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**Response to the request for review in the context of the request for registration for the CDM Project Activity "Eiamrungruang Waste Water Treatment and Biogas Utilization Project" (UNFCCC ref. no. 6107)**

Dear Members of the CDM Executive Board,

We refer to the request for review received from the CDM Secretariat in the context of the request for registration for the project activity "Eiamrungruang Waste Water Treatment and Biogas Utilization Project" (UNFCCC ref. no. 6107). We hereby submit our responses to these queries.

GLC trusts that the justifications provided in the following pages regarding the applicability of the "access to finance" barrier would be acceptable to the EB and requests the EB to register the project activity.

Besides, the action taken to correct the project related documentation is that the above justification and analysis has been consolidated into sections 5.5.1, 5.5.4 and Annex A of the revised GLC validation report. Moreover the PDD section B.5 has been improved to provide more clarity.

Yours faithfully,



Germanischer Lloyd Certification GmbH

Managing Director: Bernhard Ständer

Germanischer Lloyd Certification GmbH, Registered Office Hamburg No. HR B 52078, Amtsgericht Hamburg

Place of performance and jurisdiction is Hamburg. The latest edition of the General Terms and Conditions of Germanischer Lloyd Certification GmbH is applicable. German law applies.

UNFCCC Query 1 raised:

1) The PDD, page 34, states that “the project proponent was aware of problems in accessing finance for the project activity at the time of investment decision.” However, it appears that the project proponent became aware of the “access to finance” barrier in June-August 2008, when “the project proponent applied for a loan from Kasikorn Bank, which after initial discussions and consideration rejected the loan for the biogas plant.” The DOE is requested to further substantiate how it validated that the access to finance barrier is real at the time of investment decision and prevents the implementation of the project activity. Please refer to VVM v 01.2 paragraphs 117.

**PP's Input:** In reference to the guideline given in paragraph 117 of VVM v 01.2, it has been demonstrated in the PDD section B.5 that the project proponent was facing access to finance barrier even at the time of investment decision and that the barrier is real. This was demonstrated based on active CDM consideration in the decision-making (Feb-2008) and reference to CDM services in the technical proposal from the technology provider (Dec-2007).

In addition to this, the PDD mentioned on page 25 that “**biogas projects are considered highly risky by the financiers**”. This could be verified based on evidences given in:

- Footnote 20 (in year 2005) - [http://www.lowcarbonoptions.net/resources/Policy-&Measures/Policies-and-Measures--Thailand/Renewable\\_energy\\_Thailand.pdf](http://www.lowcarbonoptions.net/resources/Policy-&Measures/Policies-and-Measures--Thailand/Renewable_energy_Thailand.pdf) - refer to page 5
- Footnote 21 (in year 2006) - <http://www.thaiscience.info/Article%20for%20ThaiScience/Article/3/Ts-3%20biomass%20and%20biogas%20energy%20in%20thailand%20potential,%20opportunity%20and%20barriers.pdf>.

The above evidences are dated prior to decision-making date. Further, in section B.5 page 31 it is stated that - “**Access to affordable financing is a key barrier to investors**”. The views from two financial institutions were mentioned as below:

- “TMB Bank Public Co. Ltd (a major Thai bank) states “Access to financial resources and Low priority projects” as the major barriers faced by projects in the wastewater treatment sector<sup>1</sup>”
- Furthermore, the same view has been highlighted explicitly for the biogas projects by PROPARCO (private sector financing arm of French Development Agency – AFD)<sup>2</sup>

The exact date of the presentation from TMB bank is not available but the presentation from PROPARCO is dated 25-26th Feb 2008, which is close to the date of decision-making. Therefore, it was based on the above-mentioned evidences, it was concluded that the project proponent was facing access to finance barrier at the time of decision-making.

However, for transparency, further clarifications have been sought from the bank and it reveals that the project proponent had first discussion with the bank in November 2007 pertaining to seeking finance for the project activity. This along with other evidences already mentioned in the PDD, confirm that the project proponent was aware of the problems in accessing finance for the project activity prior to decision-making. The discussions continued with the bank until June-Aug 2008 when the bank rejected the application for loan.

