

**Comments on “Draft revision to the GUIDELINES ON THE ASSESSMENT OF INVESTMENT ANALYSIS (Version 04) ”**

By Dr. Zhengn Zhaoning

Goldchina Consultancy International Co., Ltd.  
Email: zzn@gcci-carbon.com

Comment 1:

For article 14 Rationale:

*Note that company internal benchmarks can be derived in different ways, including by using the Capital Asset Pricing Model (CAPM), however, values derived based on such approaches should only be used if the resulting benchmarks were consistently used by the company in the past.*

The rationale is blurry on the shortest period definition for “*in the past*”, which will make confusion for the validator and the consultant because they have no confidence to guess how many years can satisfy the requirement of “the past” by the RIT member.

Comment 2:

For article 15 and annex A: Default values for the expected return on equity

*15. **Guidance:** If the benchmark is based on parameters that are standard in the market, the values provided in Appendix A shall be used to determine the expected return on equity. The values in the table in Appendix A may also be used, as a simple default option, if a company internal benchmark is used.*

***Rationale:** The values in Appendix A reflect the typical returns on equity expected by the market for different sectors and countries (see details on the calculation of the table further below).*

(1) for large country such as China, 3 groups is too rough, and the sector risk premium did not be considered in the annex A. The value in the annex A is too conservative and will become the largest barrier for energy efficiency CDM project development. It is my suggestion that, the guidance may clearly state that the value in the annex A is the most conservative and other reliable value is preferred, or the reliable sector risk premium can be added into the benchmark listed in the annex A.

(2) the benchmark in the annex A doesn't not include the inflation, a guidance how to consider the inflation should be provided.

Comment 3:

For article 16 and article17:

Article 16 and article17 involves much professional knowledge on financing, accounting and mathematics. But I believe many consultants and validators, so much as most RIT members, have not enough professional knowledge to apply, or validate, or review those applications for article 16 and article 17. So further guidelines, case study, referred textbooks or literatures, and best practice are needed to provided as reference for article 16 and article 17.

Comment 4:

For grid-connected waste gas/WHR based power project:

EB asked that the benchmark for power sector should be applied for the kind of project, considering the kind of project faces same environment with the grid-connected power project. But the sector risk premium was omitted. For grid-connected power project, no matter fuel-fired power plants or renewable plant, the energy source was determined by the external energy price(for fuel fired) or the resource fluctuation(for renewables), but for grid-connected waste gas/WHR based power project, the energy source was constrained by the sector risk premium. Think that, when the steel price was fell, the power generation from BFG will be reduced because the steel production will be reduced. So, it is my suggestion that the sector risk premium may be considered for grid-connected waste gas/WHR based power project.