
VALIDATION OF ENERGY EFFICIENCY MEASURES IN "TECHNOPOLIS"

Proposal number: CDM.VAL1139
Date: 13-04-2007

1. Introduction

The Clean Development Mechanism (CDM) is one of the flexible mechanisms defined under the Kyoto Protocol with the aim to reduce greenhouse gas emissions. Potential CDM projects are required to undergo validation against the CDM requirements. Validation of a project is to be undertaken by recognised third parties who have established competence and independence to issue such opinions.

SGS is such a party with competence based on training and experience. In this proposal we would like to highlight how SGS can perform the validation and contribute to the realisation of your project and its Certified Emission Reductions.

This proposal contains an introduction to SGS and the members of the proposed assessment team. The proposal also explains the steps in the validation process, contains a proposed time table for validation and the investments required.

2. Scope of Services

The scope of services covers the validation of Energy Efficiency Measures in "Technopolis", pursuant to Art. 12 of the Kyoto Protocol and related rules, requirements, regulations, modalities, criteria, guidelines and principles. Assuming that the validation opinions are "unqualified", the projects will be submitted to the CDM Executive Board with a request for registration as a Clean Development Mechanism (CDM) project. The projected yield of emission reduction credits arising from the projects will also be reviewed.

The work will be undertaken and the legally binding version of the reports will be completed in the English language, with the exception of local consultations.

3. Confidentiality

SGS will hold all information confidential until you instruct otherwise or until it has been released for public consultation. Please note that stakeholder consultation is necessary to establish whether or not a project has been identified and is managing environmental and social impacts. To enable this to proceed, you will be required to permit SGS to use sufficient information to undertake the consultation.

Whilst respecting the confidentiality policy of SGS (full details are provided in section 9 of the attached Terms & Conditions) SGS shares anonymous information on the type and size of projects being developed with Point Carbon for the purpose of characterizing the CDM project pipeline. If you accept this offer of our services and unless you specifically request otherwise, SGS will inform Point Carbon of the host party, applied methodology, projected emission reductions and start of crediting period for your project.

4. SGS and the Assessment Team

4.1 Introduction to SGS

SGS is the world's leading inspection, verification, testing and certification company. SGS is recognized as the global benchmark for quality and integrity. With more than 48'000 employees, SGS operates a network of over 1'000 offices and laboratories around the world. SGS works according to a strict quality policy with an emphasis on independence, impartiality, competence, confidentiality and professional ethics.

The SGS Climate Change Programme provides worldwide services for validation of project design and verification / certification of GHG emissions and GHG emission reductions. The SGS Climate Change Programme has undertaken validations of potential CDM, JI and voluntary projects around the world (a list of our project experience is attached in Annex 1). As a result of this work, SGS's Climate Change experts are familiar with the GHG monitoring protocols, CDM requirements, the validation process and issues around acceptability, baselines, additionality, leakage and sustainable development.

SGS United Kingdom Ltd is currently accredited under the CDM for Sectoral Scopes 1, 2, 3, 4, 5, 6, 7, 10, 11, 12, 13 and 15 and is actively pursuing accreditation for the remaining scopes 8, 9 and 14.

4.2 Assessment Team

The proposed assessment team for your project has been selected to bring together a range of skills including specific knowledge of the particular requirements of the Kyoto Protocol and CDM. Part of the team will be an assessor from SGS India Private Limited. He is familiar with local circumstances and the language. SGS confirms that the staff for these projects is completely independent of all other aspects of the projects or any of its components.

The following people have been selected for these projects:

Role	Person
Team Leader	Mr. Shivananda Shetty
Assessor	Mr. Sanjeev Kumar
Local Assessor	Mr. Syed Khursheed Zaidi/ Mr. Pankaj Mohan
Technical Reviewer	Ms. Irma Lubrecht

Shivananda Shetty is a lead auditor and Regional Product Manager for the SGS Climate Change Programme for South East Asia pacific region. He has been involved in the validation and verification of several potential CDM projects in the region. He is also the lead auditor of ISO14001 and leading the environmental services in India as Head- Environmental Services.

