Response to the request for review for the CDM project activity

#1309 " Jiangsu Qingshi Cement Plant's Low

Temperature Waste Heat Power Generation"

To: Mr. Hans Jurgen Stehr, Chairman
CDM Executive Board to Kyoto Protocol

From: Jiangsu Qingshi Cement Co., Ltd. (Project Participants)

Re： Project #1309, " Jiangsu Qingshi Cement Plant's Low Temperature Waste Heat Power Generation"

Date： 10 January 2008

Dear Mr. Chairman,

Please find below our responses to the request for review regarding the CDM project activity Project #1309, "*Jiangsu Qingshi Cement Plant's Low Temperature Waste Heat Power Generation*" communicated on the 28th of December 2007. We hope that our responses would be helpful to further clarify the issues raised and provide additional information for your consideration and final acceptance.

Issue 1:

The DOE should explain in detail what steps it has taken to determine that the benchmark proposed by the project participants is the most suitable indicator against which to assess the financial viability of this project activity.

Our clarifications:

We would like to invite our DOE to address this issue.

Issue 2:

The DOE should provide information regarding how the key input values of the investment analysis have been validated and determined to reflect the true situation facing the underlying project activity.

Our clarifications:

We would like to invite our DOE to address this issue.

Issue 3:

The methodology requires that “among the alternatives that do not face any prohibitive barriers, the most economically attractive alternative should be considered as the baseline scenario”. No such comparison has been conducted in the determination of the baseline.

Our clarifications:

As per ACM0004: “Consolidated baseline methodology for waste gas and/or heat and/or pressure for power generation”/Version 02, the baseline scenario should be selected from evaluation of all potential realistic and credible alternatives. As required by the methodology, the PDD has identified the following alternatives to the project activity:

Alternative 1 – The proposed project activity not undertaken as a CDM project activity;

Alternative 2 – Import of electricity from the grid; and the waste heat continues to emit into atmosphere

Alternative 3 – Existing or new captive power generation on-site, using other energy sources than waste heat and/or gas, such as coal, diesel, natural gas, hydro, wind, etc;

Alternative 4 – A mix of option 2) & 3), in which case the mix of grid and captive power should be specified;

Alternative 5 – Other uses of the waste heat and waste gas.

Our decision of baseline scenario is as follows:

Alternative 1 – As the proposed project has an IRR of 8.22%, while the benchmark IRR for construction material industry is 12.0%, according to "Inform on Economic Assessment method and parameter of Construction Projects", the project could not demonstrate its financial attractiveness to potential investor. So, this alternative is considered to be facing a prohibitive barrier.

Alternative 2 – There is no barrier in legal, financial, technical or any other aspects.
This alternative is taken as baseline scenario.

Alternative 3 – For construction of fossil fuel(including coal, oil, diesel and natural gas etc.) power plants, it is prohibited by the <Notice on strictly prohibiting the installation of thermal power units with capacity of 135MW or below> released by State Council on 15th April 2002 (Ref. No.: GuoBanFaMingDian [2002] (6)) and <Temporary rules on construction management of small-scale thermal power units> released by State Council in August 1997 for strictly controlling the construction of thermal power plants with capacity under 100MW.

Development of other renewable energy source in Jiangsu Province is very limited (for instance, there is no usable hydro resource for the proposed project). According to the China Electric Power Yearbook 2006, it is noted the wind and hydro resource is so scarce that it counts for only less than 1% of the overall electricity generation in Jiangsu Province, where the majority of energy source remains the fossil fuel. The main reasons include the comparatively high investment cost for wind projects and the inadequacy of practically exploitable hydro resource in Jiangsu Province. So, alternative 3 can not be taken as baseline scenario.

And, for more, there have been more than 40 wind projects registered in EB (http://cdm.unfccc.int/Projects/registered.html), that's also a proof that wind power generation is still uncommon project and face difficult in implementation in China. All of the info mentioned above has proved that wind energy is not the baseline scenarios in China.

However, for the further supporting of baseline scenario choose in PDD, a comparison is conducted; Please see the annex for issue 3.

Alternative 4 – Alternative 3) is not feasible, so it's not feasible of alternative 4) (A mix of options 2) and 3)); So, alternative 4 can not be taken as baseline scenario.

Alternative 5 – In the conventional cement production line, only part of the waste heat generated from the cement production process would be used to heat the raw material and the majority would simply be emitted into ambient atmosphere.

The proposed project further utilized this surplus waste heat after heating the raw material for power generation, where as revealed in the FSR, there is no other way for utilization of this surplus waste heat other than direct emitting into ambient air. So, alternative 5 can not be taken as baseline scenario.

So, “among the alternatives that do not face any prohibitive barriers “, we believe, the most likely baseline scenario then remains to **only *Alternative 2-import electricity from the grid***, in which the power output equivalent to the proposed project generates would be supplied by ECPG (East China Power Grid) to which the proposed project is connected. That is why the PDD didn’t conduct the economic comparison.

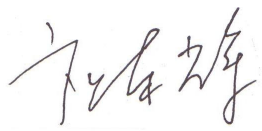
Issue 4:

The DOE is requested to provide information to confirm how it will be ensured that the project activity will not lead to a diversion of waste heat from use in the preheating process.

We would like to invite our DOE to address this issue.

With the above clarification, explanation and additional information, we sincerely hope that the CDM Executive Board will approve our request for registration of the proposed project activity.

Sincerely yours



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Jiangsu Qingshi Cement Co., Ltd.