



Mr. Hans Jürgen Stehr Chair, CDM Executive Board
UNFCCC Secretariat
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May 22nd 2007

Ref: Request for review of the request for registration for the CDM project activity “2.25 MW Rice Husk based cogeneration plant at Siddeshwari Industries Pvt Ltd” (Ref. no. 1004)

Dear Mr. Stehr,

SGS has been informed that the request for registration for the CDM project activity “2.25 MW Rice Husk based cogeneration plant at Siddeshwari Industries Pvt Ltd (Ref. no. 1004) is under consideration for review because three requests for review have been received from members of the Board.

The requests for review are based on the same reasons outlined below. SGS would like to provide an initial response to the issues raised by the request for review:

Request for Review:

1. More information should be supplied as to why the importation of electricity from the grid cannot be considered a viable alternative to the project. Clear substantiation should be provided as to why the continuation or expansion of the current energy supply system has not been considered as an alternative to the project activity. The PDD should only indicate barriers which relate to the project activity and not those which are generic to any alternatives and should transparently describe that such barriers cannot be overcome without CDM.
2. The calculation of the baseline emission factor may need to be adjusted in light of any further substantiation related to the potential alternatives.
3. The PDD does not describe what will happen to the existing equipment. This is necessary to determine whether leakage needs to be monitored in accordance with the approved methodology. The project participant is required to monitor biomass in accordance with the Board’s “General guidance on leakage in biomass project activities”

SGS Response to comments 1:

As explained in the PDD section B.2 the plant was using coal-fired low pressure boiler for the steam generation and diesel generator set for the power generation to meet the in-house energy requirement before the start of the project activity. This is quite evident that the co-generation (combined heat and power) systems are more economical than the separate captive heat and power generation system. The project was not importing electricity from the grid before the start of the CDM project activity because of unreliable supply from the grid and constant blackouts. Although the cost of the unit (kWh) generated from the diesel generator set was higher than the unit cost of the grid, the project never used electricity



from the grid for this reason. The Uttar Pradesh Power Corporation Limited is still around 12% deficit in peak demand as per annex 3 to the PDD. (Source UPPCL – Ministry of power)

The project proponent decided to go for a cogeneration plant which was best feasible option available because it would meet in-house both heat and power requirement of the plant hence the import of power from the grid was excluded from further discussion on the alternatives to the project activity (PDD page 11). This was verified with the board note appendix 2 that the project proponent decided to go for a biomass based co-generation plant although a financially more viable alternative (coal based co-generation) was available to the project activity, which would have led to higher emissions. The CDM was seriously considered in the decision to go ahead with the project activity and run the plant with rice husk.

As per Attachment A to Appendix B, the DOE was able to verify that the project activity would not have occurred anyway due to investment barrier; a financially more viable alternative to the project activity would have led to higher emissions, which was to run the plant on coal. The running cost with the rice husk and coal was checked for the price, heat values and other parameters (appendix 2) and the coal was verified as the cheaper option available to the project activity hence the coal-based cogeneration selected for the baseline was accepted as per paragraph 48 (b) of the CDM modalities and procedure.

Furthermore, the rice husk price which was considered equal to coal i.e. INR1.4/kg in the board note dated 15th March 2004 has increased up to more than 1.5 times in year 2006 and this is not viable to run the plant on rice husk without CDM benefit. The evidences are attached.

SGS Response to comments 2:

As discussed above and according to para 48 (b) of modalities and procedure, emissions from a technology that represents an economically attractive course of action, taking into account barriers to investment can be taken as the baseline. Since the coal based co-generation system was verified as the most feasible alternative to the project activity, it was selected for the baseline. The conservative emission factor out of reasonable bench tests was selected for the baseline emission factor (App 1 – spreadsheet)

SGS Response to comments 3:

The existing equipments i.e. coal-fired low pressure boiler and diesel generator set were still in the plant and the high pressure boiler and turbine are newly purchased hence there is no energy generating equipment transferred from another activity or the existing equipment transfer to another activity. The same was verified during the site visit and mentioned under leakage in section 1.3 GHG Project Description in validation report as per EB25/Annex 33.

However, the annually monitoring of surplus biomass in the region according to EB28/Annex 35 was not taken in account and has been incorporated in corrected version 05 of the PDD. The same is attached with this response.

With the above correction and explanation, we feel that the concerns of the EB have been taken into account. We do however apologize if this was not sufficiently clear from the validation report.



Sanjeev Kumar (+91 9871794628) will be the contact person for the review process and is available to address questions from the Board during the consideration of the review if needed.

Yours sincerely

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Annex 1: Revised PDD version 05
Annex 2: Calculation finance
Annex 3: Coal supplier letters
Annex 4: Rice-husk price in 2005
Annex 5: Rice-husk price in 2006