



## Annex 5

### SUMMARY OF THE MAJOR ISSUES THAT TRIGGER A REQUEST FOR REVIEW AND THEIR JUSTIFICATION

#### I. Background

1. The CMP at its fourth session, requested the Executive Board (hereinafter referred to as the Board) to (i) review its experience gained in the project registration and certified emission reductions issuance processes, (ii) to summarize systematically the major issues that trigger a request for review and corresponding justification, to (iii) develop a dedicated document compiling the major criteria for decision-making during the review process and make it publicly available through the UNFCCC CDM website.
2. Following the approval of “Guidelines for the consideration of request for review and review cases (version 01)” by the Board at its forty ninth meeting, this document addresses the second part of the above request, namely a summary of the major issues that trigger a request for review and their corresponding justification.
3. The Board, at its forty-second meeting also agreed on the policy framework to monitor performance and non-compliance by DOEs in a systematic manner (EB49, Annex 3). The Board requested the secretariat to prepare a proposal for implementation of this framework, including the categorization of non-compliance, proposed thresholds and applicable sanctions, for the consideration of the Board at its fifty-first meeting. Therefore, the ongoing development of the analysis presented below will be done in the context of this framework.

#### II. Scope and approach

4. The document is an initial categorisation and summary of the major issues leading to request for reviews of requests for registration and requests for issuance considered by the Board between mid-2008 and mid-2009, irrespective of the final decision/outcome of the cases.
5. The categorisation of the major issues is based on the questions raised by members requesting for review for 408 registration cases and 147 issuance cases.
6. This assessment only categorizes issues raised in full requests for review, therefore not including those issues which are only contained in requests for review for minor issues, in the case of registration, or other issues, in the case of issuance. The full differentiation of full requests for review and request for review for minor/other issues are contained in the Executive Board’s “Guidelines on decision-making in request for review and review cases (version 01)” (EB49, Annex 21). It is important to note that the exclusion of such requests for review impacts the analysis presented below.<sup>1</sup>
7. Approximately 76% of registration cases and 46% of issuance cases contained more than one major issue (up to three issues per registration case and five issues per issuance case).

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<sup>1</sup> e.g. the percentage of cases related to additionality is overstated as such matters are dealt with via a full request for review.



### III. Description of the main issues for REGISTRATION

8. The primary purpose of a request for review of a request for registration is to ascertain that the DOE has ensured that the project activity complies with the requirements of paragraphs 37 (a-g) and 40 (a-g) of the CDM modalities and procedures.

9. All cases that were analysed had validation requirements requiring review for one or more of these paragraphs.

10. Additionality is the primary area for which a full request for review of request for registration has been triggered. Within this category there are a range of differing root causes of requests for review, with the most common triggers relating to the validation of investment analysis and the validation of the prior consideration of the CDM.

11. The categories of major issues that triggered a request for review for registration, together with their relative occurrence in parenthesis, for the period mid-2008 to mid-2009, are presented in table 1 below.

Table 1: Summary of issues raised in full requests for review (registration)

Issues in full requests for review	Primary justifications for the request for review
<p><b>Additionality requirements 92%</b></p> <p>Note: As indicated in paragraph 6 above the exclusion of minor issues overstates this percentage.</p>	<p><b>Investment analysis</b> guidance &amp; VVM applied <b>52%</b>: accuracy of financial calculations; sensitivity analysis complete &amp; reasonable; suitable benchmark applied for the type of financial indicator (VVM paragraph 109-112, EB41 Annex 46)</p>
	<p><b>Prior consideration</b> guidance &amp; VVM applied <b>25%</b>: start date substantiated &amp; according to Glossary of Terms; CDM benefits were considered; real &amp; continuing action (VVM paragraph 96-102, EB41 Annex 46)</p>
	<p><b>Common practice analysis</b> clarified &amp; region or scope defined <b>16%</b>: extent of similar &amp; operational non-CDM projects in region, distinctions between CDM project &amp; other similar activities (VVM paragraph 117-119, Add. Tool)</p>
	<p><b>Barrier analysis</b> substantiated &amp; realistic <b>6%</b>: Investment barriers, other than the economic/financial, technological barriers, barriers due to prevailing practice, other barriers, specified in methodology (Add. Tool)</p>
<p><b>Baseline methodology requirements 48%</b></p>	<p><b>Baseline identification 45%</b>: baseline scenario applied validated, referenced, &amp; reasonable to occur without CDM, identification of alternatives, supplementary &amp; no reasonable baselines excluded (VVM paragraph 80-87)</p>
	<p><b>Methodology specific requirements 33%</b>: (requirements as specified in the approved methodology used)</p>
	<p><b>Applicability conditions 12%</b>: substantiate methodology applicability conditions, request a revision to or a deviation from the methodology (VVM paragraph 68-75, Deviation at registration &amp; methodology revision procedures)</p>
	<p><b>Algorithms and/or formulae 8%</b>: equations &amp; parameters correctly applied, justification of the choice of data &amp; parameters used in the equations (VVM paragraph 88-92)</p>
	<p><b>Project boundary 2%</b>: correct delineation of project boundary &amp; meets requirements, all sources &amp; GHGs included in project boundary (VVM paragraph 77-81)</p>
<p><b>Other CMP or EB</b></p>	<p><b>Non-provision-</b> / not available- / amended information e.g. grid emission factors <b>69%</b>:</p>



