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	IS-CMS-MUC/ Sebastian Randig	+49 89 5791-2943 Sebastian.Randig@tuev-sued.de	+49 89 5791-2756	2008-12-08	1 of 7

Request for Review

Dear Sirs,

Please find below the response to the review formulated for the CDM project with the title "*Erbaqu Small Hydropower Project in Gansu Province*" with the registration number 2159. In case you have any further inquiries please let us know as we kindly assist you.

Yours sincerely,

Cuiyun Zhang
Carbon Management Service

Annexes:

Annex 1: Calculated baseline emission factor for NWPG 2006

Annex 2: Revised China LoA for Erbaqu

Headquarters: Munich
Trade Register: Munich HRB 96 869

Supervisory Board:
Dr.-Ing. Manfred Bayerlein
Board of Management:
Dr. Peter Langer (Spokesman)
Dipl.-Ing. (FH) Ferdinand Neuwieser

Telefon: +49 89 5791-2246
Telefax: +49 89 5791-2756
www.tuev-sued.de

TÜV[®]

TÜV SÜD Industrie Service GmbH
Niederlassung München
Umwelt Service
Westendstrasse 199
80686 Munich
Germany

Response to the CDM Executive Board

Issue 1

“The DOE/PP shall further justify the prior consideration of the CDM for each of the six stations as per EB 41, Annex 46, paragraph 5 and 6, the response should include relevant evidence.”

Response from the Project Participant

The following paragraphs will provide descriptions in detail for each of the six stations, as per EB 41, paragraph 5, that awareness of the CDM prior to the project activity start date, the benefits of CDM were a decisive factor in the decision to proceed with project activity, as well as continuing and real actions were taken to ensure CDM status in parallel with its implementation.

The CDM benefits were taken into serious consideration at the design stage of Preliminary Design Report (PDR) before project activities started respectively for each of the six stations, which indicates that the project entity was aware of CDM prior to the project activity start date of each station.

For station 1, PDR for station 1 was completed by Lanzhou Xinrong hydraulic and hydropower Consultation co. Ltd (hereafter refer to “design entity”) in June 2005 and approved by Water resources Bureau of Jichang city on July 25th, 2005. Based on this PDR, the project entity held a board meeting on November 09th, 2005 and decided to apply for CDM support so as to improve economic benefits for station 1 and in simultaneity to start construction of station 1. This indicates that the CDM benefit was a decisive factor in the decision to proceed with project activity for station 1. And the minute of board meeting for station 1 has been submitted to EB when the project was submitted for registration on August 12th, 2008.

For the other five stations, since the related original evidences are still not available to us, MGM Carbon Portfolio S.a.r.L., as the buyer of the project. When we were informed by EB that the project was requested for review, we immediately contacted the consultant to get in touch of the project owner to address the issues raised by EB. However, unfortunately the project owner has not been reached during these weeks. Therefore, we still cannot provide the further descriptions of the stations. We will endeavor to provide further clarification once we get in touch with the project owner.

Response by TÜV SÜD

TUV-SUD has performed a thorough review of the timeline of CDM consideration to demonstrate the additionality of Erbaqu Small Hydropower Project in Gansu Province. Given the sequence of events we discuss in the following: stage 1 which was commenced at first, followed by stage 2 to 5, which were all implemented in parallel, and will close with stage 6, which was implemented the latest.

Before assessing the individual stages in individual Preliminary design reports (PDR) the PPs have commissioned a Feasibility Study Report (FSR), which covers all 6 stages as a whole.



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However, 6 stages hydropower should be analyzed specifically to demonstrate respective financial and technical indicators due to different construction/implementation schedules.

With request for registration a board meeting minute was submitted, proving the serious consideration of the CDM for stage 1 project (Annex 1 as submitted with request for registration, IRL14). This document was found to sufficiently prove that CDM was a decisive factor to implementing stage 1 of the project. Regarding the other five stages, we did not receive any original document during request for review period. Therefore we cannot give any further statement.



Issue 2

“The DOE shall clarify the project start date, 15 December 2005, according to the ‘CDM glossary of terms’ and EB 41, paragraph 67.”

Response from the Project Participant

According to the definition on the start date of a CDM project activity of EB 41, paragraph 67, the earliest date at which either the implementation or construction or real action of a project activity begins, and the start date shall be considered to be the date on which the project participant has committed to expenditures related to the implementation or related to the construction of the project activity. In view of this issue raised by CDM EB, the following detailed chronicle is provided to indicate that the date for approval of construction start-up by the local authority, the date for construction contract signed, and the date for contract signed of equipment service.

