

Att: CDM Executive Board

05 January, 2011

**Response to the request for review for request for registration of
Changzhai 15MW Hydro Power Project in Guizhou Province, China (3878)**

JACO CDM has been informed that the request for registration of the CDM project “Changzhai 15MW Hydro Power Project in Guizhou Province, China” (Reference No.3878) is under consideration for review because three requests for review have been received from members of the Board.

JACO CDM would like to provide a response to the issue raised by the request for review, taking into account the additional information provided by the project participant (PP) in response to JACO CDM's request

Issue:

The DOE should further justify the reliability and credibility of the evidence on real and continuing actions to secure CDM status as per paragraph 6.b of EB48 guidelines on the demonstration and assessment of prior consideration of the CDM, in particular what specific deliverables were obtained with the first and second CDM consultancy contracts signed in January 2005 and December 2006 and why the second contract has been signed with the same company as the first one.

JACO CDM response:

JACO CDM would like to further justify the following reliability and credibility of the evidences on real and continuing actions to secure CDM status as follows;

1. The consultant contracts

In the follow-up interview with the project owner during the on-site investigation, the validation team was informed that the second consulting company was newly established “by Guizhou Zhongshui energy development Co., Ltd.” (first consulting company) as the specialized one for developing and managing CDM projects as described in the Validation Report.

Admitting that the expression of the Validation Report was misleading one that led to understand the two contracts were signed by the same company, JACO CDM requested the more detailed background information to the project participant on this point, and received the response as described below with the evidences attached.

In summary, Guizhou Zhongshui Hengyuan project management and consulting Co., Ltd., (second consulting company) was newly established as the specialized company for developing and managing CDM projects, precisely speaking, by the same 4 shareholders as the ones in 5 shareholders (holding companies) of Guizhou Zhongshui energy

development Co., Ltd. (first consulting company), and each consulting contract (the first one and the second one) was signed by the each different company above. This was confirmed by the evidences provided.

So JACO CDM would like to revise the Validation Report as attached(**Attachment-1**) in order to avoid misunderstanding, and also submit to the EB the full translation of the two consultant contracts(**Attachment-2, Attachment-3**) as well as the evidence documents for confirming the shareholders of each company provided(**Attachment-4, Attachment-5, Attachment-6**).

2. Emission Reduction Purchase Agreement (ERPA)

JACO CDM requested the PP to provide the ERPA with Eco Asset Incorporated in order to reinforce the evidences on real and continuing actions to secure CDM status in response to the request for review, and received the ERPA (**Attachment-7**) which was signed on May 22, 2008 just after the Letter of Intent with Eco Asset Incorporated signed on April 7, 2008(**Attachment-8**).

And JACO CDM revised the Validation Report to include the ERPA in the explanation of real and continuing actions as attached.

3. Validation Contract

The Validation Contract was signed between Guizhou Zhongshui Hengyuan project management and consulting Co., Ltd. by proxy of the project participant and JACO CDM Co., Ltd. in February, 2009. (**Attachment-9**)

As this contract was not described as the reference document in the Validation Report, JACO CDM revised the Validation Report to include this contract in the References as attached.

Information & evidences from the PP:

JACO CDM requested the project participant to provide the additional information and evidences in order to respond to the request for review, and received the response and the related additional evidences as follows;

1. The consultant contracts

As for the two consultant companies and the consulting contracts, JACO CDM raised the two questions and received the responses as follows;

JACO CDM' question:

(1)For what purpose Guizhou Zhongshui Hengyuan project management and consulting Co., Ltd. was newly established ?

PP response:

Guizhou Zhongshui energy development Co., Ltd. (hereafter refer to Guizhou Zhongshui) established in 2002 is a company focusing on developing hydro-power stations; In 2004 Guizhou Zhongshui proposed a developing strategic plan establishing a multifunction department in charge of the affairs except hydropower station developing. Meanwhile as the first developing CDM project company in Guizhou, Guizhou Zhongshui started to

develop CDM projects. And Liupanshui Tuoyuan Group Co., Ltd. (project owner) is also specialized in hydro-power development, but project owner didn't have any experience in CDM project development and management. Therefore, the project owner authorized Guizhou Zhongshui to develop Changzhai CDM project and signed the first consulting contract in January 2005(**Attachment-2**). At that time, the multifunction department of Guizhou Zhongshui was in charge of the CDM project developing, but the department was closed soon because of no obvious progress of CDM projects, especially the proposed project after making efforts.