requirements <b>18%</b>	<b>Correct &amp; cross-referenced 31%</b> : also CARs raised and or properly resolved/closed
<b>Monitoring methodology requirements 15%</b>	<b>Monitoring plan compliance 79%</b> : all parameters provided, means & provision for monitoring, reporting & verification (methodologies & PDD)
	<b>Implementation of the plan 21%</b> : monitoring arrangements feasible, means of implementation for ex-post reporting & verification (methodologies & PDD)
<b>Participation requirements 7%</b>	<b>Project description 78%</b> : not a de-bundled large scale project, differences compared to pre-project, leakages, increase in fuel or production (VVM paragraph 58-64)
	<b>LoA from Parties 15%</b> : provided & complete, correct & cross references (VVM paragraph 44-50)
	<b>PDD 7%</b> : as per template & guidance (VVM paragraph 55-57)
<b>Local stakeholder consultation requirements 0.2%</b>	Inconsistency & details of the local stakeholder consultation (e.g. benefits of the CDM)
<b>Global stakeholders consultation requirements 0.2%</b>	Inconsistency & details of the global stakeholder consultation (e.g. different approved methodology applied)

#### IV. Description of the main issues for ISSUANCE

12. The primary purpose of a request for review for issuance is to ascertain that the DOE has ensured that the project activity complies with the requirements of paragraph 62 of the CDM modalities and procedures. The scope of the request is therefore limited to issues of “Fraud”, “Malfeasance” or “Incompetence” of the DOE.

13. All cases that were analysed had a review requested based on “Incompetence” of the DOE.

14. A considerable portion of cases had both the monitoring methodology and the monitoring plan as issues triggering a request for review for issuance. Within these categories there are a range of issues including the monitoring systems or procedures had not been implemented in accordance with the monitoring plan, or the monitoring methodology had been incorrectly applied.

15. The categories of major issues that triggered a request for review for issuance, together with their relative occurrence in parenthesis, for the period mid-2008 to mid-2009 are presented in table 2 below.

Table 2: Summary of issues raised in full requests for review (issuance)

<b>Issues in full requests for review</b>	<b>Primary justifications for the request for review</b>
<b>Monitoring methodology requirements 53%</b>	<b>Different monitoring systems/procedures from Methodology 46%</b> : Monitoring equipment not in place or that does not meet the methodology requirement, different measurement/ monitoring methods, uncertainty of data quality as per the methodology (cross-check, confidence level, sampling, device)



	<b>Different calculations from Methodology 35%:</b> Different / Incorrect calculation of emission reduction/ baseline as per the methodology
	<b>Reporting 19%:</b> Insufficient information on how to verify the computation of electricity generation/ consumption or emission reduction in accordance with the methodology
<b>Monitoring plan requirements 44%</b>	<b>Changes in monitoring systems/procedures 48%:</b> Non-(or wrong) application of the revised monitoring plan after approval, Changes in procedures (frequency, different monitoring period), different maintenance of the system (different calibration/testing, meter change)
	<b>Reporting 37%:</b> Insufficient information on monitoring equipment/systems/locations, Insufficient information on how to deal with out-of-normal situation as per the plan/methodology, Insufficient information on how to verify that the requirement of the monitoring plan and the applied methodology has been met
	<b>Different calculations to Monitoring Plan 15%:</b> Different parameters for emission factor, different/incorrect calculations or measurements
<b>Other CMP or EB requirements 35%</b>	<b>Inconsistency 57%:</b> Failure of the application of uniform criteria or methods, inconsistency among relevant documents, inconsistency in a single report
	<b>Missing information/data 27%:</b> Missing information required to be provided, incomplete data
	<b>Other Issues 16%:</b> Wrong information (date, claim period), typo errors, other issues (selection of the data accuracy level)
<b>Changes from Registered PDD 29%</b>	<b>Reporting 38%:</b> Insufficient information on how to verify the implementation of the project activity as per the PDD, insufficient/inconsistent information on the project activity
	<b>Changes in operation of the project activity 36%:</b> Changes in inputs and electricity sources (size, type), different capacities of project activity
	<b>Changes resulting in increase of ERs 26%:</b> Changes in electricity generation/consumption, different sizes of project equipment, different values of plant load factor, increase in emission reduction without explanation

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