Mr. José Domingos Miguez
Chair, CDM Executive Board
UNFCCC Secretariat
CDMinfo@unfccc.int

01 July 2006

Re Request for review of the request for registration for the CDM project activity Project 0325: Generation of Electricity through combustion of waste gases from Blastfurnace and Corex units at JSW Steel Ltd (in JPL unit 1) at Torangallu in Karnataka, India

Dear Mr. Miguez,

SGS has been informed that the request for registration for the CDM project activity "Generation of Electricity through combustion of waste gases from Blastfurnace and Corex units at JSW Steel Ltd (in JPL unit 1) at Torangallu in Karnataka, India" is under consideration for review.

Through this letter we would like to comment on the reasons for review and provide additional information. Information has also been provided by JSW Steel, which we send as attachment to our letter as requested by the UNFCCC Secretariat.

*Ad 1) "The PDD version which is in the UNFCCC web is not the one which was finally validated. Consequently it is not possible to follow all the corrections requested by the EOD and listed in the findings section"*

The PDD on the website is of the same content as the PDD finally validated by SGS. Inadvertently version number and date had not been changed to reflect the correct version. In addition, the page references in our validation opinion refer to pages in a PDD version that included a track changes mode. The PDD published does not contain track changes, as such a slight change in page number references occurred.

*Ad 2) "There is no information in the PDD nor the validation report as to how the electricity was supplied to the steel plant before the beginning of the project activity. This information is fundamental to establish the baseline scenario and so to determine the additionality of the project activity."*

The power generated from the project activity is to meet new and additional demand for power by JSW Steel due to its steel production capacity expansion from 1.6 million tonnes per annum to 2.5 millions tonnes per annum. Power for the initial capacity was supplied by JSW Energy Limited, however available power production at this plant was not sufficient to provide power for the extension. SGS has validated this during the site visit. The argumentation provided by JSW is transparent and comprehensible. .

We apologize if the initial validation report has been unclear and the wrong references to the PDD and hope that this information and the information provided by JSW Steel attached to this letter address the concerns of the members of the Board.

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If you require further information, Martin Beckmann (+49 (381) 67303 – 21) will be the contact person for the review process and is available to address questions from the Board during the consideration of the review in case the Executive Board wishes.

Yours sincerely

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Annexes:

Annex 1: JSW Steel cover letter
Annex 2: JSW Steel reply to review
Annex 3: PDF format of the PDD dated 20/03/2006 with track changes (JSW Steel)
Annex 4: PDF format of the PDD dated 28/11/2005 with track changes (JSW Steel)

JSW Steel Limited

**Regd. Office :** Jindal Mansion,
5 A, Dr. G. Deshmukh Marg,
Mumbai - 400 026.

Phone : 022-2351 3000
Fax : 022-2352 6400
Website : www.jsw.in

3rd July ,2006

Kind Attn : Mr. Jose Domingos Miguez
Chairman , Executive Board,
UNFCCC.

Sub : Clarifications on the request for review for "Generation of electricity through combustion of waste gases from Blast Furnace and Corex units at JSW Steel Limited ( in JPL Unit1 ), at Toranagallu , in Karnataka, India (0325)".

Dear Sir,

This is with reference to the request for review for "Generation of electricity through combustion of waste gases from Blast Furnace and Corex units at JSW Steel Limited ( in JPL Unit1 ), at Toranagallu , in Karnataka, India (0325)".

We are submitting herewith our clarifications to the comments raised in the request for review for your consideration. Please also note that the contact person for the review process would be Dr. P.Rambabu M/s Price Waterhouse Coopers private Ltd, India(who are the consultants for the project) and his Contact number is 0091 9820135929 and his E mail ID is ram.babu@in.pwc.com

Reasons for request –

1) The PDD version which is in the UNFCCC web is not the one which was finally validated. Consequently it is not possible to follow all the corrections requested by the EOD and listed in the findings section

   The PDD version hosted in the UNFCCC website (referred to in reasons for request for revision) is version 02 dated 28/11/2005 submitted to DOE on 20/03/2006 after incorporation of changes suggested by UNFCCC secretariat. However page number referred in the validation report is based on version 02 date 28/11/2005 and submitted to DOE on 28/11/2005.

