

Langemarckstrasse 20
45141 Essen
Germany

Phone: +49 201 825-0
Fax: +49 201 825-2517

Info.tncert@tuev-nord.de
www.tuev-nord-cert.com

TÜV®

CDM Executive Board

Our / Your Reference

Contact
Rainer Winter
E-Mail: rwinter@tuev-nord.de

Direct Dial
Phone: -3329
Fax: -2139

Date
05.09.2008

Request for Review

“Fujian Wuyishan Wenlin River 2nd and 3rd Level Hydropower Station” (1831)

Dear Sir/Madam,

Please find below the response of the project participant (Wuyishan City Xiangrun Hydropower Investment Co., Ltd.) and the TÜV NORD JI/CDM Certification Program to the request for review for the above mentioned project no. 1831.

If you have any questions do not hesitate to contact us.

Yours sincerely,

TÜV NORD JI/CDM Certification Program



Rainer Winter

Request for Review (1-1)																																	
Issue raised by EB Members / DNA	<i>The PP/DOE should provide reliable evidence that continuing and real actions were taken to secure CDM status for the project in parallel with its implementation, following EB41, Annex 46, paragraph 5.b.</i>																																
Response of project participant	<p>An overview of key events is given in the following table:</p> <table> <tr> <th>Date</th><th>Key Events</th></tr> <tr> <td>April 2004</td><td>The Feasibility Study Report (FSR) of the project has been finished by Wuyishan Yuquan Survey and Design Co., Ltd.</td></tr> <tr> <td>August 10, 2004</td><td>FSR has been approved by the Development and Plan Bureau of Wuyishan City</td></tr> <tr> <td>August 15, 2004</td><td>The project owner made a decision to apply for CDM to proceed with the project¹</td></tr> <tr> <td>August 23, 2004</td><td>The project owner issued a CDM project application request to the local government²</td></tr> <tr> <td>August 27, 2004</td><td>Started discussion on CDM application between Project owner and Beijing Xielisi Environmental Equipment Co., Ltd (Xielisi)³</td></tr> <tr> <td>September 1, 2004</td><td>Received a CDM application support letter from Wuyishan City Government⁴</td></tr> <tr> <td>August 2004</td><td>Environmental Impact Assessment</td></tr> <tr> <td>September 6, 2004</td><td>EIA has been approved by Environment Protection Bureau of Wuyishan City</td></tr> <tr> <td>September 6, 2004</td><td>Approval of starting construction from local government and the project started construction</td></tr> <tr> <td>October 24, 2004</td><td>Equipment Purchase Contract has been signed</td></tr> <tr> <td>May 18, 2005</td><td>The Xielisi could not fulfill their responsibility because they were lack of experience on CDM project application. Therefore the project owner started to discuss the CDM application with Beijing Tianqing Power International CDM consulting Co., Ltd. (TQ Power) and planned to consign TQ Power to assist the CDM applying work⁵</td></tr> <tr> <td>October 28, 2005</td><td>Formal cooperation Agreement was signed between Project owner and TQ Power⁶</td></tr> <tr> <td>May, 2006</td><td>The buyer Mimasu expressed interest on the project⁷</td></tr> <tr> <td>July 18, 2007</td><td>The RWE Power AG signed the Letter of Intent with the project owner⁸</td></tr> <tr> <td>September 4, 2007</td><td>The project has been approved by Chinese DNA and published on the website of Chinese DNA</td></tr> </table>	Date	Key Events	April 2004	The Feasibility Study Report (FSR) of the project has been finished by Wuyishan Yuquan Survey and Design Co., Ltd.	August 10, 2004	FSR has been approved by the Development and Plan Bureau of Wuyishan City	August 15, 2004	The project owner made a decision to apply for CDM to proceed with the project ¹	August 23, 2004	The project owner issued a CDM project application request to the local government ²	August 27, 2004	Started discussion on CDM application between Project owner and Beijing Xielisi Environmental Equipment Co., Ltd (Xielisi) ³	September 1, 2004	Received a CDM application support letter from Wuyishan City Government ⁴	August 2004	Environmental Impact Assessment	September 6, 2004	EIA has been approved by Environment Protection Bureau of Wuyishan City	September 6, 2004	Approval of starting construction from local government and the project started construction	October 24, 2004	Equipment Purchase Contract has been signed	May 18, 2005	The Xielisi could not fulfill their responsibility because they were lack of experience on CDM project application. Therefore the project owner started to discuss the CDM application with Beijing Tianqing Power International CDM consulting Co., Ltd. (TQ Power) and planned to consign TQ Power to assist the CDM applying work ⁵	October 28, 2005	Formal cooperation Agreement was signed between Project owner and TQ Power ⁶	May, 2006	The buyer Mimasu expressed interest on the project ⁷	July 18, 2007	The RWE Power AG signed the Letter of Intent with the project owner ⁸	September 4, 2007	The project has been approved by Chinese DNA and published on the website of Chinese DNA
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¹ Annex 1--Directorated Decision of Wenlin