Sanjeev Kumar is the lead auditor and assistant manager for the SGS India Climate Change Programme. He is also the lead auditor of advanced EMS ISO14001:2004. He has been involved in validation and verification of several CDM projects in the region. He is also a certified energy auditor from Bureau of Energy Efficiency, Ministry of Power, Govt. of India and has been involved in energy audits of different type of manufacturing industries and commercial buildings.

Syed Khursheed Zaidi is the assessor and National Operations Co-ordinator for Climate Change Programme. Syed is post graduate in Environmental Management and education, lead auditor for advanced EMS ISO14001:2004 and qualified Lead Assessor for validation of CDM projects. He has worked on environmental consultancy projects for various industries and organisations such as

UNICEF and DANIDA, and is aware of environmental and Climate change issues. He has worked on several CDM projects.

Pankaj Mohan is assessor for the Climate Change Programme. He is a certified Energy Manager from Bureau of Energy Efficiency, Ministry of power, Government of India. He had carried out several Energy Audits. He has worked on several projects with Energy intensive industries in large as well as small scale industries. He has been involved in the validation and verification of several CDM projects in India.

Irma Lubrecht is the manager of Climate Change Technical Competence Centre and is an experienced Lead assessor and Project Manager. She has been active in validation and verification of CDM, JI and voluntary projects around the world. She acts as Technical reviewer in Netherlands for the projects around the world.

CVs of team members are available on request.

Whilst efforts will be made to use the team as described above, for various reasons and in particular in consideration of the un-predictable timing of validation services, team members may be replaced by others with equivalent or better qualifications without notifying the client.

5. Validation Process

In general, the validation will be completed through a review and assessment of the assumptions of the Project Design Document (PDD) including the monitoring plan, environmental impact assessment (if necessary) and local stakeholder consultation.

The information provided states that the project falls under the SSC category and uses methodology AMS II.E. The Proposal has been prepared from the available information provided by the project developer. Any deviation(s) in the information provided to SGS for this proposal may evoke revision of the proposal.

Preparation: This will involve assembly of the project documentation, checklists, guidance material and communication with all team members. This work will be undertaken by the team leader / lead assessor.

International Stakeholder Consultation: On receipt of a PDD for validation, SGS will post it and accompanying documents on the SGS UK website and inform the UNFCCC Secretariat of the address where the documents may be viewed. Ten days later, the Secretariat will advertise the address on the UNFCCC website. The documents will be displayed for 30 days from the date that the UNFCCC Secretariat announces its availability. The Lead Assessor will review any comments as they arise and where necessary, revert to the Client for further information / action. For this reason, you should ensure that the PDD is as close to the final version as possible and meets all of the requirements.

Document review: All active team members will review the Project Design Documentation and the Monitoring Plan. Inadequacies in the documentation (if any) will be highlighted at this stage if possible. The team will also confirm whether:

- as a small scale CDM project as defined in paragraph 6 (c) of decision 17/CP.7 on the modalities and procedures for the CDM;
- Project activities are not a de-bundled component of a larger project activity; and
- The proposed project activities conform to one of the project categories defined for small-scale CDM project activities.

Upon your request, it is also possible to perform the document review before the PDD is published for the international stakeholder consultation.

Preparation of Local Checklist / site visit: The Lead Assessor will undertake the preparation of the local checklist and make any necessary amendments to the main checklist. The local assessor will validate assumptions in the PDD, the local stakeholder consultation process and liaise with environmental regulators to confirm that there are no existing restrictions on GHG emissions. If necessary he or she will visit the site.

