

# EB Request Bac Ha Hydropower Project, Vietnam (4921)

## Answers PP

19.09.2011

**1. The DOE should clarify how it has validated the reliability and credibility of the evidences related to the continuing and real actions taken to secure the CDM status of the project activity in parallel with its implementation, in particular, what specific CDM deliverables and/or actions were carried out under the various CDM agreements, dated 18 December 2006, 15 May 2008 and 24 June 2009, without which the gap between the project start date (21 February 2005) and the starting date of validation (September 2010) would be more than 5 years, in line with the EB 49, Annex 22 “Guidelines on the demonstration and assessment of the prior consideration of the CDM” and para. 102 (b) of the VVM (version 01.2).**

Following actions have been completed in between and have been documented (yellow marked those already included in the PDD in accordance with the list of support documents as listed in EB 49 Annex 22 point 6b “contracts with consultants for CDM/PDD/methodology services”)

Date	Milestone	Documentary Proof
21/02/2005	Project starting date: Signature of construction contract	Contract (File 18)
25/02/2005 to 01/2007	Construction work is postponed for 2 years due to financial problems. Construction is re-started in January 2007	FSR PECC1, p. 1-3 (File N17)
18/12/2006	MoU with Carbotech AG for CDM project development	MoU (File 20)
01/2007	Re-start of construction works	FSR PECC1, p. 1-3 (File N17)
04/05/2007	Working with PECC1 on: <ul style="list-style-type: none"> <li>- Understand how PECC1 studied Bac Ha HPP during design stage</li> <li>- Collect documents (FSR; Drawings)</li> <li>- Discussion on projects designed by PECC1 such as Quang Tri, Plei Krong... for further understanding about common practice.</li> <li>- Exchange information about the Power Sector in Vietnam</li> </ul>	MoM with PECC1 File N7
05/2007	Technical design stage 2 finished	FSR PECC1, p. 1-3 (File N17)
01/11/2007	Mail to Bac Ha Chairman to arrange a meeting (on 7/11/2007) to explain orientation on investment of Carbotech and to discuss the transfer of the MoU from Carbotech to the NEW COMPANY	File N8
04/12/2007	Announcement of Carbotech that all CDM projects will be transferred to a new company which has to be founded first	Letter File N9
15/05/2008	MoU with ecotawa AG for CDM project development	MoU (File 48)
05/08/2008	Cooperating with a consultancy company in Power sector on: <ul style="list-style-type: none"> <li>- Collecting data of EVN, Master Plan: power</li> </ul>	MoU with Energy and Engineering Consulting Join Stock Company

	production per annum - Listing all power sources with in-built capacity, commissioning date etc. - Regulations on power sector of Vietnam - Power tariff - Information for Combined Margin of Vietnam.	File N10
10/03/2009	WCD Master Thesis Design of Neubauer approved by the University N/W of Switzerland and Grütter and Wunderlin, ecotawa. The master thesis includes establishment of a framework for WCD compliance reports and its practical application in a Vietnamese hydropower project	N/W University documents File N15a/b/c
24/06/2009	<b>CDM project development contract</b>	<b>Contract (file 21)</b>
25/08/2009	Letter sent to Bac Ha by EPRO JSC. on arranging appointment meeting to adjust CDM Implementation Plan and Validation Schedule	Letter File N11
15/09/2009	Master Thesis draft report of WCD by B. Neubauer with supervision by D. Wunderlin, ecotawa	Report N16
22/12/2009	Participated in program to determine the EF of Vietnam: End of 2009, workshop on EF in which Dung on behalf of EPRO JSC participated	Workshop Agenda File N12
04/01/2010	Due to construction work, Bac Ha sent us a letter to request for postponing stakeholder meeting and interviewing	Letter File N13
21/06/2010	Invitation letter issued by Bac Ha to DONRE on Consultation meeting, organized by TETA	Letter File N14
08/09/2010	<b>GSC at UNFCCC</b>	<b>UNFCCC website</b>

The actions in between the CDM contracts were not listed in the PDD as EB 49 Annex 22 lists the type of documents to proof continuous action and in between complied actions to fulfil these documents are not listed. They were mentioned in summary form as text below Table 7 and have been detailed including documentary proof as above without including them in the revised PDD version.

The actions realized clearly show and document that ecotawa and its predecessor Carbotech made continuing and real actions to secure CDM status for the project in parallel with its implementation. Basically the CD consulting firms made actions to:

- Determine the EF of Vietnam
- Elaborate WCD report

For both of these steps documentary evidence has been furnished. Due to the long construction time of the project (> 6 years) the consultant had no rush as no credits can be gained prior project operation. The consulting firm is paid on a CER share base and must bear all upfront costs including validation and registration (see CDM contract signed File 21). Based on cash flow issues and risk minimization the company will only present the project for validation as near as possible to operational start based on normal expected time for validation (see contract with SQS) and registration.

Also as can be evidenced from the FSR made by PECC1 the construction of the HPP was stopped during 2 years and resumed again 01/2007. This construction stop was due to financial problems. Also the technical design stage 2 was only finished 05/2007. Due to the construction stop and the

lack of clarity of the future of the project the CDM project developer did also not realize any activities.

