project. Also many of CDM projects which were already constructed and operated registered as CDM project as there was no definite guideline of a point of time for CDM-PDD compilation and other guidance could

be affected to CDM-PDD compilation too. Thus PP had decided to hold back compilation of CDM-PDD until completion of 3rd phase.

Please refer following attachment as evidence that continuing and real actions were taken to secure CDM status for the project activity in parallel with its implementation.