Validation Assessment: Using the findings of the local assessment and the results of the document review, the Lead Assessor will undertake the final assessment of the Project Design Documentation against the main checklist. Where necessary, the Lead Assessor will raise Observations, MINOR Corrective Action Requests (CARs) and MAJOR Corrective Action Requests. The findings of the Validation Assessment will be discussed with the rest of the Team Members.

The validation assessment will specifically address:

- **Baseline and leakage:** The Marrakech Accords address the issue of "additionality" by placing emphasis on proof that the project activity is not included in the baseline scenario. For small scale projects this involves comparing alternative scenarios and showing that barriers exist for the implementation of the project scenario. The assessors will test the data presented in this section in order to verify that the project itself is not the baseline. Although leakage might not be an issue, the case for the absence of leakage will be carefully reviewed.
- **Monitoring Plan:** The monitoring plan must show how the data on project activities are to be collected and handled in order to calculate the project emission reductions. The parameters used to predict the emission reductions will be cross-checked against the monitoring plan to ensure that those parameters which have a very strong bearing on the reported results will be collected with the highest accuracy. The assessment team will be particularly interested to see how data will be collected and how quality of data will be assured. Please note that sufficient detail will be required to enable this assessment to take place. The monitoring plan must also cover environmental and social impacts as required by the EIA and other regulatory authorities.
- **Contribution to host country sustainable development** will be assessed through a review of the local stakeholder consultation process, host-country acceptance (Letter of Approval) and an assessment of the proposed social and environmental programmes in comparison to the "normal" level of performance.
- **Review of projected emission reductions:** This involves the calculation of the baseline and with-project emissions. These will be checked using a spreadsheet to re-calculate projected emission reductions using the parameters defined within the project and the approved methodology. These parameters will then be checked to ensure that they are appropriate and conservative.

Draft Validation Report Preparation and comment: the Lead Assessor will prepare a Draft Validation Report and forward this to you for comments and actions if necessary.

Final Validation Report and recommendation: Once any outstanding issues have been addressed within the agreed timeframes, the Lead Assessor will be able to complete the final version of the Validation Report, and submit it for final technical review.

Technical Review and Validation opinion: The Technical Reviewer's job is to study the Lead Assessor's recommendation and ensure that it is justified in the report and documentation provided. The Technical Reviewer also checks that the Lead Assessor has followed all of the necessary

procedures in the appropriate manner. The Technical Reviewer either accepts or rejects the Lead Assessors recommendation.

Registration with CDM EB: When the Technical Reviewer accepts a positive recommendation, SGS UK Ltd. will print a Validation Certificate and submit this to the CDM Executive Board, accompanied by the final version of the PDD, the letter of acceptance and a report summarizing how international stakeholder comments have been addressed. These documents constitute the "Validation Report" required under Decision 17 paragraph 40 (f). At the same time, SGS will make the necessary information publicly available to interested parties via their CDM web page.

6. Time Table and Investments

6.1 Time Table

Time table for validation of a project

Date	Milestone	Deliverable by SGS
<i>Starting date</i>	Submission of PDD to SGS	
<i>Starting date + 1 week</i>	Notification to UNFCCC Secretariat of intention to publish PDD. 10 Days after notification: start of the 30 day public stakeholder consultation period	Confirmation of notification of intention to publish from UNFCCC; publication on SGS/UNFCCC website
<i>Starting date + 6 weeks</i>	Submission of draft Validation Report	Draft validation report and protocol
<i>Starting date + 7 weeks</i>	Discussions with project participants	
<i>Starting date + 9 weeks</i>	Submission of final Validation Report and Opinion	Final validation report and protocol, validation opinion

SGS believes that this represents sufficient time in which to reach a level of confidence that will permit SGS to issue a validation statement

This leads to the following investments required for the validation assessment:

Investments associated with validation assessment of the project

6.2 Investments Associated with the Validation

Professional Fee	315,200 INR
Accreditation & Certification	34,800 INR
Total	350,000 INR
Travel & Sojourn	At Actual

