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To cdm-info@unfccc.int
From martin.enderlin@pd-forum.net; Steve.Sawyer@gwec.net
Date 11th July 2010
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Subject **Chinese Tariffs for Wind Power Projects**

Honourable Members of the CDM Executive Board,
Dear Mr. Mahlung,

We welcome the disclosure of list of highest tariffs for Chinese wind power projects which the Secretariat has been using as a basis to help them to determine their interpretation of the additionality of projects submitted for registration.

With all due respect, we attach in the annexes to this letter information which we urge the Secretariat and each Member of the Executive Board to read in full and consider for determining whether changes are needed to the list. In particular, we understand that the Executive Board accepts that projects which received ODA funding (projects that received ODA are clearly not commercial), or can clearly be shown to be demonstration projects, should be excluded from the list. If this is not the case, we would welcome this clarification.

Please do feel free to contact us for further information regarding the contents of this submission.

Yours sincerely,

Martin Enderlin
Chairman
Project Developer Forum

Steve Sawyer
Secretary General
Global Wind Energy Council

Annexes:

- Annex 1: Details on electricity tariffs for wind power projects in Hebei province
- Annex 2: Details on electricity tariffs for wind power projects in Shandong province
- Annex 3: Details on electricity tariffs for wind power projects in Gansu province
- Annex 4: Details on electricity tariffs for wind power projects in Jilin province



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CC: - UNFCCC Secretariat, Director SDM, John Kilani
- UNFCCC Secretariat, Daniele Violetti

Annex 1 Hebei Province

Highest Tariff listed by Secretariat: 0.650 RMB/kWh

Project # and Installed Capacity listed: 2865, 48MW

Evidence we wish to be considered:

- The reference given in the Secretariat's list refers to a 48MW project with CDM project number 2865 and to a 0.65 RMB/kWh tariff. However, project 2865 has received its tariff notification (Ji Jia Guan [2009]69) for a tariff of 0.54 RMB/kWh (as validated by TUV Nord in their response to the request for review, URL given in the Information Note).
- The actual projects that received the tariff of 0.65 RMB/kWh (as validated by TUV Nord in their response to the request for review, URL given in the Information Note) are two early small-scale projects: the first was commissioned between 1996 and 1998, which received ODA funding, whilst the second was a very small-scale 3.6MW project demonstrating new Chinese manufactured turbines, commissioned in Nov 2001. These two projects received their tariff approval in Feb 2002, before the Chinese Power Sector Reform.

The only two projects which received the tariff of 0.65RMB/kWh

Project name	Zhangbei Changcheng 9MW wind farm	Chengde Hongsong 3.6MW wind farm
Installed capacity	9.85 MW	3.6MW
Turbines used	13*300kW + 9*600kW + 2*275kW	6*600kW
Construction finished	1998	2001
Approved tariff	0.65 (RMB/kWh, incl VAT)	0.65 (RMB/kWh, incl VAT)
Reference	Ji Jia Ge [2002]242 issued by NDRC in Feb 2002	
Note	Zhangbei Changcheng 9MW wind farm phase I (4.5MW) received foreign aid from the Danish government , phase II (5.35MW) was a demonstration project supported by a grant from the Chinese government.	The project was a demonstration project which introduced experimental 600kW wind turbines which were produced by Goldwind Science & Technology Ltd., the first Chinese manufacturer of turbines. It is also very small scale, being less than 5MW.

This has been validated by the following organisations:

- Tuv Nord for project 2865:
<https://cdm.unfccc.int/UserManagement/FileStorage/E9HQFY8G051ZTPXOKBUAJ7C3I6DR2M>
- DNV for project 1792:
<http://cdm.unfccc.int/UserManagement/FileStorage/LY6OBGS5IQ30C8HDTKJFZAXVPWMENU>
- Bureau Veritas for project 1895 :
<http://cdm.unfccc.int/UserManagement/FileStorage/3GFZNY6KD09BMVLI4W1JTQHPOS82C>
- Tuv Rheinland for project 3079:
<http://cdm.unfccc.int/UserManagement/FileStorage/FLCOPM3GZ2TBIHR9ANW1YDX4J5Q8UE>

Additional information:

- There were only two small scale projects as at 11 Nov 2001 as listed above. Both were demonstration projects.
- In determining tariffs awarded to projects in Hebei Province, the Chinese Government has divided the Province into two separate areas based on their wind resource. The windier area of Chengde and Zhangjiakou city, where nearly all projects are located, first received 0.60 RMB/kWh and now projects receive 0.54 RMB/kWh, whilst the less-windy rest of Hebei receives 0.61 RMB/kWh (this has remained at the same level).
- The Power Sector Reform of March 2002 dramatically changed the electricity sector in China, with the vertically integrated monopolistic sector broken up, and competition introduced. Therefore the situation for any projects commissioned from April 2002 is incomparable to those prior to the Power Sector Reform.



