

April 2, 2010

**Comments about the proposed CDM credits for
The Teesta VI Hydroelectric project in India**

Based on reading of the Project Design Document dated March 2, 2010 (version 1 as available on the UNFCCC website) for the above project, having seen the order of Maharashtra Electricity Regulatory Commission on the application of approval of the PPA of MSEDCL with the Project Proponent (PP), having seen the concurrence letter dated Dec 27, 2006 from the Central Electricity Authority (CEA) of Govt of India (GoI) under the section 8 Electricity Act of 2003, having seen the Environment Impact Assessment and also the clearance letter from the Ministry of Environment and Forests (MEF) 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. It is a business as usual large hydro project of India and such projects have been implemented before, without any CDM credits.

The Detailed Project Report Submitted by the Project Proponent to the Central Electricity Authority in March 2006 has no mention of CDM credits while establishing economic viability of the project. Similarly the Clearance accorded by the Central Electricity Authority of Govt of India has no mention of CDM credits, that concurrence letter under the Section 8 of Electricity Act 2003 is supposed to be techno economic clearance, has details about the costs, the financial arrangements and also about the power to be generated among other technical details. Similarly the Power Purchase Agreement signed by the PP with the Maharashtra State Electricity Distribution Company in August 2006 has no mention of CDM credits. In fact the PPA is supposed to be a very crucial document establishing the economic viability of the project through long term sale of ALL the power generated by the project at per determined tariff. The PPA was approved by the Maharashtra Electricity Regulatory Commission, a statutory body on June 26, 2007, without any mention of CDM credits.

In fact, the MERC order of June 26, 2007 (www.mercindia.org.in, Case No. 27 of 2006) says, "MSEDCL (Maharashtra State Electricity Distribution Company Limited), in its Petition, submitted that the PPA executed with LEPL is in accordance with Ministry of Power Guidelines and National Tariff Policy (NTP) as the Project has been offered to MSEDCL prior to January 6, 2006 and the Project has submitted the application for Financial Appraisal to a Financial Institution prior to January 6, 2006."

MSEDCL submitted before MERC that M/s Lanco Energy Private Ltd. had filed an application for sanction of Term Loan for the Project with Rural Electrification Corporation (REC) on December 27, 2005. The Project Implementation Agreement was signed on Dec 7, 2005, when CDM was not well known.

What is clear from all this that NONE OF THE OFFICIAL, statutory documents, establishing the viability of the project throughout 2005-2007 has no mention of the CDM credits required for the project to achieve viability. All the claims in this regard put forward by the proponent in the PDD are thus cooked up at a latter date, as an after thought.

2. The PPA, in fact is based on 14% return on EQUITY for the project, as is ensured under India's tariff regulations, and hence the claim of the project proponent about non viability of the project is wrong. In fact, as made it clear from the analysis of the PPA by the independent energy group PRAYAS in their submission to MERC and also from the MERC order of June 2007, the PPA is rather biased in favour of the proponents on a number of counts. Any claims of the PP about non viability and low returns are clearly WRONG and misleading.

3. Claims about barriers against large hydro in Sikkim or India (Section B.5) are 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 Teesta VI, the financial resources are already in place with financial closure achieved in July 2007 and all the power to be generated already sold for next 25 years with 14% return on equity. Thus the project authorities are giving a wrong and misleading picture to the UNFCCC for gaining undue CDM benefits.

4. On the question of alternative scenarios, the PDD makes a mockery of this by suggesting the wind and biomass could be option, but they are not viable! 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 and Demand Side Management. Thirdly, the existing projects are NOT 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.

5. The calculation of project IRR as 9.29% as against the calculated RBI PLR of 12.38 % is wrong and misleading, as one reads through the PPA, the CEA concurrence letter and the MERC order. The interest on loan is 10% as per the CEA concurrence letter, and the project has already ensured 14% return on equity and more for the next 25 years.

6. 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.

7. 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.

8. Page 38 of the PDD claims, "the proposed diversion barrage will not result in any negative impact on the fish fauna of the river." This is clearly a completely wrong

statement, since the barrage and diversion of water through the tunnel will completely change the downstream river hydrology, and destroy the biodiversity in all seasons.

9. Page 38 of PDD says, "Total land required for project is 105 Ha", which is a wrong statement, the land requirement as per the Environment clearance letter from Ministry of Environment and Forests, dated 21 Sept 2006 says in para 3, "total land requirement for the project is 147.7358 ha".

10. The PDD claims on page 8, section B.2 that the submergence area of the reservoir is 12.48 ha, which is wrong, as the statutory environment clearance accorded to the project, it will submerge 36 ha. This may not change anything significantly, but shows the callousness of the project developers.

Under the circumstances, validation of the project 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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