

Letter of Intent

Emission Reductions arising from Energy Efficiency CDM Projects in the PRC

This Lol ("Letter of Intent") confirms the principal terms of understanding among:

ENEL TRADE S.p.A., Viale Regina Margherita 125 – 00198, Rome ("Enel Trade S.p.A.")

and

Wuhan Iron and Steel (Group) Corp., Qingshan district, Wuhan City, Hubei 430080 ("Project Entity")

Note:

Company Chinese Name: 武汉钢铁 (集团) 公司

Chinese Address: 中国湖北省武汉市青山区

and

Beijing Tianqing Power International CDM Consulting, Co., Ltd. Room 818, Huaneng Tower, No.A23 Fuxing Road, Beijing 100036 ("Tianqing Power")

following referred to individually as a "Party" and collectively as the "Parties".

WHEREAS

a) Tianqing Power has already reached an agreement with Project Entity on the development of three CDM Projects of coke dry quenching ("Projects"), as specified below:

- coke dry quenching project of no. 1 and 2 coke oven of coking corporation;
- coke dry quenching project of no. 3 coke oven of coking corporation;
- coke dry quenching project of no. 9 and 10 coke oven of coking corporation

b) Enel Trade S.p.A and Tianqing Power have signed a Memorandum of Understanding ("MoU") in order to cooperate to identify and facilitate the development of CDM projects in the territory of the People's Republic of China;

c) Enel Trade S.p.A. is active in the electricity trading in Italy and abroad and is interested in the possible purchase of certified emissions reductions (CERs).

NOW, THEREFORE, in consideration of the recitals above,

1. Possible Transaction and Purchase of CERs

Enel Trade S.p.A. intends to evaluate the possibility to purchase the CERs, free of all third party interests, generated from Projects in the plant owned by Project Entity and in the time period from 2007 to 2012, (approximately 304,099 tons of CO2 equivalent per year – "Annual Volume"), provided that Projects from which Enel Trade S.p.A. would purchase CERs satisfy the following criteria:

- a) Projects obtain and maintain all relevant clearances required to pursue Projects which are required by the Government of the Peoples Republic of China;

- b) Projects generate benefits required by the Government of the People's Republic of China to constitute the "Sustainable Development Facility" ("SDF");
- c) Projects baseline, monitoring plan, project design document, validation, and "due diligence" are completed to the satisfaction of relevant domestic rules and international rules;
- d) All necessary approvals of the Chinese government are obtained;
- e) All procedures for verification and certification are followed and applied to the satisfaction of relevant domestic rules and international rules;
- f) Projects will start generating CERs no later than December 31st, 2008,
- g) Project Entity and Enel Trade S.p.A. will agree upon, and execute the Emission Reduction Purchase Agreement ("ERPA") governing the purchase and sale of the Emission Reductions from Projects within the term set forth in this LOI;
- h) Approval of Enel Trade and Project Entity's Board of Directors of the final text of the relevant ERPA;
- i) All the other criteria which the Parties will agree upon in the relevant ERPA.

The price and volume for the possible CER transaction and purchase will be as follows:

- a) The CER Price will be eight Euro (€ 8) per ton of CO₂ equivalent;
- b) The total volume of CERs transaction shall be up to 1,695,082 tons of CO₂ equivalent ("Total Volume") which will be originated from Projects and issued during Projects's six year Crediting Period.

In case the parties will sign the ERPA, Project Entity will grant Enel Trade S.p.A. an option to purchase the CERs generated by Projects in the following Commitment Periods starting from 2013. Price and volumes will be negotiated on a five-year basis starting from the year 2013. Enel Trade S.p.A. may evaluate the possibility to purchase CERs generated by Projects after the year 2012 only if:

- a) both the Kyoto Protocol and the European Emission Trading Scheme will be still in place;
- b) Enel Group will have an obligation to reduce Green House Gases (GHG) also after the end of the First Commitment Period (2008-2012).

2. Exclusivity Period

For a period of six (6) months from the date of this LOI, ("**Exclusivity Period**"), the Parties shall use all reasonable endeavors to negotiate and execute in good faith with each other the ERPA governing the purchase and sale of the CERs generated by Projects and Project Entity undertakes to:

- a) Not start any discussions or negotiations, nor commence further discussions or negotiations which may have already commenced with any person regarding the sale of the CERs generated by Projects, except with the written consent of Enel Trade S.p.A.;
- b) Not enter into any agreement with any other person regarding the dealing in or sale of the CERs generated by Projects, except with the written consent of Enel Trade S.p.A.

3. Role of Tianqing Power

- 3.1 Project Entity authorizes the participation of Tianqing Power in the further development of Projects.

- 3.2 Tianqing Power agrees to provide all necessary assistance and support to Project Entity in the development of Projects.

4. Confidentiality

All information disclosed by the Parties under this Lol, all subsequent commercial negotiations and any agreement entered into between the Parties shall be kept confidential and not disclosed unless the disclosing party has been given prior written consent to that disclosure or the information is required to be disclosed:

- a) Pursuant to the Parties disclosure policies;
- b) By any requirements of the United Nations Framework Convention on Climate Change and its Kyoto Protocol for Validation, Registration, host country approval or otherwise; or
- c) Under any applicable law.

5. Termination

Unless otherwise agreed among the Parties within 6 months from the signature of this Lol, this Lol and the understandings it contains will terminate upon the occurring of one of the following event, which one occurs first:

- a) execution of the ERPA governing the purchase and sale of Certified Emission Reductions from Projects between Enel Trade S.p.A. and Project Entity, or
- b) Expiry of the period of six months from the signature of this Agreement.

6. Effects of this Lol

This Lol is not intended to and shall not create binding obligations on the Parties in respect of the proposed arrangement. It is intended to be an outline of the basic principle of the co-operation between the Parties and to provide guidelines for the conduct of negotiations between the parties as to the foregoing matters.

Therefore, neither Party shall be liable for any loss, damage, cost and expenses arising from or connected with this Lol unless in the event of gross negligence and/or willful misconduct.

IN WITNESS WHEREOF, the undersigned, being duly authorized thereto, have signed the present Agreement in three copies in English.


On behalf of Enel Trade S.p.A.


Authorized Signature

Title: EXECUTIVE VICE PRESIDENT

Date: 02/03/2007

On behalf of Wuhan Iron and Steel (Group) Corp.


Authorized Signature
Title: 规划发展部副部长
Date: 2007.3.20

On behalf of Beijing Tianqing Power International CDM Consulting, Co., Ltd.


Authorized Signature
Title: 北京天庆国际CDM咨询公司
Date: 2007.3.20

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