- The **only two projects that received the higher tariffs** have a combined capacity of 13.45MW, which is also the total installed capacity in the Province as at 11 Nov 2001. No further capacity was added until late-2004, after China had signed the Kyoto Protocol. Since that date, the wind power capacity installed in Hebei Province has reached 2,800MW, primarily stimulated by the CDM, over 200 times that in November 2001. All projects since

2005 have sought CDM funding and until last year, all had been successful. The rationale, that because the first two very small-scale projects with a capacity of less than 15MW in total received a higher tariff 8 years ago, when the industry was still in a very early stage of development, and this should be used to reject current project in Hebei from being registered under the CDM seems counter productive in terms of environmental integrity, as it will likely put off many developers from constructing new projects in the region, which will stifle the growth of this low carbon industry.

Actual applicable highest tariff:

- 0.60 RMB/kWh for projects in the Chengde and Zhangjiakou areas of the Province
- 0.61 RMB/kWh in the rest of Hebei Province

Annex 2 Shandong Province

Highest Tariff listed by Secretariat: 0.760 RMB/kWh
Project # and Installed Capacity listed: 2814, 0.3MW

Evidence we wish to be considered:

- The reference given in the Secretariat's list refers to a 0.3MW project with CDM project number 2814. However, project 2814 is a 42MW project, which has received its tariff notification (Fa Gai Jia Ge [2009]1906) for a tariff of 0.61 RMB/kWh (as validated by TUV Nord in their response to the request for review, URL given in the Information Note).
- As validated by TUV Nord in their response to the request for review for 2814 (URL given in the Information Note), **the actual project that received the tariff of 0.76 RMB/kWh is the Shandong Jimo Qingdao Huawei project** (the indicated capacity refers only to the first turbine installed in June 2000, with the total capacity of the project being 16.4MW and the whole project being granted the tariff), which is the second project in Shandong, with both the first and second projects being demonstration projects. This project received its tariff approval in Jan 2001, before the Power Sector Reform.

This has been validated by the following organisations:

- Tuv Nord for project 2814:
<https://cdm.unfccc.int/UserManagement/FileStorage/LNPGKRDWZMC941X2VA5J30I7SUBHEF>
- DNV for project 2397:
<http://cdm.unfccc.int/UserManagement/FileStorage/0XQ1S4IEZ2ULC6P8WJHDTNKVG79MOR>

Additional information:

- **Shandong Jimo Qingdao Huawei project received ODA support** from DEG (part of KfW Bankengruppe), see page 22 in: http://www.deginvest.de/EN_Home/Service/Online_library/PDFs_Online-Library/Klimaschutzbrochure_EN.pdf
- The first wind project in Shandong (5.4MW) was also KfW-funded, see: http://www.kfw-entwicklungsbank.de/EN_Home/Ex-post_Evaluation_at_KfW/Ex-post_evaluation_reports/PDF-Dokumente_A-D/china_windpark.pdf
- There were two projects as at 11 Nov 2001 as listed above (plus a very small project commissioned in 1986), all of which received ODA and were demonstration projects.
- The Power Sector Reform of March 2002 dramatically changed the electricity sector in China, with the vertically integrated monopolistic sector broken up, and competition introduced. Therefore the situation for any projects commissioned from April 2002 is incomparable to those prior to the Power Sector Reform.
- As validated by TUV Nord in their response to the request for review for 2814 (URL given in the table), all other projects in Shandong have received a tariff approval at 0.61, and Shandong is located in the IV wind resource region with wind projects currently receiving a tariff of 0.61.

Actual applicable highest tariff:

- 0.61 RMB/kWh

Annex 3 Gansu Province

Highest Tariff listed by Secretariat: 0.585 RMB/kWh

Project # and Installed Capacity listed: 2786, 45MW

Evidence we wish to be considered:

- The reference given in the Secretariat's list refers to a 45MW project with CDM project number 2786. However, project 2786 has received its tariff notification (Fa Gai Jia Ge [2008]1876) for a tariff of 0.54 RMB/kWh.
- The 0.585 RMB/kWh tariff was approved in Gan Jia Shang [2004]351 only for the small scale **ODA funded** Gansu Jieyuan Technical Innovation Project 1st phase (7.2MW), and for the 2nd and 3rd phase (13.2MW) of the same project. See following link confirming ODA: http://www.ym.jqkj.gov.cn/gxjs/detail.php?dir=%B8%DF%D0%C2%BC%BC%CA%F5&n_no=46488
- This Technical Innovation Project is a pilot project (as validated by TUV Rheinland for project 2766, URL as per the Information Note, and BV for project 2916: <http://cdm.unfccc.int/UserManagement/FileStorage/R13Q4EP6ZNTV9YCFMSGXU0D5O2WL8K>), and received support from the Danish (1st phase) and Spanish governments (2nd and 3rd phase).

This has been validated by the following organisations:

- TUV Rheinland for project 2766, URL as per the Secretariat's Information Note
- BV for project 2916, <http://cdm.unfccc.int/UserManagement/FileStorage/R13Q4EP6ZNTV9YCFMSGXU0D5O2WL8K>

Additional information:

- There was one project (Gansu Jieyuan Technical Innovation Project 1st phase) implemented between 11 December 1997 and 11 November 2001, which receives a tariff of 0.585 RMB/kWh (incl. VAT) according to the tariff notification of 2004. However, this tariff has not been available to any non-demonstration projects. At the time of Marrakesh Accords there was only one small pilot project implemented in Gansu province, the first 1.2MW of which had been installed prior to Kyoto, in Jun-97, which was supported by Denmark, and 7.2MW (as mentioned above) was added in Mar-01, supported by Spain, in accordance to the "Statistics of installed capacity of wind power in China in 2007" by Professor Shi Pengfei (CWEA). This project, and subsequent 13.2MW capacity additions in Dec-02 and Aug-03, also supported by Spain, was an ODA **demonstration project** and is not comparable to current proposed projects. According to the notification Gan Jia Shang [2004]351, the project receives a tariff of 0.585 RMB/kWh (incl. VAT).
- The Power Sector Reform of March 2002 dramatically changed the electricity sector in China, with the vertically integrated monopolistic sector broken up, and competition introduced. Therefore the situation for any projects commissioned from April 2002 is incomparable to those prior to the Power Sector Reform.
- In determining tariffs awarded to projects in Gansu Province, the Chinese Government has divided the Province into two separate areas based on their wind resource. The windier area of Zhangye city, Jiayuguang city and Jiuquan city, where most projects are located which now receive 0.54 RMB/kWh, whilst the less-windy rest of Gansu receives 0.58 RMB/kWh.

Actual applicable highest tariff:

- 0.5599 RMB/kWh, however this was only awarded to 1 single project (CDM project 2193).

Annex 4 Jilin Province

Highest Tariff listed by Secretariat: 0.630 RMB/kWh
Project # and Installed Capacity listed: 3018, 49.5MW

Evidence we wish to be considered:

- The reference given in the Secretariat's list refers to a 49.5MW project with CDM project number 3018. However, project 3018 will receive a tariff of 0.61RMB/kWh following tariff notification (Fa Gai Jia Ge [2009]1906).
- The 0.630 RMB/kWh tariff was approved in Fa Gai Jia Ge [2006]2908 only for the small scale Jilin Changliang project, which is 9.35MW and is registered as CDM project 0771. Immediately before (Mar-05) and after (Mar-07) this project, concession projects with tariffs of 0.5523 were approved. Since Jun-07 the tariff has been stable at 0.61.

This has been validated by the following organisations:

- TUV SUD for project 2586,
<http://cdm.unfccc.int/UserManagement/FileStorage/TJ56AHGKBIX32SN89PUQDOYW7FERLZ>
- BV for project 3018, URL in the Information Note
- DNV for project 2685,
<http://cdm.unfccc.int/UserManagement/FileStorage/EIBJQ50H8DAWUXNL1T6FP7O9KY4VCG>.

Additional information:

- There was only one project implemented as at 11 Nov 2001, which was a demonstration project and received government support (TUV Rheinland for project 0256, <http://cdm.unfccc.int/UserManagement/FileStorage/FYQK5OBDAN3HGOXKKZVTDDFFOBVC4B>, TUV SUD for project 2586, <http://cdm.unfccc.int/UserManagement/FileStorage/TJ56AHGKBIX32SN89PUQDOYW7FERLZ>).
- The Power Sector Reform of March 2002 dramatically changed the electricity sector in China, with the vertically integrated monopolistic sector broken up, and competition introduced. Therefore the situation for any projects commissioned from April 2002 is incomparable to those prior to the Power Sector Reform.
- All projects in Jilin have received 0.61 RMB/kWh, except the 1999-2000 demonstration project, the small scale 9.35MW CDM project 0771 which received 0.63 RMB/kWh, and concession projects which received 0.5523 RMB/kWh.
- All tariff notifications between [2006]2908 and [2009]1906 explicitly limited the approved tariffs to 30,000 operating hours only, and tariffs were not awarded for the project life.

Actual applicable highest tariff:

While the highest tariff of 0.63 RMB/kWh is correct, this was only approved for one single small scale project and it was explicitly stated that this was only for the first 30,000 operating hours, after which the project will receive the price paid to fossil fuel power plant operating on the same grid.

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