

**Response to the request for review for the CDM project activity
"Waste heat power generation project at Hunan Anshi Xingyuan Power
Generation Co., Ltd." (Ref. no. 1155),**

Attention: Kai-Uwe Barani Schmidt
Manager, CDM Section
CDM Executive Board to Kyoto Protocol

2007-11-01

Dear Kai-Uwe Barani Schmidt,

We were informed on 23 October 2007 that our project "Waste heat power generation project at Hunan Anshi Xingyuan Power Generation Co., Ltd." (Ref. no. 1155) was requested for review by three CDM Executive Board members. As required by the Board, we would like to answer the questions, clarify the issues and provide additional information as follows. Please forward our answers, clarifications and additional information to the Board.

Issue 1 raised:

Barriers due to uncertain waste gas supply, as well as, technological, investment, and prevailing practice barriers were discussed in the PDD. However, the discussion of the barriers due to uncertain waste gas supply did not indicate how CDM consideration will help to avert the stated associated risks. The PP/DOE shall further substantiate the barrier analysis and in particular the discussion under "Barriers due to uncertain waste gas supply" should be revised to include a statement on how CDM consideration helps to overcome the stated associated risks.

Our clarifications:

According to the waste gas supply agreement reached between the project owner and the coke plant supplying waste gas to the project, which was shown to the DOE during validation and is attached as Annex 1 to this document, the project owner has no right to put up any requirements regarding the waste gas parameters and the coke plant will take no responsibility to ensure the continuous supply of qualified waste gas to the project plant. Operation of the proposed project plant at full rated power output is therefore not guaranteed and out of the control of the project owner, which will have a strong impact on the expected economic benefits of the project.

This can be further substantiated by the actual production data of the coke plant since it was commissioned, which is attached as Annex 2 to this document. From the actual production data, it can be seen that the production of the coke plant fluctuated greatly over the past more than two years and until now it has not reached the designed capacity. As the waste gas parameters are highly related to the production load of the coke plant, the fluctuation of the coke production would then result in the fluctuation of the waste gas parameters.

The project owner has realized the waste gas supply risks since the coke plant was built and this is why they could not make the decision to build the project until in early 2005, when they learned the CDM knowledge from a CDM consulting company and realized that there could be potential extra revenues from the sales of CERs. A rough estimation of the financial losses due to non-availability of waste gas versus the prospective income from CERs is attached as Annex 3. From the estimation, it can be seen that even if the power generation of the project is reduced by 20% due to the waste gas supply problems, the CERs revenues would still be able to compensate 95% of the revenue losses. This helped the owner to make up their mind to build the project, which can be substantiated by the company meeting minutes dated 14 March 2005, which was provided to the DOE during their site audit and also attached as Annex 4 to this document. In summary, if there was no CDM consideration, the project could not have been built at all and the waste gas would

have been released into the atmosphere as it was before the implementation of the project.

Issue 2 raised:

Figure 3 on Page 10 of the PDD does not correctly represent the project boundary as ACM0004 version 2 stipulates that the spatial extent of the project boundary must include the waste heat or gas sources. Therefore, the clean type coke oven should be included in the project boundary.

Our clarifications:

The project boundary was understood as the property boundary, but the error is recognized and corrected as shown in the revised PDD attached.

Issue 3 raised:

Table 3 on page 10 of the PDD lists the baseline as a fossil fuel-fired power generation plant whereas the grid has been determined as the baseline.

Our clarifications:

The project has identified grid power supply as the baseline scenario and the baseline emission factor is related to grid emission factor and the power generated by the project replaces power from the grid, hence the baseline condition of the project is grid. We overlooked the issue in the table and apologize for the error. The rectified table is incorporate din the revised PDD.

With the above clarification, explanation and additional information, we wish that the CDM Executive Board would be satisfactory and will approve the registration of our project activity.

Yours sincerely



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