**2. The DOE should provide further explanation on the common practice analysis in line with the VVM (version 01.2) para. 120 (c) and the “Tool for the demonstration and assessment of additionality” sub-steps 4a and 4b; in particular, whether inflation can be considered a sufficient reason to rule out similar activities.**

We would like to highlight that 2 recently registered large-scale hydropower projects in Vietnam have the identical argument. We refer to the registered PDD 3711 (registration date 29/10/2010) and PDD 4537 (registration date 08/06/2011). We thereby refer also to VVM Vs 1.2 chapter III point 15 (b) and 15 (c) which indicate for validation of projects:

Consistency:

“Applying uniform criteria among project activities with similar characteristics such as a similar application of the approved methodology, use of technology, time period or region;”

“Applying uniform criteria to expert judgements, over time and among projects.”

However we have provided for additional facts to show that, in accordance with VVM para 120c that all 5 projects have essential distinctions compared to the proposed CDM project activity. The PDD has been amended accordingly.

Following significant differences exist from the 5 listed hydropower plants in comparison to the project plant:

- Can Don has a PLF of 5,387 hours<sup>1</sup> which is 28% more than Bac Ha. Using the PLF of Can Don the IRR of Bac Ha would be 13.3% instead of 10.6% and would thus be clearly above the benchmark of 11.7%. The higher PLF of Can Don thus makes the project more profitable and not dependent on CDM.
- Srokphumieng has a PLF of 5,486 hours<sup>2</sup> which is 30% more than Bac Ha. Using the PLF of Srokphumieng the IRR of Bac Ha would be 13.5% instead of 10.6% and would thus be clearly above the benchmark of 11.7%. The higher PLF of Srokphumieng thus makes the project more profitable and not dependent on CDM.
- Quang Tri has a PLF of 5,161 hours<sup>3</sup> which is 23% more than Bac Ha. Using the PLF of Quang Tri the IRR of Bac Ha would be 12.8% instead of 10.6% and would thus be clearly above the benchmark of 11.7%. The higher PLF of Quang Tri thus makes the project more profitable and not dependent on CDM. Also the Quang Tri hydropower plant was included by the Government in Document No. 797/CP-CN dated 17/06/2003<sup>4</sup> which contains a list of priority

---

<sup>1</sup> EVN 2009 annex 1 File N1 for installed capacity of 78MW and Annex 6 for electricity production to the grid of 416 GWh plus 1% internal usage and loss idem to Bac Ha results in 5,387 hours (416/.99)/78; File N1

<sup>2</sup> EVN 2009 annex 1 File N1 for installed capacity of 51MW and Annex 6 for electricity production to the grid of 277 GWh plus 1% internal usage and loss idem to Bac Ha results in 5,486 hours (277/.99)/51; File N1

<sup>3</sup> EVN 2009 annex 1 File N1 for installed capacity of 64MW and Annex 6 for electricity production to the grid of 327 GWh plus 1% internal usage and loss idem to Bac Ha results in 5,161 hours (327/.99)/64; File N1

<sup>4</sup> File N2

projects. One of the most important issues is that for these projects a scheme of arranging Investment Capital is made following Decision No. 40/2003/QĐ-TTg of 21/03/ 2003<sup>5</sup>. The mentioned project includes Quang Tri, not however Bac Ha. Quang Tri thus has advantages concerning finance as well as a higher PLF thus making the project financially far more feasible than Bac Ha. Additionally Quang Tri is a multipurpose project with two objectives: irrigation and hydropower production<sup>6</sup>. The project provides water for 12,281 ha rice fields and for 1.600ha other fields each year<sup>7</sup>. These 3 elements show that Quang Tri is not comparable to Bac Ha.

- Pleikrong has an ODA grant of 100 million USD<sup>8</sup>. Also idem to Quang Tri the Pleikrong hydropower plant was included by the Government in Document No. 797/CP-CN dated 17/06/2003<sup>9</sup> which contains a list of priority projects. One of the most important issues is that for these projects a scheme of arranging Investment Capital is made following Decision No. 40/2003/QĐ-TTg of 21/03/ 2003<sup>10</sup>. The mentioned project includes Pleikrong, not however Bac Ha. Pleikrong thus has advantages concerning finance as well as an ODA grant thus making the project financially far more feasible than Bac Ha.
- Buon Tua Srah has a PLF of 5,051 hours<sup>11</sup> which is 20% more than Bac Ha. Using the PLF of Buon Tua Srah the IRR of Bac Ha would be 12.6% instead of 10.6% and would thus be clearly above the benchmark of 11.7%. The higher PLF of Buon Tua Srah thus makes the project more profitable and not dependent on CDM.

The arguments listed above show that all 5 projects have essential distinctions compared to the proposed CDM project activity.

---

<sup>5</sup> File N3

<sup>6</sup> File N5, p.1

<sup>7</sup> [http://www.dangcongsan.vn/cpv/Modules/News/NewsDetail.aspx?co\\_id=30538&cn\\_id=352317](http://www.dangcongsan.vn/cpv/Modules/News/NewsDetail.aspx?co_id=30538&cn_id=352317)

<sup>8</sup> File N4

<sup>9</sup> File N2

<sup>10</sup> File N3

<sup>11</sup> File N6 p. 7 for installed capacity of 86MW and electricity production to the grid of 430 GWh plus 1% internal usage and loss idem to Bac Ha results in 5,051 hours (430/.99)/86