



CDM project activity registration review form (F-CDM-RR)
(By submitting this form, a Party involved (through the designated national authority) or an Executive Board member may request that a review is undertaken)

Designated national authority/Executive Board member submitting this form	
Title of the proposed CDM project activity submitted for registration	Rio Grande do Sul Cooperatives Small Hydro Power Plants; Project activity 1235

Please indicate, in accordance with paragraphs 37 and 40 of the CDM modalities and procedures, which validation requirement(s) may require review. A list of requirements is provided below. Please provide reasons in support of the request for review, including any supporting documentation.

- The following are requirements derived from paragraph 37 of the CDM modalities and procedures:*
 - The participation requirements as set out in paragraphs 28 to 30 of the CDM modalities and procedures are satisfied;
 - Comments by local stakeholders have been invited, a summary of the comments received has been provided, and a report to the designated operational entity (DOE) on how due account was taken of any comments has been received;
 - Project participants have submitted to the DOE documentation on the analysis of the environmental impacts of the project activity, including transboundary impacts and, if those impacts are considered significant by the project participants or the host Party, have undertaken an environmental impact assessment in accordance with procedures as required by the host Party;
 - The project activity is expected to result in a reduction in anthropogenic emissions by sources of greenhouse gases that are additional to any that would occur in the absence of the proposed project activity, in accordance with paragraphs 43 to 52 of the CDM modalities and procedures;
 - The baseline and monitoring methodologies comply with requirements pertaining to methodologies previously approved by the Executive Board;
 - Provisions for monitoring, verification and reporting are in accordance with decision 17/CP.7, the CDM modalities and procedures and relevant decisions of the COP/MOP;
 - The project activity conforms to all other requirements for CDM project activities in decision 17/CP.7, the CDM modalities and procedures and relevant decisions by the COP/MOP and the Executive Board.
- The following are requirements derived from paragraph 40 of the CDM modalities and procedures:*
 - The DOE shall, prior to the submission of the validation report to the Executive Board, have received from the project participants written approval of voluntary participation from the designated national authority of each Party involved, including confirmation by the host Party that the project activity assists it in achieving sustainable development;
 - In accordance with provisions on confidentiality contained in paragraph 27 (h) of the CDM modalities and procedures, the DOE shall make publicly available the project design document;
 - The DOE shall receive, within 30 days, comments on the validation requirements from Parties, stakeholders and UNFCCC accredited non-governmental organizations and make them publicly available;
 - After the deadline for receipt of comments, the DOE shall make a determination as to whether, on the basis of the information provided and taking into account the comments received, the project activity should be validated;
 - The DOE shall inform project participants of its determination on the validation of the project activity. Notification to the project participants will include confirmation of validation and the date of submission of the validation report to the Executive Board;
 - The DOE shall submit to the Executive Board, if it determines the proposed project activity to be valid, a request for registration in the form of a validation report including the project design document, the written approval of the host Party and an explanation of how it has taken due account of comments received.
- There are only minor issues which should be addressed by the DOE / project participants prior to the registration of the project.

Section below to be filled in by UNFCCC secretariat	
Date received at UNFCCC secretariat	03/11/2007

Reasons for request:

- Version 3 of the Additionality Tool should be used to demonstrate additionality.
- Further substantiation is required regarding how the barriers prevent the implementation of this specific project activity and do not impact the baseline. If the main argument to demonstrate the additionality of the project activity is the low IRR, this should be demonstrated in accordance with step 2 of the additionality tool.
- The PDD states that "It is important to notice that the direct comparison between the SELIC rate and the IRR is not accurate and the idea is not to introduce a benchmark analysis, but to set a parameter as a reference". However the

SELIC reference rate is not appropriate as the projects have been partly financed with a long term loan at a lower rate than the short term market rate used as a reference.

4. The PDD states that “The region where the project is located is isolated and undeveloped. The regional electrical company did not construct distribution grid in rural area. And due to that, there is a lack of infrastructure, such as roads, reliable electricity supply, communication and transports”. However, the cooperatives developing the projects were connected to the grid, as per technical description and the baseline applied. Further clarification is required regarding lack of infrastructure as a barrier.
5. The institutional barrier described is of a generic nature. Further explanation and an update of circumstances is required as references are to the situation in the 90s.
6. The project financial analysis should be further substantiated and additional information provided. In addition, no sensitivity analysis has been conducted.
7. The PP states that “All 3 SHPs is being financed part from own resource but the large part by the Brazilian Development Bank – BNDES (from Portuguese “Banco Nacional de Desenvolvimento Econômico e Social”). BNDES is a federal owned company subordinated to the Ministry of Development, Industry and Foreign Trade. Despite of being a state-owned bank, BNDES is one of the unique sources of long-term financing in the country and is the preferable debt sources for the private sector in Brazil”. Subsequently the PDD states that there is “Lack of investment sources to finance the private sector in the country, and the high costs of the available alternatives, as indicated by the project debt structure, which is mostly dependent to the equity capital”. Further explanation is required as which part is equity financed and which is financed by BNDES.
8. Regulatory uncertainty is mentioned as a barrier, since there is a “completely new power sector regulation [is] under development since January 2002”. Nevertheless, the projects were developed despite that purported barrier. In addition, the overview of the Brazilian electricity market is of a generic nature and does not contribute to substantiate barriers.
9. Further details regarding the common practice should be provided in accordance with the requirements of step 4 of the additionality tool, i.e. similar project activities should be described and the differences between each of these activities and the project should be clearly indicated.
10. The calculation of the emission reductions should clearly demonstrate how the net electricity generated by the project activity was determined.
11. The monitoring plan should clearly outline how the net electricity generated by the project activity will be monitored, the number and location of meters and how losses will be accounted for.
12. The DOE shall further clarify the list of the persons interviewed while performing validation (&. List of persons interviewed, page 15 of 45 of the Validation Report) as in some cases they have only specified first name of those persons or the position is not sufficiently accounted for.
13. The Table of Contents of the Validation Report seems to be only a draft version. The Validation Report should be provided in its final, complete and appropriate format.
14. The DOE shall further clarify how they have validated the evidence provided that there was a consideration of the incentive of the CDM in the decision making process related to this project activity. In particular, the DOE shall further clarify how they have been able to “realize that the studies ... started even before operation start”, as the meetings were held afterwards, and their reference to culmination “of the company contract”. The exact same wording is used in the PDD.