   Firstly, though the PDD were being revised based on DOE observations (CAR's , NIR's etc) the version number and version date have been maintained the same inadvertently. Secondly, the final validation report is referring to page numbers as in PDD version 02 submitted to DOE on 28/11/2005 and has not referred to the page number in the PDD that was submitted to DOE on 20/03/2006 (which was hosted in the UNFCCC website). Please note that the page number in the PDD which was submitted to DOE on 20/03/2006 is different from the PDD submitted on 28/11/2005 to the DOE due to the following reasons.

- Track changes have been accepted
- Spacing has been altered
- The following modification as suggested by UNFCCC secretariat has been incorporated
    - Listing contact details of all 3 project participants
    - Section A 4.4: change in estimated emissions reductions
- Full address in the section B.5 has been provided.

Due to these differences the following discrepancies in validation report has been occurred.

| Validation Protocol | | |
|---|---|---|
| Section | Issues | Change required |
| **Table 12**:Checklist question: show power plant records, LDO,HSD usage, NCV,EF | "Checked in revised PDD p.24 Ok" has been mentioned in the final conclusion comments column. | It has to be changed to p.23. |
| **Findings Overview** | | |
| No 3: comments section | Page number and footnote has to be changed | From page 10 to 11, page 30 to 31 and footnote 3 to 4 and page 11 to page 10 |
| No 4 | Page numbers and footnote have to be changed | From page 29 to 30 |
| No 8 | Page numbers have to be changed | From page 40 to page 42 |
| No 9 | Page number have to be changed | From page 20 to 21 and page 22-24 to 23-25 |
| No 11 | Page number have to be changed | From page 32 to 33 and page 33 to page 34. |

***It is important to note that the validation report at some places is referring to page numbers wrongly but the section numbers correctly. In our opinion, it is possible to follow the reference made in the validation report as the section numbers are referred correctly.***

We are also attaching PDF format of the PDD on track change mode dated 28/11/2005 and 20/03/2006.

2) There is no information in the PDD nor the validation report as to how the electricity was supplied to the steel plant before the beginning of the project activity. This information is fundamental to establish the baseline scenario and so to determine the additionality of the project activity.

JSW Steel Limited was set up in phases as a fully integrated steel plant. The installed capacity of the steel plant was 1.6 million tons per annum and it was fully commissioned in 2001.The power requirement of the steel plant at that stage was met by JSW Energy Limited which also supplied power to regional grid (Karnataka Power Transmission Corporation Limited) beside JSW Steel Limited.

Steel sector in general is a cyclical sector. JSW Steel Limited anticipated a huge demand for Steel in the years following its initial operations and hence the management of JSW Steel Limited decided to expand the steel capacity to take advantage of economies of scale. This expansion plan was formulated in 2003 and it was decided to expand the capacities of the steel plant in phases. The first phase was envisaged increase from the existing 1.6 million tons per annum to 2.5 million tons per annum by commissioning certain additional facilities and was proposed to be completed by 2004- 2005. The second phase was again an incremental increase from 2.5 million tons per annum to 4 million tons per annum and was proposed to be completed by 2006.

The expansion plans were constrained by the shortage of power since Karnataka is a power deficit state and the supply from the grid was not reliable. The normal practice in the steel sector is also to have a captive power plant and minimize the dependence on the power from the grid. JSW Energy Limited had its own share of commitments to consumers other than JSW Steel Limited and hence was not in position to assure a committed supply to the steel plant. The available alternatives with JSW Steel Limited were:

a) Import of power from the grid (which was quite unreliable and hence not feasible see PDD)
b) Power generation onsite using coal
c) Power Generation onsite using waste gases

JSW Steel Limited decided to implement alternative (c) taking into account the CDM benefits that would accrue to it due to the implementation of the project.

In summary, the power generated from the project activity is to meet new and additional demand for power by JSW Steel due to its capacity expansion from 1.6 million tonnes per annum to 2.5 millions tonnes per annum.

Regards

**Suresh Iyer**
**Asstt Gen Manager**

Reference –
Generation of electricity through combustion of waste gases from Blast Furnace and Corex units at JSW Steel Limited ( in JPL Unit1 ), at Toranagallu , in Karnataka, India (0325)

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