



Mr. Hans Jürgen Stehr  
Chair, CDM Executive Board  
UNFCCC Secretariat  
CDMinfo@unfccc.int

October 10<sup>th</sup>, 2007

Re Request for review of the request for registration for the CDM project activity "6 MW Biomass based Cogeneration Power Plant of Rama Paper Mills Limited, Kiratpur, Uttar Pradesh "(Ref. no. 1181)

Dear Mr. Stehr,

SGS has been informed that the request for registration for the CDM project activity "6 MW Biomass based Cogeneration Power Plant of Rama Paper Mills Limited, Kiratpur, Uttar Pradesh "(Ref. no. 1181) 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 reasons outlined below. SGS would like to provide a response to the issue raised by the requests for review:

***Request for clarification to the DOE/PP:***

1. *The PP shall further demonstrate the additionality of the project activity in relation to, inter alia, the denominated standard against which the IRR is compared, the energy costs and irregular supply of energy as main driver of the project, and the very fast recovery of the investment through a short payback period.*

**SGS Reply:** The IRR was compared with the benchmark of 16% of the Central Electricity Regulatory Commission (CERC) order, Ministry of Power, Government of India. The same is attached to this letter. The energy cost for the project is varying so the sensitivity analysis was carried out on the same basis and checked during the desk review. Although, the irregular supply of energy was a problem to the plants to meet their energy requirement; they continued with the same option because of the barriers associated with the project activity. The money savings due to replaced grid electricity have been already accounted for in the IRR calculations; still it was not a lucrative option to invest in without CDM benefit consideration. The loan was rejected by the bank because of associated barriers to the project activity as mentioned in the validation report. Hence it was concluded that the project is additional.

2. *The DOE shall further clarify how they have taken into account the public inputs regarding the project activity as a business as usual project and how they have validated that these public comments are not valid.*

**SGS Reply:** The public inputs regarding business as usual scenario are taken into account by going through the documentation provided along with the clarification by the project proponent. The electricity from the grid is taken as business as usual scenario even though the coal based power plant is more economical than grid and project activity but to be on the conservative side baseline emission factor of grid was taken and

calculation for emission reduction was done on the basis of the northern grid emission factor. Other public inputs were also cross checked from the documentation of loan and previous year's annual reports. When the project was thought off the company was in heavy loss and the loan of the PP was rejected. Documentation of rejection was also seen during validation and attached as annexure with PP's reply. It was therefore concluded that these comments are not valid. More clarity is provided in revised ISC replies attached as Annex 2.

3. The monitoring plan does not include the annual evaluation of whether there is a surplus of biomass in the region and any leakage that may need to be estimated and deducted from the emission reductions in accordance with the Board's "General guidance on leakage in biomass project activities (ver.2)".

**SGS Reply:** The revised PDD is including the annual evaluation of biomass in the region as a parameter of the monitoring plan. The revised PDD is attached as Annex 4 of the PP response.

4. Clarification is sought to explain the inconsistency in the average annual emission figure that is stated in the project view page (24,640 tCO<sub>2</sub>) from the PDD (24,742 tCO<sub>2</sub>).

**SGS Reply:** The revised excel sheet that was uploaded with request for registration had the correct value of 24,640 tCO<sub>2</sub>. The PDD has been revised and mentions the correct values now. The same is attached as Annex 4 of the PP response.

We apologize if the initial validation report has been unclear and hope that this letter and the attached information address the concerns of the members of the Board.

Pankaj Mohan (0091 9871794671) 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

Irma Lubrecht  
Technical Reviewer,  
[Irma.lubrecht@sgs.com](mailto:Irma.lubrecht@sgs.com)  
T: +31 181 693293  
M: +31 651 851777

Sanjeev Kumar  
Lead Auditor  
[Sanjeev.kumar@sgs.com](mailto:Sanjeev.kumar@sgs.com)  
T: + 91 124 2399990 - 98  
M: + 91 9871794628

**Encl:**

Annex 1 CERC order  
Annex 2 Revised ISC comments reply  
Annex 3 CDM consideration note  
Annex 4 Revised PDD