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## CDM Team



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DAP-PL-2722  
DAP-IS-3516.01  
DPT-ZE-3510.02  
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Your reference/letter of	Our reference/name	Tel. extension/E-mail	Fax extension	Date/Document	Page
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## Request for Review

Dear Sirs,

Please find below the response to the request for review formulated for the CDM project with the registration number 1366. In case you have any further inquiries please let us know as we kindly assist you.

Yours sincerely,

Javier Castro  
Carbon Management Service

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Trade Register: Munich HRB 96 869

Supervisory Board:  
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Board of Management:  
Dr. Manfred Bayerlein (Spokesman)  
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## **Response to the CDM Executive Board**

### **Issue:**

Further details are required regarding how the DOE has undertaken an independent assessment to confirm that the input values used in the investment and sensitivity analyses adequately reflect the true economic situation of the project activity.

### **Response by TÜV SÜD:**

The key figures besides the electricity tariff and straw price, such as total investment, annual electricity output and the annual consumption of the straw, used for the IRR calculation are quoted from the approved feasibility study report. Compared with statistics from other biomass projects in China applying for CDM the values have been considered to be reasonable as the investment as well as the operational hours for the project activity are in the range of average values. The straw consumption can be considered to be reasonable as well as the efficiency is about 25% based on the generation and biomass consumption.

Regarding the electricity tariff, audit team agrees on that the tariff in the report is not valid any longer when the project was implemented with the CDM supports in 2006. Because according to the Chinese Renewable Law which is in effective as from January 1<sup>st</sup> of 2006, the price of electricity supplied by a biomass power plant shall be 0.25 RMB higher than the one fed from the coal-fired power plant (so called yardstick tariff) in the first 15 operation years, from 16<sup>th</sup> year onwards, the tariff shall be same to the yardstick tariff. According to the Notice issued by the Price Bureau of Jiangsu Province, the electricity price of coal-fired power plant was 0.386 RMB/kWh in 2005. Hence, the price used in the IRR spreadsheet is assumed to be 0.544 RMB/kWh (in the first 15 operation years excluding 17% VAT) and 0.330 RMB/kWh (the residual years excluding 17% VAT). The Chinese Renewable Law and the Notice issued by Price Bureau of Jiangsu Province have been checked and verified.

Referring to the feasibility study report, the straw price is set to be 543 RMB/t. During the on site audit in March of 2007, the purchasing contracts which had been countersigned with the collection station present that the actual price at that time was 240 RMB/t. Moreover, a survey of straw price was carried out by the project owner at the beginning of 2006. Through the analysis report dated in March of 2006, it could be clearly seen that 240 RMB/t is a reasonable price. For the purpose of conservativeness, the lower one (240 RMB/t) was used in the IRR calculation. Similarly, according to the study report, the material cost is 10 RMB/MWh, however, in the IRR spreadsheet, only 5 RMB/MWh is considered.

As to the sensitivity analysis, the selected parameters and fluctuation range of each parameter are same to the feasibility study report which has been approved by the Chinese government. The detailed calculation process and results have been verified by the audit team. It is reasonable and common sense that the investment costs and operational costs will not fluctuate in a larger interval. The costs have been compared with statistics from 30 other Chinese CDM projects under validation and already registered. The data of this project is not unreasonably different. The electricity tariff is fixed by the authorities and the probability of fluctuating seems to



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be low. Regarding the straw price the conservative value evidenced by the survey report (half of the value indicated in the FSR) has been used.