

Final Ruling Regarding the Request for Registration of “Papaloate Hydroelectric Project” (3587)

In line with “*Procedures for review of requests for registration*”, version 1.1, EB 55 Annex 40, paragraph 20, the CDM-Executive Board decided to reject the above proposed project activity on 9th November 2010.

In accordance with paragraphs 26 and 28 of the above mentioned procedures, the CDM-Executive Board concluded that it could not register the proposed project activity because:

- the project participant and DOE have failed to substantiate the suitability of the pre-tax benchmark of 10% for the project activity considering that a pre-tax benchmark can not be compared to a post-tax project IRR and that the project IRR becomes 10.72%, higher than the 10% benchmark, when it is calculated before applying the 25% income tax.

The request for registration is rejected because the project documentation (PDD and validation report) is not in compliance with the requirements of paragraph 13 of the latest “Guidelines on the assessment of investment analysis”, version 3, EB 51, Annex 58, which states that: ‘In the cases of projects which could be developed by an entity other than the project participant the benchmark should be based on publicly available data sources which can be clearly validated by the DOE. Such data sources may include local lending and borrowing rates, equity indices, or benchmarks determined by relevant national authorities. The DOE’s validation of such benchmarks shall also include its opinion of the suitability of the benchmark applied in the context of the underlying project activity’. The DOE has not validated whether pre-tax benchmark of 10% is a suitable benchmark for the underlying project activity as a discount rate applied by a national regulator for the calculation of the transmission and distribution fees is not equivalent to a benchmark.

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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History of the document

Project 3587	Related to EB 55 Annex 40 Paragraphs 20, 26, 28	Decision Class: Ruling Document Type: Information Note Business Function: Registration
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