

Mr. Hans Jürgen Stehr
Chair, CDM Executive Board
UNFCCC Secretariat
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2nd April 2007

Re Request for review of the request for registration for the CDM project activity "Shenzhen Xiaping Landfill Gas Collection and Utilization Project" (Ref. no. 0887).

Dear Mr. Stehr,

SGS has been informed that the request for registration for the CDM project activity "Shenzhen Xiaping Landfill Gas Collection and Utilization Project" (Ref. no. 0887) is under consideration for review.

Through this letter we would like to comment on the reasons for review and provide additional information. The first concern in the request states:

The comments raised in the stakeholder consultation process were not properly addressed. There was a comment collected in the global stakeholder process (posted on 29th December 2006 by Daniel Rogicki), which clearly states that there is legislation in place in China for LFG collection, while the PDD for this project activity states that there are no regulations in place. This could alter the additionality analysis asking for a stronger case with respect to financial and technological barriers apart from the barriers presented.

First we would like to correct a typo in the report and state the comment was received from the mentioned stakeholder on 29 December 2005 (not 2006) and was based on the original version of the PDD which was made publicly available.

The comment received from the mentioned stakeholder reads as follows: "I have seen other PDD documents for China and there is reference to regulations for landfill gas collection - this PDD says no regulations!". The existence of regulation was checked by the assessment team (please refer to question 2 of Annex 1 of the validation report) as part of the CDM assessment. This showed that regulation (GB16889-1997, implemented in Jan 01 1998) is requiring the collection of LFG and flare if possible for safety purpose. This does not force landfills to collect LFG for utilization and it was observed by the local staff that this regulation and the collection of LFG are not widely implemented. Based on the questions from the SGS local staff and the remarks from the stakeholder, PP took the initiative to revise their PDD before a finding was raised by SGS. So although the initial PDD published for comments did say that there is no regulation in place, the new PDD submitted with the request for registration further elaborates on this issue (please refer to PDD Sub-step 1b. on Page 15).

The second concern in the request states:

Project proponents use the Simple OM method to calculate the OM. The methodology states that Simple OM can only be used where low-cost/must run resources constitute less than 50% of total grid generation. Furthermore, it states that if coal is used as must-run, it should also be included in this list, i.e. excluded from the set of plants. The Project proponents have to clarify if in this region of the P.R.

China, low-cost/must-run do not include coal, as might be logical to assume. This situation, if confirmed, will modify the calculation of OM.

ACM0002 says that the Simple OM method can only be used where low-cost/must run resources constitute less than 50% of total grid generation in: 1) average of the five most recent years, or 2) based on long-term normals for hydroelectricity production. Data from the China Energy Statistics Yearbook were quoted in Table 3 on page 11 of the PDD and validated. These data state that generation sources other than coal account for less than 50% of the generation on the South China Power Generation (SCPG) on average over last 5 years:

Table 3: Power generation by sources in the South China Power Generation over the past 5 most recent years

	Generation (2000) GWh		Generation (2001) GWh		Generation (2002) GWh		Generation (2003) GWh		Generation (2004) GWh		5 Year Average
	<i>China Electric Power Yearbook 2001, page 667</i>	%	<i>China Electric Power Yearbook 2002, page 617</i>	%	<i>China Electric Power Yearbook 2003, page 585</i>	%	<i>China Electric Power Yearbook 2004, page 679</i>	%	<i>China Electric Power Yearbook 2005 page 474</i>	%	
Thermal	149,597	65.8%	162,910	66.3%	185,168	67.0%	222,780	-	263,574	-	
-coal	-	-	-	-	-	-	183,886	56.9%	217,817	59.5%	
-oil	-	-	-	-	-	-	38,830	12.0%	45,309	12.4%	
LFG	0	0.0%	0	0.0%	0	0.0%	64	0.0%	448	0.1%	0.0%
Gas	0	0.0%	0	0.0%	0	0.0%	71,280	22.1%	73,896	20.2%	
Hydro	63,163	27.8%	67,895	27.6%	70,121	25.4%	28,930	9.0%	28,481	7.8%	19.5%
Nuclear	14,701	6.5%	15,000	6.1%	20,877	7.6%	172	0.1%	149	0.0%	4.0%
Other	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	
Total	227,461	100%	245,805	100%	276,166	100%	323,162	100.0%	366,100	100.0%	23.6%

ACM0002 defines low cost/must run resources as “Low operating cost and must run resources typically include hydro, geothermal, wind, low-cost biomass, nuclear and solar generation. If coal is obviously used as must-run, it should also be included in this list, i.e. excluded from the set of plants”.

Compared with other generation sources (Hydro, Wind, Nuclear) connected with South China Power Grid, there is no indication that coal fired plants should be included as “must run”. This was confirmed through the guidelines issued by Chinese DNA on determining baseline emission factor of Chinese grids (available at <http://cdm.ccchina.gov.cn/web/NewsInfo.asp?NewsId=1235>). In these guidelines the emission factor of Chinese regional grids, including the South China Power Grid, was calculated by Chinese experts. In their calculation, the experts did not consider coal as a must run source. Further discussion on the use of Simple OM can be found in the letter from project proponents in response to this request for review.

We hope that this information addresses the concerns of the Board. If you require further information, Marco van der Linden (+31 181 693293) 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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