



International Environment Daily

## Climate Change

# IFC-Netherlands Carbon Facility Signs Deal To Buy Credits From India Hydro Projects

Wednesday, October 18, 2006

By Vir Singh

NEW DELHI--The Dutch government Oct. 5 signed an agreement with the International Finance Corp., the private sector arm of the World Bank, to purchase \$6 million worth of greenhouse gas emission reduction credits from projects in India.

The IFC-Netherlands Carbon Facility will acquire the credits from six small hydropower projects under the Kyoto Protocol's Clean Development Mechanism. The treaty's CDM provisions allow projects that reduce greenhouse gas emissions in developing countries to earn tradable credits that can be applied toward targets in developed countries.

Under the CDM rules, certain hydropower projects can earn credits for reducing carbon dioxide emissions based on the amount of coal-fired energy demand that was met instead by the hydroelectric source.

The emissions reduction purchase agreement was signed with two firms in India: Dodson-Lindblom Hydro Power Private Limited (DLHPPL) and Ascent Hydro Projects Limited (AHPL).

Both are subsidiaries of DLI, a U.S.-based engineering company, and Franklin Park India, a U.S.-based infrastructure investment group.

### Agreement 'Opens the Door.'

"At this point I believe we are one of the first to purchase CERs [certified emission reductions] from hydro projects in India," the IFC's Peter Cook told BNA Oct. 16. "We are opening the door."

Cook said the IFC started working with the two Indian firms "when no hydro projects were registered in the CDM."

India is among the leading hosts of CDM projects worldwide.

Hydropower has not been among the most prominent types of projects so far, but the category shows promise, analysts said.

"Small hydropower is a natural; it's run-of-the-river; it has minimal impact. The methodology has been clarified [by the CDM Executive Board]," said Dr. Pradeep Tharakan of the International Resources Group in Washington, D.C. "There are no significant obstacles."

"A huge amount of run-of-the-river hydro is going into the CDM process," said Chintan Shah of Senergy Global, an Indian firm that helps to prepare CDM projects and to trade CERs. He said that while India regards any hydropower project whose output exceeds 25 megawatts as a large project, not all large projects involve building dams that displace people.

## **Project Would Refurbish Existing Dam**

In fact, one of the projects covered by the agreement with AHPL will involve acquiring, rehabilitating, and refurbishing a 34 MW hydropower facility, Bhandardara 2, in India's western state of Maharashtra. This is an existing dam, so there will be no new displacement of people. Carbon credits will be earned because the money invested will help to increase the amount of electricity generated there. The firm expects to begin work "within a few months," Cook said.

AHPL also plans to set up three new mini-hydropower plants totaling 13 MW in the northern state of Himachal Pradesh. The firm has already built and now operates the 2.2 MW Birsinghpur hydropower project in the central state of Madhya Pradesh which, according to Cook, is "in the process of being registered."

One of the projects covered by the agreement was registered by the CDM Executive Board on Sept. 30. The 12 MW Bhandardara 1 hydropower facility, in Maharashtra, was acquired and refurbished by DLHPPL.

"We are excited about the sale of carbon credits from our projects to IFC as it helps our companies to finance and implement such environmentally friendly projects," said V.V. Rajadhyaksha, the chairman of both firms, according to an IFC press release.

Rachel Kyte of IFC's Environment and Social Development Department hailed the agreement, saying it would help private firms investing in hydropower projects to "improve their returns on risk capital."

She added, "We hope that it will set an example that can be replicated by similar renewable energy projects across key markets."



**International Resources Group**

1211 Connecticut Ave, NW, Suite 700

Washington, DC 20036

202-289-0100 FAX 202-289-7601

[www.irgltd.com](http://www.irgltd.com)

*IRG is ISO 14001 Certified.*