

**CDM-PA9438-RULE01**

## Ruling note

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Request for registration for “Golden Sugar 30MW High Energy Efficient Combined Heat and Power (CHP) System in Apapa, Lagos, Nigeria”

Version 01.0



**United Nations**  
Framework Convention on  
Climate Change

1. The CDM-Executive Board decided to reject the above proposed project activity on 8 November 2013, during its 76<sup>th</sup> meeting, in accordance with the “*Clean development mechanism project cycle procedure*” (PCP), version 05.0 (CDM-EB65-A32-PROC), paragraphs 96, 97 and 99 (the procedure). In accordance with paragraph 100 of the procedure, the ruling shall contain an explanation of the reasons and rationale for the final decision, which are as follows:
  - (a) The DOE (Carbon Check) failed to demonstrate the suitability of input values used to calculate the internal rate of return (IRR) of the reference plant, in particular, CAPEX, OPEX and natural gas price in line with the “*Clean development mechanism validation and verification standard*” (VVS) version 02.0 (CDM-EB65-A04-STAN), paragraph 120 a) and b) and paragraph 6 of the “*Guidelines on the assessment of investment analysis*” version 05.0, EB62, Annex 5.
  - (b) The relevant requirements are:
    - (i) VVS version 02.0, paragraph 120 states that “To verify the accuracy of financial calculations carried out for any investment analysis, the DOE shall:
      - a. Determine the suitability of the financial indicator selected by the project participants and conduct a thorough assessment of all parameters and assumptions used in calculating such financial indicators, and determine the accuracy and suitability of these parameters using available evidence and applying its expertise in relevant accounting practices;
      - b. Cross-check the parameters against third-party or publicly available sources, such as invoices or price indices”.
    - (ii) Paragraph 6 of “*Guidelines on the assessment of investment analysis*” states that, “Input values used in all investment analysis should be valid and applicable at the time of the investment decision taken by the project participant. The DOE is therefore expected to validate the timing of the investment decision and the consistency and appropriateness of the input values with this timing. The DOE should also validate that the listed input values have been consistently applied in all calculations”.
  - (c) The reason and rationale for the final decision is:
    - (i) The DOE has failed to validate that the source of the input values used to calculate the IRR of the reference plant were available at the time of investment decision (19 July 2011).
2. Please note, however, that, with appropriate revisions, this project activity may be resubmitted for validation and registration provided it meets the requirements for validation and registration, in accordance with paragraph 42 of the CDM Modalities and Procedures (Decision 3/CMP.1).

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### Document information

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<i>Version</i>	<i>Date</i>	<i>Description</i>
01.0	16 December 2013	Initial publication. Related to EB76 meeting report, paragraph 36 and the “ <i>Clean development mechanism project cycle procedure</i> ” (PCP), version 05.0 (CDM-EB65-A32-PROC), paragraphs 96, 97, 99 and 100.

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