² Annex 2--CDM project application request to Wuyishan City Government

³ Annex 3--Commission Contract with Xielisi-Wenlin

⁴ Annex 4--CDM application support letter from Wuyishan City Government

⁵ Annex 5--Commission Letter of Wenlin with TQ Power

⁶ Annex 6--Formal cooperation Agreement between Project owner and TQ power

⁷ Annex 7--Letter of Interest with Mimasu

⁸ Annex 8--Letter of Intent with RWE

September 5, 2007	The project owner signed Emission Reduction Purchase Agreement with RWE Power AG
October 9, 2007	The project began GSP on the UNFCCC website
October, 2007	Validation started
December 17, 2007	The project owner received the Letter of Approval from Chinese DNA
September 2008	The project activity will be completed

The FSR was completed in April 2004 by Wuyishan Yuquan Survey and Design Co., Ltd., which is an independent organization and qualified to compile design reports for hydropower projects. Furthermore, Wuyishan Yuquan Survey and Design Co., Ltd. has obtained C grade in water conservancy industry, which is accredited and issued by the Construction Bureau of Fujian Province. In addition, the FSR has been approved by the local DRC. Therefore, the FSR shall be considered as an independent, credible and reliable evaluation report for the proposed project activity, including the parameters listed therein which are used as input values in the investment analysis.

Due to the low financial viability, which is one outcome of the FSR, the project owner searched for alternative funds.

From the Chinese DNA and relevant internet websites, the project owner learned that CDM application can improve the project IRR through selling Certified Emission Reductions generated by the project. So the project owner considered the CDM seriously and studied the CDM application process.

The project owner issued a CDM project application request to the local government (for getting CDM support approval) on August 23, 2004 and acquired CDM support approval from the local government on September 1, 2004.

At the same time, the project owner consigned the Xielisi to assist the CDM application work. Only after making the board decision for CDM application and signing the cooperation agreement with the consulting enterprise, namely, when the project owner was confident on successful CDM application, the project was started construction on September 6, 2004. It can be concluded that: the project owner was in an early stage aware about the potential of CDM to support its activities. CDM has played a decisive role in the successful implementation of the project.

Due to lack of experience in CDM project application the collaboration with the first consultant Xielisi ended and they recommend TQ Power to continue the consultancy on CDM. The project owner started discussion on CDM application with TQ Power and signed formal cooperation agreement with them on October 28, 2005.

Since the formal cooperation agreement has been signed with the project owner on October 28, 2005, TQ power started to prepare PIN and seek for buyers for this project. In May, 2006, the buyer Mimasu expressed interest on the project and signed Letter of Interest with TQ Power. But after simple due diligence, the buyer resigned from investment several months later.

So TQ Power started to identify another buyer for the project activity. In October 2006, TQ Power contacted RWE as a possible credit buyer. After

	<p>serious discussion, negotiation and due diligence, RWE signed a letter of intent with the project owner on July 18, 2007, which has been qualified for application to Chinese DNA.</p> <p>TQ Power completed the PDD and submitted the PDD to Chinese DNA for approval in July, 2007, and then the project was approved by China DNA and published on the website of China DNA on September 4, 2007.</p> <p>On September 5, 2007 the project owner signed Emission Reduction Purchase Agreement with RWE Power AG and the project was submitted for Global Stakeholder Consultation to UNFCCC on October 9, 2007.</p> <p>TÜV NORD started performing project validation in October 2007.</p> <p>On December 17, 2007, the project owner received the Letter of Approval from Chinese DNA.</p> <p>The project is expected to finish construction in September, 2008.</p> <p>From the description above, it can be concluded that only after making the board decision for CDM application and signing the cooperation agreement with the consulting enterprise, namely, when the project owner was confident on successful CDM application, the project was started construction on September 6, 2004. Therefore, the project owner considered CDM seriously very early. CDM played a crucial role in overcoming the barriers towards the implementation of the project. Therefore the project meets the requirement of EB 41, Annex 46, paragraph 5 (b).</p>
Response of DOE	<p>The evidences provided to TÜV NORD were checked and assessed to be reliable. The schedule indicated above was also provided and verified during validation. It shows that the project owner took continuous and real action to secure CDM status before and during implementation of the project activity.</p> <p>Therefore TÜV NORD came to the conclusion that CDM was seriously considered in the decision to implement the project activity.</p> <p>If this information is not sufficient to close the request for review, we appoint Mr. Li Yong Jun as our contact person:</p> <p>Mr. Li Yong Jun CDM project manager China Room 11C, East Ocean Centre II, No. 618 Yan An Rd. (E), Huangpu District, Shanghai China 200001 Tel: +86 (0)21 53855353-259 Fax: +86 (0)21 53855369</p>