



17 April 2013

Dear CDM Registration Team,

RE: Reference: Request for registration of the proposed programme of activities incomplete for "Coal Mine Methane Utilisation and Destruction Programme in DPR Korea" - Ref No. 00007881

Carbon Check acknowledges the issues raised in reference to the I & R completeness check in relation to the project activity "Coal Mine Methane Utilisation and Destruction Programme in DPR Korea".

Carbon Check hereby presents demonstrating evidence of our qualified opinion and justification for all issues raised during the information and reporting completeness check.

Issue 1:

The DOE is requested to provide further information regarding how it validated the applicability of the eligibility criteria number 13, Simple cost analysis, to determine CPA additionality, considering that the PoA-DD in Section A.4.2.1 provides that the CPAs can utilize the coal mine methane for production of electricity and heat, and thus can be expected to generate savings from the displacement of the grid and captive power plant, respectively.

Carbon Check response:

Summary of the revision if any (In order to address the comments) - Eligibility criteria 13 of the PoA DD (and subsequently CPA DD) has been revised. The PoA is now shifted to VVS (as initially submitted in VVM track). Corresponding validation reports have been revised. Due to shift from VVM to VVS, the g-CPA DD (template) becomes obsolete. Please refer to our response below on appropriateness of simple cost analysis.

The PoA-DD¹ (Version 10; Date 16/04/2013 and Page 4) in Section A.6 states:

"A CPA will capture methane from a working coal mine within the territory of the DPR Korea and to perform one or a combination of the following:

- 1. Utilisation of the methane for the production of electricity; and/or*
- 2. Utilisation of the methane for the production of heat; and/or*
- 3. Destruction of the methane through a flare."*

Conversely PoA-DD section A.2 (Version 10; Date 16/04/2013 and Page 1) clearly states:

"The DPR Korea currently lacks financial resources in order to implement emission reduction projects on a wide scale. The managing/coordinating entity is required to finance the investment of the PoA and individual CDM Project Activities (CPAs) included in the PoA from its own funds. The DPR Korea has confirmed that it will not provide finance for the development or implementation of the CPAs."

¹ VVS Format



The above clearly indicates that there are no financial benefits available to the CME for the implementation of the PoA and future CPAs under the PoA. Carbon Check validated (cross checked) the same through the letter dated 06/10/2011 from General Bureau for Cooperation with International Organizations (GBCIO) /02/, Ministry of Foreign Trade; Democratic People's Republic of Korea, which clearly states the following:

- Foreign entity to fully finance the implementation of PoA
- Foreign entity to share carbon credit revenues with GBCIO
- Foreign entity shall assign all other benefits accruing out of the project activity to people of DPR Korea and for that foreign entity shall not accrue any benefits.

It was further validated (cross-checked) by DoE through the letter dated 05/04/2013 from General Bureau for Cooperation with International Organizations (GBCIO) /03/ Ministry of Foreign Trade; Democratic People's Republic of Korea, which clearly states the following:

"Carbon Development and Trading Ltd is the sole financier for the implementation of the PoA, as well as all CPAs included in this PoA. The only financial benefit that Carbon Development and Trading Ltd is entitled to receive from implementation of the PoA and CPA is from sale of CERs."

Based on the assessment of the letter Carbon Check concluded that CME who is responsible for implementation and financing of the PoA and future CPAs would accrue no benefit other than CER revenues. The above mentioned letter /02/ (PoA Validation Report Reference Number /09/; Page 8) and letter /03/ (PoA Validation Report Reference Number /24/; Page 9). The same is further referenced on the following pages of the validation report:

- Page 17; § 3
- Page 28; under Alternative (ii): Using/destroying VAM
- Page 28; under Alternative (iii): Flaring of CMM
- Page 28; under Alternative (iv): Use for additional grid power generation
- Page 29; under Alternative (v): Use for additional captive power generation
- Page 29; under Alternative (vi): Use for additional heat generation
- Page 29-30; under Alternative (vii): Feed into gas pipeline (to be used as fuel for vehicles or heat/power generation)
- Page 30; under Alternative (viii): Possible combinations of options iii, iv, v, and vi.
- Page 30-31; under Alternative 3: CMM power generation.
- Page 31; under Alternative 5: Heat supply by heat generation technologies, including conventional steam boiler, or conventional hot water boiler, which would be fired by CMM
- Page 32; under discussions on additionality of PoA
- Page 33-34; under discussion on CPA additionality (Investment analysis)

