

**CDM-PA9377-RULE01**

## Ruling note

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# Request for registration for “OCAÑA Hydropower Project”

Version 01.0



**United Nations**  
Framework Convention on  
Climate Change

1. The CDM-Executive Board decided to reject the above proposed project activity on 4 November 2013, in accordance with "*Procedures for review of requests for registration*", version 01.1, EB 55, Annex 40, paragraphs 20 and 28 (the procedures). In accordance with paragraph 27 of the procedures, the rulings shall contain an explanation of the reasons and rationale for the final decision, which are as follows:
  - (a) The DOE (BVCH) failed to substantiate how the project has been financed and how the identified barrier has prevented the proposed project from occurring, and it is not clear how the DOE has validated that the financing of the project was assured only by the benefit of the CDM in accordance with, "*CDM Validation and verification manual*" (VVM), version 01.2, EB55, Annex 1, paragraph 117.
  - (b) The relevant requirements in full are:
    - (i) VVM v01.2, paragraph 117 states that "the DOE shall apply a two-step process to assessing the barrier analysis performed, as follows:
      - a. Determine whether the barriers are real. The DOE shall assess the available evidence and/or undertake interviews with relevant individuals (including members of industry associations, government officials or local experts if necessary) to determine whether the barriers listed in the PDD exist. The DOE shall ensure that existence of barriers is substantiated by independent sources of data such as relevant national legislation, surveys of local conditions and national or international statistics. If existence of a barrier is substantiated only by the opinions of the project participants, the DOE shall not consider this barrier to be adequately substantiated. If the DOE considers, on the basis of its sectoral or local expertise, that a barrier is not real or is not supported by sufficient evidence, it shall raise a CAR to have reference to this barrier removed from the project documentation;
      - b. Determine whether the barriers prevent the implementation of the project activity but not the implementation of at least one of the possible alternatives. Since not all barriers present an insurmountable hurdle to a project activity being implemented, the DOE shall apply its local and sectoral expertise to judge whether a barrier or set of barriers would prevent the implementation of the proposed CDM project activity and would not equally prevent implementation of at least one of the possible alternatives, in particular the identified baseline scenario."
  - (c) The reasons and rationale for the final decisions are:
    - (i) In the response of request of review, the DOE has further explained that the existing barrier for the project is the amortization of the capital and interest of the loan in the amount of US\$ 22.7 million, however, it is not clear how the identified barrier prevents the project from occurring. Furthermore, it is observed that the PP has successfully obtained capital of US\$14 million and a loan of US\$22.7 million from FEISEH after it was established in 2006 and that the lender, FEISEH is one of the stakeholders of the PP. The DOE failed to substantiate that how it has validated that the

financing of the project was assured only due to the benefit of the CDM and how the project has been financed.

2. Please note 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	20 December 2013	Initial publication. Related to EB 55, Annex 40 Paragraphs 20, 27 & 28

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