

## RESPONSE TO THE REVIEW REQUEST

Bureau Veritas Certification (formerly BVQI) was informed that a review on our project “Heilongjiang Dongning Dajiazishan and Xindagang Wind Farm Project “(Ref. no. 2361) (hereafter referred to as the Project) had been taken by EB and review questions had been raised and sent to us on 22/06/2009. We would like to provide our further clarifications, answers and corresponding evidences, as required, as follows.

Our responses to the request for clarification are given below:

### **Issue 1**

Further clarification is required on how the DOE has validated the credibility and appropriateness of the electricity tariff assumed in the PDD (0.61 RMB/kWh, incl. VAT), in comparison with previous tariff notifications for similar projects in the same region which commenced since 2002 and whether such information was available at the time the FSR was prepared.

### **Bureau Veritas Certification’s response:**

In China, the tariff of wind farms in the FSR is to be confirmed near the completion of the construction of the Project through negotiation between the local grid companies, commonly, at least two years after the completion of the FSR. Therefore unlike other key indicators like installed capacity, power output and investments costs etc may follow the available codes or guidance employed by the local government, the tariff studied in the FSR could only be an assumption value based on the available price information during the process of feasibility study.

After the FSR get approved by the government, the project owners of wind power projects have to re-evaluate the tariff based on the indicators in the approved FSR and the latest pricing information on tariff. If a decline tendency will be found which makes the IRR of the Project lower than the benchmark, the project owners have to seek financial support such as low interest loan or carbon finance.

In the context of the Project, there were no specific tariff regulations for newly-built wind power plants before 2006, as the earliest guiding tariff to wind power projects in Heilongjiang Province made by the NDRC was since December 2007 while the FSR of the Project was finalized in November 2005. /report **Ref-23**/ Therefore, as an authorized third party, the institute that elaborated the FSR can only assume the tariff for the Project based on the existing tariff employed by the wind power projects in the province before 2006. The lowest tariff at that time is 0.72RMB/kWh (incl.VAT) issued by the provincial pricing administration bureau for the Heilongjiang Daqingshan Wind Farm Project (UNFCCC No.0829).

Given above, the tariff of 0.72RMB/kWh used in the FSR makes the project IRR reach the benchmark of 8%. As FSR concluded, this tariff forms a critical point for PP’s decision on the Project implementation in the future. If the tariff actually confirmed by the grid company will lower than 0.72RMB/kWh, the PP has to seek financial support to make the Project to be financially feasible.

After the FSR was finalized, in December 2007, NDRC issued a tariff notification with a guiding tariff of 0.61 RMB/kWh for full load 30,000 hours to wind power projects in the province. /report **Ref-23**/ Based on this official notification, the PP confirmed the decrease of the tariff and hence had to use the value of 0.61 RMB/kWh in the financial analysis of the Project.

BVC verified the approaches for determining this tariff both in PDD and FSR and was able to confirm that the tariff 0.72 RMB/kWh (incl.VAT) used in the FSR was reasonable and at that time the tariff 0.61 RMB/kWh (incl.VAT) was not available. The tariff used in the PDD is consistent with the tariff notification issued by the NDRC after FSR was finalized.

## **Issue 2**

The DOE is requested to confirm that the ex-ante emission factor of 1.1461tCO<sub>2</sub>/MWh complies with the requirements of the methodology regarding use of the most up-to-date data at the time of validation as the PDD for GSC used a different emission factor (1.0838 tCO<sub>2</sub>/MWh). If not, the emission factor should be revised based on the latest available data at the time of commencing validation

### **Bureau Veritas Certification's response:**

BVC verified the calculation of emission factor and was able to confirm that the calculation of the ex-ante emission factor of 1.1461tCO<sub>2</sub>/MWh used the most up-to-date data at the time of validation. The GSC of the project started on 24 May 2008, and the DNA of the host country published the "2008 baseline emission factor for regional power grids in China" only on 18 July 2008. So the valid official baseline emission factor at the time of validation was the "2007 baseline emission factor for regional power grids in China" published by the DNA of the host country on 9 August 2007, which was where the ex-ante emission factor of 1.1461tCO<sub>2</sub>/MWh was calculated from.

In the PDD for the GSC, the emission factor was calculated on the basis of the relevant fuel consumption and power generation data for the same period as in the host country DNA publication in 2007, and arrived at a different emission factor of 1.0838tCO<sub>2</sub>/MWh. It should be noted that the inputs to these calculations have ranges, and the PP choices were very conservative. During the validation process, BVC requested the PP to use the most up to date emission factors issued by the host country DNA and consistent with the data that was available as of the 24 May 2008, i.e. 1.1461 tCO<sub>2</sub>/MWh published in 2007 in accordance with EB's rules.

Hope the above responses given clarify the queries raised. In case you have any further inquiries please let us know as we kindly assist you.

Yours faithfully,

For Bureau Veritas Certification Holding SAS



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