	Date for Approval of construction start-up by the local authority	Date for construction contract signed	Date for Contract signed of equipment service
Station 1	15/12/2005	12/01/2006	20/12/2005
Station 2	26/12/2006	23/01/2007	16/01/2007
Station 3	26/09/2006	22/04/2007	16/10/2006
Station 4	26/09/2006	22/04/2007	16/10/2006
Station 5	26/12/2006	23/01/2007	16/01/2007
Station 6	25/03/2008	06/04/2008	28/03/2008

From the table, the date of Dec 15th 2005 for station 1 begins is the earliest date of all the six stations of the bundled project, and thus been selected as the earliest date of the proposed project activity, which can be considered as the legal implementation earliest action of the project activity begins approved by the authority and also can be considered conservative. Furthermore, according to “Guideline for completing the form for submission of bundled small-scale CDM project activities”, the starting date of the bundle is the date on which the implementation or construction or real action of the earliest project activity begins, and therefore the starting date was selected as the starting date of station 1 activity begins, which can be considered appropriate.

Response by TÜV SÜD

As shown above, there are three possible dates can be the project start date. Option A is Date of construction approval, option B is date for construction and equipment purchasing contract is the option C.

According to the definition on the start date of a CDM project activity of EB 41, paragraph 67, TÜV-SÜD can confirm that the date of construction approval shall be considered as the project start date; once the project owners receive this approval, it means they have a qualification to do the real work for the project. Moreover, comparing to the approval date of 6 stages, the ear-



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liest date is on Dec.15th 2005, so the project start date of Erbaqu hydropower is on the Dec.15th 2005, in compliance with EB 41, paragraph 67.



Issue 3

“The DOE shall explain why the ex-ante grid baseline emission factor (0.8498 tCO₂/MWh, 0.50 OM: 0.50 BM) is different from the one in the PDD submitted for validation, noting that the factor should be based on the latest available data at the date of validation.”

Response from the Project Participant

The PDD version 02 submitted to DOE for validation was completed by the consultant on 28th, May 2007. At that time, the grid baseline emission factor was calculated as 0.858tCO₂e/MWh in PDD (please refer to Annex 1), which was referred to the grid baseline emission factor of North-West Power Grid (NWPG) of China published by the China's DNA of National Development and Reform Committee (NDRC) based on the available data till year 2006¹. On 9th, Aug 2007, the NDRC published the authoritative ex-ante baseline emission factor of NWPG with the value of 0.8498tCO₂e/MWh, which based on the data available till year 2007², and therefore the PDD version 04 to CDM EB requesting for registration completed on 05th Jun 2008, selected this value as the grid baseline emission factor based on the latest available data. After that, the NDRC further published the grid baseline emission factor of NWPG with the value of 0.877tCO₂e/MWh on 18th, Jul 2008, which based on the data available till year 2008³. Therefore, the grid baseline emission factor of 0.8498tCO₂e/MWh applied to the PDD version 04 for requesting registration can be considered reasonable and conservative.

Response by TÜV SÜD

The GSP version of PDD chose the baseline emission factor was 0.8410 tCO₂e/MWh, the source was from NDRC in Dec.2006, but the project owner found a few faults according to China energy year book, China electricity year book and IPCC website. The re-calculated data was 0.8580 tCO₂e/MWh. The calculation sheet (annex 1) has been verified by DOE. However, the date of validation was on Oct.25th 2007, at that time NDRC had published the updated baseline emission factor, the updated emission factor was 0.8498 tCO₂e/MWh. The newest baseline emission factor was 0.8770 tCO₂e/MWh from NDRC on Jul.18th 2008. After having compared the different data from 2006 to 2008, it is found that the emission factor was increasing constantly. At the time when submitted the project for registration, thus the updated emission factor is applied. TÜV-SÜD can confirm that 0.8498 tCO₂e/MWh is the baseline emission factor reflecting the projects baseline at the time when the project was submitted for registration in mid 2008.

¹ <http://cdm.ccchina.gov.cn/web/NewsInfo.asp?NewsId=1850>

² <http://cdm.ccchina.gov.cn/web/NewsInfo.asp?NewsId=1889>

³ <http://cdm.ccchina.gov.cn/web/NewsInfo.asp?NewsId=2875>

Issue 4

“The PP/DOE should provide a revised LoA indicating that the DNA is aware that the CDM project activity taking place in China is part of the bundle as per the ‘Guideline for completing the form for submission of bundled small-scale CDM project activities’ paragraph 15.”

Response from the Project Participant

A revised LoA has been issued by NDRC, which can be clearly indicated that the proposed project activity is a bundled project. Please refer to Annex 2, the detail revised LoA.

Response by TÜV SÜD

According to Annex 2, NDRC has revised the LoA for “Erbaqu Small Hydropower Project in Gansu Province”, and they are totally aware the project is a bundle project, in compliance with ‘Guideline for completing the form for submission of bundled small-scale CDM project activities’ paragraph 15.