



September 19, 2007 (XFN-ASIA) - The UK's Sindicatum Carbon Capital will invest 50 mln usd in a coalmine methane project run by the Shanxi Coking Coal Group after signing deal in Taiyuan, the capital of northern China's Shanxi province. The two companies aim to win clean development mechanism (CDM) accreditation for the project, but it has not yet been approved by either the Chinese regulator, the National Development and Reform Commission (NDRC), or the United Nations Framework Convention on Climate Change, said Sindicatum Carbon Capital's senior vice-president, Yeju Han.

However, construction is already underway on 20 power generating units fueled by methane extracted from one of the Shanxi Coking Coal Group's mines, and it should be completed by the end of the year, he said.

Most carbon traders — encouraged by both the UN and China's government — are moving beyond buying and selling certified emission reductions, preferring instead to play a bigger role in the identification and construction of CDM projects.

However, Han said that Sindicatum's role in the coal gas project is unprecedented for a foreign company.

'It is a big risk for an investment bank,' he admitted, not only because the project has not yet been accorded CDM status, but also because Sindicatum is making a long-term commitment to operating the facility.

If the Kyoto Protocol is not extended beyond 2012, Sindicatum could even make a loss from the project, Han said.

Shanxi Coking Coal suggested a number of coal mine methane projects to the British company, but many of them failed to fulfil the vital CDM criterion of 'additionality', he said.

The rule stipulates that a project must be shown to be uneconomical without the additional incentive of selling carbon credits on the international market. Han said that Shanxi Coking Coal's existing (and already profitable) coal gas projects were therefore ineligible for consideration.

Sindicatum eventually settled on a project that was too far from the Taiyuan city gas grid. 'It was not economical for Shanxi Coking Coal to link it to existing urban pipeline infrastructure,' he said.

The British company will provide the technology and equipment for the project, and will receive carbon emission reduction certificates in exchange, should it be approved by the UN.

The value of those emissions will be determined during the application process, according to a spokesperson for the Shanxi Coking Coal Group, speaking to reporters at the International Coal and Energy New Industry Expo in Taiyuan, Shanxi province.