With the rapid development of CDM in China, Guizhou Zhongshui had participated several CDM trainings and realized that there should be a specialized company to develop CDM projects. It was not after a long time that Guizhou Zhongshui established Guizhou Zhongshui Hengyuan project management and consulting Co., Ltd. (hereafter refer to Guizhou Hengyuan) in 2006 in order to develop and manage CDM projects(**Attachment-4, Attachment-5, Attachment-6**). When the Guizhou Hengyuan was established, several CDM professional staffs were employed, so the proposed project was quickly developed.

JACO CDM' question:

(2)Why the consultant contract was changed from the first one to the second one?

Guizhou Zhongshui energy development Co., Ltd. was closed after the establishment of Guizhou Zhongshui Hengyuan project management and consulting Co., Ltd. ?

PP response:

The first consulting contract was signed in 2005 when the CDM was a new thing especially in Guiyang. In 2004 Guizhou Zhongshui energy development Co., Ltd. began to develop CDM project although it was not professional. After a year of the contract put into force, Guizhou Zhongshui had done little due to lack of abilities and professional staffs. In the first contract Guizhou Zhongshui's obligation is to find CER buyer and get the LoA in two years but when a year passed the Guizhou Zhongshui had done nothing about the project. The project owner hold a meeting with Guizhou Zhongshui to discuss the project development cycle. The project owner showed great anxious about the proposed project and requested Guizhou Zhongshui to finish PDD in half a year or the contract would be expired (**Attachment-10**). Then after the negotiation between the project owner and Guizhou Zhongshui, the project owner was willing to sign the new contract with the professional CDM company, Guizhou Hengyuan established by Guizhou Zhongshui. Thus the second contract was signed in 2006. (**Attachment-3**)

Guizhou Zhongshui is a company focusing on developing hydro-power stations with Business Scope: thermal power station and small-medium hydropower station development, construction, installation, operation; electrical technology research and developing; power selling and purchasing. So Guizhou Zhongshui has been continuing to do hydropower development even after the establishment of Guizhou Hengyuan.

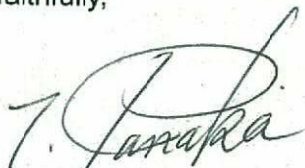
2. Emission Reduction Purchase Agreement

The PP provided to JACO CDM the main parts of the ERPA as the additional evidence in

response to JACO CDM's request.

We sincerely hope that the Board accepts our aforementioned explanations and we look forward to the registration of the project activity.

Yours faithfully,



Tatsuo TANAKA

Board Director and General Manager

JACO CDM

Attachment-1: Revised Validation Report(Ver.01, December 28, 2010)

Attachment-2: Consulting Contract with Guizhou Zhongshui energy development Co., Ltd.
(January 17, 2005)

Attachment-3: Cooperation Agreement on Clean Development Mechanism(CDM) project
with Guizhou Zhongshui Hengyuan project management and consulting Co.,
Ltd.(December 15, 2006)

Attachment-4: Company profile of Guizhou Zhongshui energy development Co., Ltd.

Attachment-5: Application for registration of Guizhou Zhongshui Hengyuan project
management and consulting Co., Ltd.

Attachment-6: Report of Registered Capital of Guizhou Zhongshui Hengyuan project
management and consulting Co., Ltd. by Guiyang Gaoxin Certified Public
Accountants

Attachment-7: Emission Reduction Purchase Agreement with Eco Asset Incorporated
(May 22, 2008)

Attachment-8: Letter of Intent with Eco Asset Incorporated (April 7, 2008)

Attachment-9: Validation Contract between Guizhou Zhongshui Hengyuan project
management and consulting Co., Ltd. by proxy of the PP and JACO CDM Co.,
Ltd. (February 10, 2009)

Attachment-10: Summary of the meeting between the PP and Guizhou Zhongshui energy
development Co., Ltd. (January 10, 2006)