7. Terms of Payment

The validation would be subject to the following Payment Terms:

1. Payments are to be made to SGS India Private Limited, 250, Udyog Vihar, Phase IV, Gurgaon – 122 015, Haryana, India.
2. SGS will invoice 60% on signing of the contract and 40 % on submission of validation report.
3. The client needs to pay the registration fee before submission to UNFCCC.
4. Payment terms of 30 days from issuance date of the invoice.
5. If a site visit becomes necessary, Travel cost will be charged at Cost and would be invoiced separately.
6. The proposal is valid for 90 days after the date of issue. If the client signs the services agreement after the validity period expires, the conditions of this proposal may be changed by SGS at its convenience.
7. SGS reserves the right to charge for additional time for completion of further work associated with steps taken by the client to address non – conformances identified during the engagement, requests for clarification on the application of methodology from the CDM EB and for additional work associated with a review of the request for registration and unscheduled surveillance visits, for cancellations by client of pre-notified visits.
8. Notification of additional time requirement will be given in a contract variation prior to incurring additional time.
9. These fees and costs do not include any local or international taxes, which will be charged to the client as applicable at the time of invoicing.

We believe that SGS can provide you a highly efficient and effective result based on a combination of technical knowledge, local presence, experience and a proven track record. This will all contribute to the realisation of your project and its Certified Emission Reductions.

If you would like SGS to undertake the Validation assessment of your project, we would like to ask you to complete the form on the following page and return to your main contact at SGS, duly signed by an authorised signatory, with any relevant purchase order and billing address information (on Company Letter headed paper).

If a translation of this agreement is available in local language, it is provided for convenience only, the English version shall prevail

Revision Control (office use)

Any changes to this document will be issued using the following revisions, which will be identified as follows:

Rev 0	-	Official issue
Rev 1 to n	-	Future revisions as necessary

Rev	Issue Date	Description	Written/Modified	Sign	Approved	Sign
0	13.04.2007	Official issue	Syed Khursheed Zaidi	SKZ	Shivananda Shetty	SS

Distribution (office use)

Document Copy No.	Revision No.	Issued Media	Issued To	Date
Master	0	.doc File	SGS United Kingdom Ltd	13.04.2007
Copy 1	0	.pdf File	The Client	13.04.2007

Document Copy No __ One _____

Validation Services Agreement

This Validation Services Agreement (this "Agreement") is entered into as of 13th April 2007 (the "Effective Date") by and between **SGS United Kingdom Ltd**, a corporation organised and existing under the laws of England and having its registered offices at Rossmore Business Park, Ellesmere Port, Cheshire CH65 3EN (hereinafter referred to as "SGS") and **Phoenix Software Limited (PSL)**, a corporation organised and existing in India and having its registered offices at Plot No. BP-4, Sector- V of Salt Lake City, Kolkata West Bengal, (hereinafter referred to as the "Client"). SGS and the Client to be referred to individually as a "Party" and collectively, when the context so permits, as the "Parties".

The Client wishes to appoint SGS for the purpose of validating a greenhouse gas (GHG) emission reduction or sequestration Project against the requirements of the scheme (the "Scheme") further described in Proposal number CDM.Val1139 issued to the Client on 13th April 2007 (the "Proposal") and SGS wishes to accept such appointment. The Client agrees to abide by SGS Terms and Conditions of Validation Services as provided attached thereto. The persons signing below on behalf of Client and SGS are duly authorized to do so.

Camberley, 13th April 2007

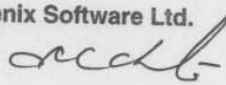
For and on behalf of
SGS United Kingdom Ltd.



Name: Jan Saunders
Title: Operations Manager

22nd May 2007

For and on behalf of
Phoenix Software Limited (PSL).

For Phoenix Software Ltd.

Director

Signature: _____

Name*: A. R. MEHTA
Title of Authorised Signatory*: DIRECTOR

* In Capital Letters.