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Comments about the proposed CDM credits for
The Rampur Hydroelectric project in India, called
"Hydro electric power project by SJVNL in Himachal Pradesh" in the PDD

Based on reading of the Project Design Document dated Dec 3, 2008 (version 1 as available on the UNFCCC website) for the above project and having monitored India's power sector and this project over the last few years we reach the conclusion that it will not be appropriate to accept the project for CDM credits. Some of the main reasons for this conclusion are listed below.

1. The project is clearly not additional: In Step 1 of the section B.5 for proving additionality, the PDD says, "In the absence of CDM benefits, SJVNL has the option of not to go ahead with project execution due to the barriers that exist against the implementation of hydropower projects." This is completely wrong. There are no barriers to large hydro projects in India. It is the government policy to push large hydro projects to the maximum possible extent, with provision of all the available resources. In case of Rampur, the financial resources are already in place with the debt portion being funded by the World Bank, and the equity portion coming from SJVN, the project developers and the Himachal Pradesh Government, which is partner in the project. The decision to allocate these resources have been taken long back, long before the issue of CDM issue surfaced and when these decisions were taken, there was no mention of CDM benefits. Most crucially, SJVN, entered into implementation agreement for the project with the Himachal Pradesh government on Oct 20, 2004 and the project authorities submitted the proposal to the Central Electricity Authority for their concurrence on June 10, 2005, including detailed costs for the project. In these documents there was no mention of the CDM benefits, thus the project authorities are giving a wrong and misleading picture to the UNFCCC for gaining undue CDM benefits. As mentioned on page 28 of the PDD, "The project signed Letter of Intent with the IBRD as the Trustee of Spanish Carbon Fund on March 13, 2007", over 2.5 years after it signed implementation agreement and 2 years after it submitted project viability documents to CEA, which again nails the lie about project requiring CDM benefits for its viability. Interestingly, the signing of the implementation agreement in 2004 is not even mentioned in the Chronology of events given on page 28 of the PDD.

2. On the question of alternative scenarios, the PDD suggests: "In the above, following plausible alternatives to the project activity are identified.
1. The proposed project activity not undertaken as a CDM project activity
2. Continuation of power generation in existing and new grid connected thermal power stations".

However, this is completely wrong and misleading. Around 35-40% of the electricity generated in India is and in the NEWNE grid in question is lost in transmission and distribution. Taking measures to reduce this to 15% is a huge option. Secondly, the electricity use is highly inefficient and there is huge scope for saving electricity by increasing this efficiency. Thirdly, the existing projects are generating electricity at optimum level and there is huge scope for achieving greater generation from these projects. Moreover there are large number of universally acceptable climate friendly generation side options like the solar, wind, biomass, micro hydro, generation of power from the flow of the water (without creating any dams or tunnels), among others. All these options are available, with huge potential, as accepted by the government, and not mentioning these viable options with huge potential is actually giving wrong, misleading picture. There are other options for proving electricity to justifiable needs. Not all demands of electricity are justifiable or socially acceptable. While some efforts are being taken up on these lines, but they are very small, insufficient efforts and if at all, CDM benefits should be going for such efforts.

3. The calculation of project IRR as 9.85% as against the calculated Weighted Average Cost of Capital of 10.95% is wrong and misleading. It should be noted that as the tariff regulations prevalent in India, all the costs of the projects that the project authorities can creditably show to the genuine costs is allowed as pass through cost and in addition, 14% return on equity is guaranteed. So the project proponent are guaranteed AT LEAST 14% return on equity investment, way above the 10.95% WACC calculated by the PDD.

In India most power purchase agreements for large hydro projects determine the tariff on a cost plus basis. Per kWh tariffs are periodically calculated such that the developer will receive a return of 14% on their equity contributions. This costing places the risk of cost overruns and low hydrological flows on the electricity purchaser rather than on the developer. The power purchase agreement for RHEP is on a cost plus basis and thus the project should be considered non-additional, since the returns of the project are all but guaranteed at 14%. This is well above the stated benchmark. In India, hydropower projects rarely have difficulty finding a developer. So if SJVNL would not have developed the project, another developer almost surely would have. The IRR analysis spreadsheet is not shown for the the actual lifetime of the project.

4. The statement in PDD in section A.2 and again in Table B.8 that the project will generate 1770 Million Units Electricity in 90% dependable year is wrong. According to the Concurrence given by Government of India's Central Electricity Authority to the project on Dec 16, 2005, the project will generate 1969.69 million units electricity generation in a 90% dependable year. This statutory concurrence is given by the CEA under section 8 of the Indian Electricity Act of 2003. By under reporting the generation by 11.3%, the project authority is again trying to show that the project is less viable and hence deserves CDM credits. This is clearly wrong and misleading.

5. Similarly, the PDD mentions in Table B.8 that the project cost is Rs 20470 million, when the approved project cost by the CEA is Rs 19841.8 million, including Rs 2495 million for interest during construction. Here again by showing higher cost, the project authorities are trying to push for additional credits that they do not deserve.

6. The sensitivity analysis shown in the PDD in tables B.9 to B.13 is also misleading since most of these factors are already taken care of in the project Appraisal. If the Appraisal is not proper, the impact of the adverse consequences of the same should naturally be the responsibility of the project developers and cannot be reason for CDM benefits.

7. In the Barrier Analysis the PDD mentions that the project suffers from Investment barrier and that "During the design stage of the project, foreseeing the high project risk, the project entity clearly indicated it will seek carbon finance to support investment and maintenance cost of the project." This is wrong and misleading statement. As mentioned above, in the project investment agreement or application of the project to CEA for concurrence of cost and technical parameters, there is no mention of seeking carbon finance.

8. The Institutional, Regulatory and Technological barriers described in the PDD are no barriers, they are only steps required for any project. If the project appraisal is very poor, than the project authorities should suffer the consequences of the same. This was indeed the case of Nathpa Jhakri, whose cost escalation, damages and lower generation are described in this section. Consequence of poor appraisal cannot be a reason for claiming CDM benefits. The World Bank's Project Completion Report for Nathap Jhakri accepted that poor appraisal was indeed one of the significant reasons for the cost and time over runs for that project.

9. A project of such magnitude should have shown that it has followed the recommendations of the World Commission on Dams, but neither the project has shown it, nor has it followed the WCD recommendations. This disqualifies the project also under the European Union's Norms.

10. The Project cannot be defined as sustainable development, since it will adversely affect the local environment and the communities. The management plan put in place have not been formulated or decided with free, prior and informed consent of the local communities and the adverse impacts will remain unmitigated. Thus the local people will suffer the adverse impacts, but will get no benefits from the CDM.

Under the circumstances, validation of the project in current form for CDM credits will not be appropriate and it would be absurd if the project gets validated, registered as CDM activity or gets CERs.

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Comments to be submitted at: