

**Comments to ERM Certification and Verification Services Ltd.  
Regarding the Sujiahekou Hydropower Station (China)**

April 19, 2011

**Project Overview:**

- **Project Title:** Sujiahekou Hydropower Station
- **Status:** Under construction
- **Location:** Tengchong County, Baoshan City, Yunnan Province, China
- **Project Participants:**
  - Yunnan Baoshan Binglangjiang Hydropower Development Co., Ltd (project owner)
  - Carbon Asset Management Sweden Pte Ltd.
- **Claimed Total Installed Capacity:** 315 MW (3\*105 MW)
- **Claimed Annual Emission Reductions:** 880,979 tCO<sub>2</sub>e/year
- **Planned starting date of the first credit period:** January 1, 2012

**Summary of Concerns:**

Sujiahekou Hydropower Station is a new hydropower station constructed and operated by Yunnan Baoshan Binglangjiang Hydropower Development Co., Ltd. Currently under construction, it is the third and the largest hydropower station out of four dams on the Binglangjiang cascade. However, due to several inconsistencies between the project information reported in the PDD and the information provided by other credible sources, we believe that the additionality, feasibility, and the legality of the project are highly questionable.

As demonstrated in the following sections, the project owner of Sujiahekou Hydropower Station: (1) could not have considered CDM before the construction began; (2) might have reported its project information untruthfully to either the National Development and Reform Committee of People's Republic of China (hereafter referred to as "NDRC") or the ERM Certification and Verification Services Ltd.; and (3) might not have obtained the necessary approval from the NDRC of the People's Republic of China as required by law.

Based on the evidence presented below, representatives of CDM Watch, Green Watershed, Global GreenGrants Fund and International Rivers urge ERM not to validate Sujiahekou Hydropower Station.

**1) Additionality**

According to the Guidance on the Demonstration and Assessment of Prior Consideration of the CDM, for project activities with a start date before August 2, 2008, the project participant must indicate awareness of the CDM prior to the project activity start date. In other words, if the project starts in 2006, the project participant must have already considered CDM before the start date of the project activity in order to be qualified as "additional." In the PDD, it is reported that the project owner of Sujiahekou Hydropower Station held directorate meetings in September 2006 to consider the application of CDM, approximately three months before the reported start date of the project, which is December 16, 2006. **However, there is**

**clear evidence that the project construction had already started well before this reported start date and the directorate meetings.**

On January 9, 2007, a news article published on the official website of the Central People's Government of China regarding the river closure of Sujiahekou project states that the construction of Sujiahekou dam began in July 2006.<sup>1</sup> The river closure, on the other hand, was reportedly completed on the first day of 2007. Another article published on the official website of Sinohydro Group Ltd. on March 15, 2011 states that the construction of dam abutment, which was carried out by Sinohydro Engineering Bureau 3 Co., Ltd., started in March 2006 following the Bureau's winning of the bid for abutment construction in February.<sup>2</sup>

Given the fact that both articles come from official news sources, we believe that the start date (December 16, 2006) reported in the PDD is false and that the actual start date goes back to as early as mid-2006. This means that the project owner either did not consider CDM financing during project preparation, as the directorate meetings were not held until September of that year, or they viewed CDM financing as extra icing on the cake for a project that was already financed and underway. In either case, the project cannot be viewed as additional since the construction long preceded any serious consideration of CDM.

Furthermore, according to the PDD, the approval of the Environment Impact Assessment was not obtained until June 19, 2006. The approval of the Feasibility Study Report was not obtained until July 24, 2006. **If the construction of the dam abutment had indeed started in March 2006 and the dam itself in July 2006, then not only is the project non-additional, it is also in clear violation of the legal procedure for dam construction.**

## **2) Feasibility**

In the written approval of Sujiahekou hydropower station's FSR (Feasibility Study Report) issued by Yunnan Development and Reform Committee (hereafter referred to as "Yunnan DRC") on October 24, 2006, the total installed capacity of the project is noted as 240 MW. In other words, until the end of October 2006, more than a month after the project owner's directorate meeting regarding the application of CDM, the project titled "Sujiahekou Hydropower Station" known to this provincial government of China has only a capacity of 240 MW. However, as we see in the PDD, the project capacity has never been 240 MW in any version of the document. The planned capacity has always been 315 MW. This number has been confirmed by several other sources, including a news article on the website of Sinohydro Group Ltd.,<sup>3</sup> a notice issued by the Yunnan Department of Finance regarding the levying of a "Reservoir Region Fund" for medium and large reservoirs in Yunnan Province,<sup>4</sup> and two research papers published in a bimonthly academic journal titled "Yunnan Water Power." All these sources show that 315 MW has been the capacity for Sujiahekou project since the very beginning of the planning process.

**Taken together, we must question the validity of the project feasibility, since the approval of FSR from Yunnan DRC was made not based on the reported capacity but on a smaller one.**

First of all, given the difference between 240 MW and 315 MW, it is highly questionable that the results of the investment analysis and feasibility study on other aspects will still hold if the number is suddenly increased by 75 MW. Secondly, if the planned capacity was indeed 240 MW at the time when the FSR was approved, then the decision made by the project owner to apply for CDM at the directorate meeting

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<sup>1</sup> [http://www.gov.cn/ztl/2007-01/09/content\\_491067.htm](http://www.gov.cn/ztl/2007-01/09/content_491067.htm) (in Chinese)

<sup>2</sup> <http://www.sinohydro.com/664-2564-506254.aspx> (in Chinese)

<sup>3</sup> <http://www.sinohydro.com/664-1000-6919.aspx> (in Chinese)

<sup>4</sup> <http://www.yunnanpower.cn/showinfo.asp?id=2946> (in Chinese)

(which is more than a month earlier than the issuance of the approval) must be based on this number as well. Finally, this inconsistency should not only lead us to question the reliability of the project's feasibility and additionality, but also the accuracy of the project owner in providing key project information to the relevant authorities.

### 3) Legality

As demonstrated above, the project FSR and its approval were made based on the 240 MW design, while the reported capacity in the PDD is 315 MW. This inconsistency, however, leads to yet another issue: the legality of the project. According to the "Regulations for Management of Power Generation Using Renewable Energy" issued by NDRC in early 2006, **hydropower projects built on major rivers and hydropower projects over 250 MW are subject to the approval or examination of National Development and Reform Committee**. In other words, a hydropower project over 250 MW cannot be approved by Development and Reform Committees at the provincial level but only the state level.

Yet as we see in the PDD, the project owner did not make contact with NDRC until 2010. Before that, both the approval of FSR and EIA were obtained from Yunnan DRC, a provincial-level authority. **Furthermore, so far there is no evidence that the NDRC has approved the Sujiahekou project**. No official news report have confirmed the issuance of the approval, nor does the project's name show up in the official online database of "CDM in China,"<sup>5</sup> which keeps a record of all approved CDM projects in the country. The project owner did not present any documentation demonstrating that the project is approved. The project owner did not present any documentation demonstrating that the project is approved either. **All in all, the internal reviewing process as described in the PDD is in clear violation of the state regulation of People's Republic of China. The project itself, therefore, cannot be taken as approved by its Designated National Authority.**

### Conclusion

In sum, the additionality, feasibility and legality of Sujiehekou hydropower station are highly questionable. We urge ERM Cert to deny the project developer's request for validation until all these issues have been addressed.

Sincerely,

Mr. Sinan Chu, International Rivers

Dr. Yu Xiaogang, Green Watershed

Mr. Wen Bo, Global Greengrants Fund

Ms. Eva Filzmoser, CDM Watch

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<sup>5</sup> <http://cdm.ccchina.gov.cn/web/index.asp>, accessed 11 April 2011.