

CDM-MP58-A19

Draft Clarification

Clarifications related to the "Guidelines on the assessment of investment analysis"

Version 01.0

DRAFT



United Nations
Framework Convention on
Climate Change

COVER NOTE

1. Procedural background

1. Two issues regarding the application of investment analysis were identified by the secretariat during its assessment of projects and entities. Clarifications from the Methodologies Panel were sought by the secretariat.

2. Purpose

2. The clarification aims to clarify the requirements for: (a) the determination of the period of assessment; and (b) the applicability of the default values for the expected return on equity.

3. Key issues and proposed solutions

4. As per the enclosed clarification.

5. Impacts

3. The projects selecting renewable crediting period are not allowed to use the minimum of ten years as the period of assessment for investment analysis.

6. Recommendations to the Board

4. The Methodologies Panel recommended that the Board considers and agrees on the clarifications provided for the "Guidelines on the assessment of investment analysis", as contained in annex 19 to the MP 58 report, and takes note that the Methodologies Panel agreed to assess the need for updating the default values for the expected return on equity at a future meeting in 2013.

1. Introduction

1. The following clarifications on the application of the "Guidelines on the assessment of investment analysis" are provided to address two issues identified during the assessment of projects and entities, namely: (a) the determination of the period of assessment and (b) the applicability of the default values for the expected return on equity.

2. Clarifications

2.1. Determination of the period of assessment

2. If project participants choose a renewal of crediting period, it is implicit that the life time of the CDM project activity is more than 20 years, and in this case the assessment of investment analysis shall be conducted for at least 20 years and, if applicable, include the fair value of the project activity assets at the end of the assessment period.
3. Furthermore, the first sentence in Paragraph 3 of the "Guidelines on the assessment of investment analysis" (version 5) where it is stated that the period of assessment should not be limited to the proposed crediting period is clarified as follows: in any case the period of assessment of investment analysis shall not be less than the chosen crediting period. The rest of the provision in paragraph 3 stands as it is in the guidelines.

2.2. Applicability of the default values for the expected return on equity

4. The default values for the expected return on equity as adopted by the Board at its sixty-second meeting are also applicable to projects with a start date prior to the sixty-second meeting of the Board.

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