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[http://www.google.co.th/url?sa=t&rct=j&q=access%20to%20financial%20resources%20and%20low%20priority%20projects&source=web&cd=1&ved=0CEkQFjAA&url=http%3A%2F%2Fcd4cdm.org%2FAsia%2FFifth%2520Regional%2520Workshop%26FID%26developCDM-Thailand\\_Prapasawad.ppt&ei=0pMgULyLoS8rAeuqYCIBg&usg=AFQjCNHPWcRQKbz8dvTt\\_T0uG3KeKLohpA&cad=rja](http://www.google.co.th/url?sa=t&rct=j&q=access%20to%20financial%20resources%20and%20low%20priority%20projects&source=web&cd=1&ved=0CEkQFjAA&url=http%3A%2F%2Fcd4cdm.org%2FAsia%2FFifth%2520Regional%2520Workshop%26FID%26developCDM-Thailand_Prapasawad.ppt&ei=0pMgULyLoS8rAeuqYCIBg&usg=AFQjCNHPWcRQKbz8dvTt_T0uG3KeKLohpA&cad=rja)

<sup>2</sup> EU Facilitation workshop 25-26th February 2008

[http://www.setatwork.eu/events/thailand/25%20Paper/Working%20session%203.5\\_Proparco.pdf](http://www.setatwork.eu/events/thailand/25%20Paper/Working%20session%203.5_Proparco.pdf)

In the light of above mentioned general market perception on such projects and the project specific evidences, it can be strongly concluded that access to finance barrier was real at the time of decision-making.

**GLC assessment:**

In order to assess whether the PP was aware of the access to finance barrier at the time of investment decision, validation team has approached the Kasikorn bank to understand the detailed discussions between the PP and the bank. The bank personnel have confirmed through the email that the PP was in contact with the bank since November 2007 for loan approval. From the long gap since November 2007 to August 2008, it is clear that the bank rejected the loan after considering it for a long time. Thus, it is transparent that PP was aware of the access to finance barrier before the investment decision date (12/02/2008). Moreover, PP has also presented publicly available information in the above stated response to make it decipherable that the access to finance barrier was prevalent in the host country Thailand at the time of investment decision. Based on the reliable and authentic information referred above, validation team affirms that PP was aware of the access to finance barrier well before the investment decision. Validation report is revised to present the assessment in a transparent manner in section 5.5.1 and 5.5.4.

Kindly refer to the assessment of query 2 below to see the assessment of paragraph 117 requirements of the latest version of the VVM.

UNFCCC Query 2 raised:

**2) The DOE is requested to further clarify how it assessed that the financing of the project was assured only due to the benefit of the CDM, as per guideline 6 of EB 50 Annex 13, considering:**  
**a) The validation report, page 31, states that "about 13 % of the total project cost was paid to the manufacturer prior to loan approval [...] the upfront payment made by the PP has convinced the bank on the seriousness of the PP towards the project activity and approval of the loan"; and**  
**b) The PDD, page 35, states that "the project proponent also obtained a subsidy from the Energy Policy and Planning Office (EPPO), Ministry of Energy in December 2008. The subsidy granted by the government further helped in convincing the banks to approve the loan for the project activity." Please refer to EB 50 Annex 13 paragraph 9.**

**PP's Input:** The financing of the project was assured only due to the benefits from CDM as per EB50, Annex 13, guideline-6. If we look at the loan approval document from the bank, it clearly mentioned that the bank has the first right to the revenues from carbon credits to make sure that loan repayment happens. The ability to pay back the loan is one of the most important conditions assessed by any bank. The guarantee conditions neither have any claim on the money received from subsidy nor does it ask that the payments to technology provider to be routed through the bank. The details related to subsidy and some payments to technology supplier were mentioned only to argue that the project is real. In general, any investor needs to be convinced that the project they are investing in is real. The PDD in section B.5 is further revised to reflect this clearly to avoid any confusion. Therefore, from the loan approval letter, it's clear that the bank didn't consider the subsidy or the amount of money already spent on the project activity and the revenues from carbon credits were the only consideration in granting the loan.

**GLC's assessment:**

The provided response above by the PP is quite transparent and points out that the loan was approved by the bank only due to CDM benefit. Validation team has reviewed the loan approval letter and re-confirms that the loan was approved only due to CDM benefit. Moreover, this is also evident from the bank loan guarantee conditions, which state that the bank has first right to revenues from carbon credits. This condition is vital for the loan repayment. Subsidy and the initial payment to the manufacturer were instrumental in indicating the

seriousness of the PP towards the project and its implementation but not considered by bank while approving the loan. In general, this was also confirmed by the email from the Kasikorn bank that they don't consider subsidy or initial payments important while evaluating loan application. Validation report has also revised the assessment to make it clear that the loan was approved only upon the consideration of CDM revenues in section 5.5.4. Thus it is clear that the considered access to finance barrier is real for the project as required by para 117 (a) of the latest version of the VVM.

Furthermore, in section 5.5.2 of the validation report description of the all the alternatives are outlined. It is assessed that all the considered and valid alternatives face the investment barrier except the alternative 2: Open anaerobic lagoon-based wastewater treatment system. It does not face access to finance barrier as it is economically and technologically not complicated. Thus it can be confirmed this barrier prevents the implementation of the project activity but not the implementation of at least one of the possible alternatives i.e. alternative 2: Open anaerobic lagoon-based wastewater treatment system. Hence, it is construed as it is complying with para 117 (b) of the VVM.