In order to further justify that the CME, Carbon Development Trading Limited (foreign entity), is the full and only financier for all future CPAs under this PoA, eligibility criteria in section B.2 of PoA-DD (Version 10; Date 16/04/2013 and Page 9) has been revised to add the following:



- (i) The CME provides all financing for the implementation of the future CPAs under this PoA; and

DoE has assessed the fulfilment of this criterion for inclusion of CPA titled “Kogonwon Coal Mine (CMM-DPRK-1)” in the CPA Validation Report (Page 22, 23 and 24) through review of following evidences:

1. Letter dated 06/10/2011 from General Bureau for Cooperation with International Organizations (GBCIO) /02/, Ministry of Foreign Trade; Democratic People’s Republic of Korea, which clearly states the following:

- Foreign entity to fully finance the implementation of PoA
- Foreign entity to share carbon credit revenues with GBCIO
- Foreign entity shall assign all other benefits accruing out of the project activity to people of DPR Korea and for that foreign entity shall not accrue any benefits.

2. Letter dated 05/04/2013 from General Bureau for Cooperation with International Organizations (GBCIO) /03/ (CPA Validation Report Reference Number /45/; Page 10 and PoA Validation Report Reference Number /24/; Page 9) Ministry of Foreign Trade; Democratic People’s Republic of Korea, which clearly states the following:

“Carbon Development and Trading Ltd is the sole financier for the implementation of the PoA, as well as all CPAs included in this PoA. The only financial benefit that Carbon Development and Trading Ltd is entitled to receive from implementation of the PoA and CPA is from sale of CERs.”

3. Letter (dated 05/04/2013) from General Bureau for Cooperation with International Organizations (GBCIO) /04/ (CPA Validation Report Reference Number /46/; Page 10) Ministry of Foreign Trade; Democratic People’s Republic of Korea, which clearly states the following :

“Carbon Development and Trading Ltd (CME) is the sole financier of the CPA [(Kogonwon Coal Mine (CMM-DPRK-1))] and is required to provide all finance for the implementation of the CPA”.

The same is also evidenced from the declaration provided by CME /05/. This was further cross checked by the validation team during the onsite visit interview with the GBCIO representative (refer to PoA VR section 2.2 /b/ and /d/). Adding further the CME of the PoA has also provided a declaration letter /05/ on the sole financing of the PoA and future CPAs.

Hence, in the light of the above mentioned references (letter /02/ /03/ /04/ /05/ and Validation Reports) and explanations, it has been ascertained that CME, Carbon Development Trading Limited (foreign entity), is the full and only financier for all future CPAs under this PoA and accrues no benefit other than CDM related revenues from implementation of all future CPAs under this PoA.



Hence, the applicability of the eligibility criteria number 13, the use of Simple Cost Analysis to determine CPA additionality was deemed appropriate by validation team.

Issue 2:

The DOE is requested to provide further information regarding how it validated the elimination of the baseline alternatives related to CMM utilization and energy production based on financial barriers, considering that these barriers can be overcome by additional investment. Please note that barriers that can be mitigated by additional financial means can be quantified and represented as costs and should not be identified as a barrier for implementation of project while conducting the barrier analysis, but rather should be considered in the framework of investment analysis (EB 50 Annex 13 paragraph 7). In doing so, please refer to the Tool for the demonstration and assessment of additionality, version 06, paragraph 40 (a), (b), (c), (1) and (2).

Carbon Check response:

Summary of the revision if any (In order to address the comments)- No change in the project documents, DOE's justification to this was accepted by UNFCCC (CDM Registration and Issuance team). The same was confirmed by UNFCCC secretariat via e-mail dated 13/03/2013. DOE's justification (already accepted by UNFCCC is reiterated below).

The utilization of CMM and energy production is not a legal requirement in DPR Korea and the same has been cross checked from the letter of GBCIO/01/.

As per the applied methodology (p6 of 54) the following are alternatives for the use of CMM in energy production:

- "(iv) Use for additional grid power generation;*
- (v) Use for additional captive power generation;*
- (vi) Use for additional heat generation;*
- (vii) Feed into gas pipeline (to be used as fuel for vehicles or heat/power generation);"*
- (viii): Possible combinations of options iii, iv, v, and vi.*

For all the above alternatives it would require investment. These alternatives are not plausible in context of the CME of the PoA (a foreign entity). The CME who has to finance the implementation of PoA and future CPAs is not entitled to any financial benefit apart from the CDM related revenue (from sale of CERs). The same was validated by validation team through review of the letter dated 06/10/2011 from General Bureau for Cooperation with International Organizations (GBCIO) /02/, Ministry of Foreign Trade; Democratic People's Republic of Korea (as explained above in issue 1).

