CDM: FORM FOR SUBMISSION OF A "LETTER TO THE BOARD"
(Version 01.2)

This form should be used only by project participants and other stakeholders for submitting a "Letter to the Board" in accordance with the latest version of the *Modalities and procedures for direct communication with stakeholders*

Name of the stakeholder[1] submitting this form (individual/organization):	Ecologikol Advisors India Private Limited
Address and contact details of the individual submitting this form:	Address: 26/7, Abiramapuram 1st street, Chennai, India Telephone number: +91 9840921947 E-mail address: mahesh@ecologikol.com
Title/Subject (give a short title or specify the subject of your submission)	Investment analysis and Choice of Crediting period for Replacement project activities
Please mention whether the submitter of the form is:	☒ Project participant ☐ Other stakeholder, please specify
Specify whether you want the letter to be treated as confidential[2]:	☐ To be treated as confidential ☒ To be publicly available (UNFCCC CDM web site)

Please choose any of the type(s) below[3] to describe the purpose of this submission.

☒ **Type I:**

☒**Request for clarification** ☐**Revision of existing rules**

☒ Standards. General principles for bundling version 02

☐ Procedures. Please specify reference

☒ Guidance. Guidelines on the Assessment of Investment Analysis, version 05

☐ Forms. Please specify reference

☒ Others. Glossary of CDM terms, version 06

☐ **Type II: Request for Introduction of new rules**

☐ **Type III: Provision of information and suggestions on policy issues**

Please describe in detail the issue on which you request a response from the Board, including the exact reference source and version (if applicable).

[1] DNAs and DOEs shall use the respective DNA/DOE forms for communication with the Board.
[2] As per the applicable modalities and procedures, the Board may make its response publicly available.
[3] Latest CDM regulatory documents and information are available at: http://cdm.unfccc.int/Reference/index.html .

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We request the honourable EB to provide certain clarifications regarding a “Replacement project activity” as described below. Though the answers to some of the below queries are evident in the latest guidelines and standards, we would like to confirm our interpretation without any ambiguity. The clarifications will be of great value since many similar Replacement CDM project activities are being proposed for implementation.

Introduction to the Project activity:

The project activity involves the installation of new Wind Energy Generators (WEGs), by replacement existing WEGs which have completed an operational lifetime of 15 yrs out of their total lifetime of 25 yrs. The new WEGs have the same capacity as the replaced WEGs. The replacement results in incremental quantity of electricity generation which displaces grid electricity and results in emission reductions. The baseline scenario is the continuation of the current situation (i.e., operation of existing WEGs for remaining lifetime of 10 yrs) till the end of their total technical lifetime of 25 yrs, after which they would be replaced with new WEGs of the same capacity. Thus, emission reductions due to incremental electricity generation are generated only for a period 10 yrs.

Query 1:

What is the expected operational lifetime of the above project activity? Whether the period over which emission reduction occurs (in this case, 10 yrs) can be considered as the expected operational lifetime of the project activity?, or, Whether the technical lifetime of the new WEGs (25 yrs) can be considered as the operational lifetime of the project activity?

As per the *Glossary of CDM terms version 06*, An SSC CDM Project Activity is “A measure, operation or action that aims to reduce GHG emissions, whether as a whole project or as a component of a project”. As per our interpretation of the above definition, the expected operational lifetime of the project activity is only 10 yrs. Kindly confirm.

Query 2:

Whether it is appropriate to use the Project IRR as the financial indicator for this project activity by considering only the incremental revenues and costs (over the baseline scenario) associated with the project activity?

Ref: Request for Clarification on Approved methodological tools AM_CLA_TOOL_0002. As per this clarification, “incremental cost and benefit analysis may have to be selected in the context of the benchmark analysis in some specific circumstances.”

Query 3:

Appropriate “assessment period” for this project activity:

Para no.3 of the “Guidelines on the Assessment of Investment Analysis, version 05” is referred for guidelines regarding the choice of assessment periods for investment analysis.

If a Project IRR based on incremental values is chosen as the financial indicator for this project activity, what is the appropriate “assessment period” to be adopted?, which of the below options are appropriate/best suitable:

a. Is the Assessment period equal to the expected operational lifetime of the underlying project activity, in this case 10 yrs, suitable?:

   If this option is chosen, the fair value of the new WEGs shall be included in the cash flow of the last year (10^{th} year) of the assessment period.

b. Considering that the operational lifetime of the project activity is only 10 yrs, is it correct to choose an assessment period which is higher than the operational lifetime of the project activity?

c. Is the Assessment period equal to the technical lifetime of the new WEGs, (i.e., 25 yrs) suitable? If a 25 yr Assessment period is suitable, which of the below methods should be adopted for the cash flow computation:

   i) Consider incremental revenues and costs till the end of 10 yrs, and for the period 11 to 25 yrs, consider the full revenues and operational costs of the new WEGs

   ii) Consider incremental revenues and costs till the end of 10 yrs, and for the period 11 to 25 yrs, consider the incremental revenues and full operational costs of the new WEGs

Query 4:

Appropriate choice of crediting period:

Ref: General Principles of Bundling, Version 02 states "All project activities in the bundle shall have the same crediting period"

a. If the expected operational lifetime of this replacement project activity is 10 yrs and if this project is bundled with other Greenfield project activities with operational lifetime of 25 yrs, whether a renewable crediting period can be selected for the entire bundle? (i.e., by assuming that from year 11 to 21 of renewable crediting period, $ER_{replacement\ project} = 0$, whereas $ER_{Greenfield\ project}$ will be as monitored).

b. If the expected operational lifetime of this replacement project activity is 10 yrs and if this project is bundled with other Greenfield project activities with operational lifetime of 25 yrs, Should the crediting period of the entire bundle be limited to the operational lifetime of the replacement project activity? (i.e., 10 yrs)

We thank you for the efforts in providing timely clarifications to the stakeholders.

Please provide any specific suggestions or further information which would address the issue raised in the previous section, including the exact reference source and version (if applicable).	
>> [replace this bracket with text, the field will expand automatically with size of text]	
If necessary, list attached files containing relevant information (if any)	• [replace this bracket with text, the field will expand automatically with size of text]
Section below to be filled in by UNFCCC secretariat	
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History of document

Version	Date	Nature of revision
01.2	08 February 2012	Editorial revision.
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01	04 August 2011	Initial publication date.
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