Hence the elimination of the above baseline alternatives related to CMM utilization and energy production based on investment barriers (lack of financial incentive to CME apart from CDM related income) i.e access to international capital markets due to real or perceived risks associated with



domestic or foreign direct investment in the country where the project activity is to be implemented is deemed appropriate by Carbon Check. Further this is also in line with the requirements of the applied methodology as investment analysis is an optional approach.

The above mentioned letter /02/ is referenced in the Validation report as reference number /09/ on page 8, and is further referenced on the following pages of the validation report:

- Page 17; § 3
- Page 28; under Alternative (ii): Using/destroying VAM
- Page 28; under Alternative (iii): Flaring of CMM
- Page 28; under Alternative (iv): Use for additional grid power generation
- Page 29; under Alternative (v): Use for additional captive power generation
- Page 29; under Alternative (vi): Use for additional heat generation
- Page 29-30; under Alternative (vii): Feed into gas pipeline (to be used as fuel for vehicles or heat/power generation)
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- Page 31; under Alternative 5: Heat supply by heat generation technologies, including conventional steam boiler, or conventional hot water boiler, which would be fired by CMM
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The validation team also cross checked the compliance of the letter /02/ with the type of evidence required by the applied methodology (p8 of 54), which is reiterated below:

a) Relevant legislation, regulatory information or industry norms:

- b) Relevant (sectoral) studies or surveys (e.g. market surveys, technology studies, etc.) undertaken by universities, research institutions, industry associations, companies, bilateral/multilateral institutions, etc.;*
- c) Relevant statistical data from national or international statistics;*
- d) Documentation of relevant market data (e.g. market prices, tariffs, rules);*
- e) Written documentation from the company or institution developing or implementing the CDM project activity or the CDM project developer, such as minutes from Board meetings, correspondence, feasibility studies, financial or budgetary information, etc.;*
- f) Documents prepared by the project developer, contractors or project partners in the context of the proposed project activity or similar previous project implementations;*
- g) Written documentation of independent expert judgements from industry, educational institutions (e.g. universities, technical schools, training centres), industry associations and others.*

The evidence falls under category of bullet a) underlined above. The same has been confirmed by the Ministry of Land and Environment Protection /01/.

From the above detailed explanation and description of supporting credible/reliable/authentic evidence (attached and previously referenced) in the Validation Report, Carbon Check is in the



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opinion that the Validation Report and project documentation does not require any amendments. Carbon Check believe the detailed justifications above negate the incompleteness issues raised and therefore request the UNFCCC to consider our explanations and if found adequate to then consider the documents submitted for RfR complete. We then request confirmation that if no further issues are raised during request for review period that the project is then deemed registered with the original date of submission.

We believe that the above response and revised documents adequately address the issues raised. Carbon Check therefore requests that the PoA be processed for requesting registration. In case of any further query, undersigned shall be responsible to answer and can be reached on the contact details below.

Kind regards

Vikash Singh

Technical Executive



Reference documents attached:

/01/ Letter from Ministry of Land and Environment Protection (MLEP) regarding "Legal or regulatory requirements for installation of CMM capture and destruction and/or utilization project", dated 13/10/2011

/02/ Letter from General Bureau for Cooperation with International Organizations (GBCIO), Ministry of Foreign Trade regarding "No financial support to Carbon Development Trading Ltd., & CDM revenue agreement", dated 06/10/2011.

/03/ Letter from General Bureau for Cooperation with International Organizations (GBCIO), Ministry of Foreign Trade stating, "Carbon Development and Trading Ltd is the sole financier for the implementation of the PoA, as well as all CPAs included in this PoA. The only financial benefit that Carbon Development and Trading Ltd is entitled to receive from implementation of the PoA and CPA is from sale of CERs", dated 05/04/2013.

/04/ Letter from General Bureau for Cooperation with International Organizations (GBCIO), Ministry of Foreign Trade regarding "Carbon Development and Trading Ltd is the sole financier of the CPA [(Kogonwon Coal Mine (CMM-DPRK-1)) and is required to provide all finance for the implementation of the CPA, dated 05/04/2013.

/05/ Letter from Carbon Trading and Development Ltd. (CME) regarding "financing of all the future CPAs under the PoA", dated 15/03/2013.

/06/ Revised PoA DD (in VVS track)-clean and track change version

/07/ Revised specific CPA DD (in VVS track)-clean and track change version

/08/ Revised Emission reduction spread for the specific CPA

/09/ Revised MOC

/10/ Validation Reports corresponding to PoA and specific CPA