

Final Ruling Regarding the Request for Registration of

“Combined Cycle at Loma de la Lata Thermo Unit” (3311)

The CDM-Executive Board decided to reject the above proposed project activity on 17th March 2011 in accordance with “*Procedures for review of requests for registration*”, version 1.2, EB 55, Annex 40, paragraphs 20 and 28 (the procedures). In accordance with paragraph 27 of the procedures, the ruling shall contain an explanation of the reasons and rationale for the final decision which are as follows:

- The DOE (SGS) failed to substantiate the additionality of the project activity and to meet the requirements for validation of the investment barriers in accordance with the requirements of the VVM version 1.1, paragraph 114 (VVM) and “*Guidelines for objective demonstration and assessment of barriers*”, EB 50, Annex 13 (Barrier Guidelines) as it has not sufficiently justified the proposed investment barriers:
- The VVM states that ‘*issues that have a clear direct impact on the financial returns of the project activity cannot be considered barriers and shall be assessed by investment analysis*’. Paragraph 4 of the Barrier Guidelines states that “*While demonstrating barriers related to the lack of access to capital, technologies and skilled labour, the project proponents shall provide information on the nature of the companies and entities involved in the financing and implementation of the project. More specifically: While demonstrating barriers related to the lack of access to capital, information should include nature of company, organization and its ownership and, financial information*”. Paragraph 7 of the Barrier Guidelines states that “*Barriers that can be mitigated by additional financial means can be quantified and represented as costs and should not be identified as a barrier for implementation of project while conducting the barrier analysis, but rather should be considered in the framework of investment analysis*”. Furthermore, paragraph 9 of the Barrier Guidelines states that “*in case the PPs make the claim for investment barriers, they should demonstrate in the PDD that the financing of the project was assured only due to the benefit of the CDM. Therefore, it should be demonstrated that the loan approval (or other significant financing decision(s)) by the lender takes explicitly the CDM registration into account*”.
- The DOE failed to substantiate how the low electricity tariff is a barrier to the project activity which impacts its financial returns as a financial calculation was not submitted as required by paragraph 7 of the Barrier Guidelines. The DOE also failed to substantiate the unavailability of sources of finance as there is no third party evidence (e.g. from a lender) in support of the claim that the financing of the project was assured only due to the benefit of the CDM as required by paragraph 9 of the Barrier Guidelines.

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 3311	Related to EB 55 Annex 40 Paragraphs 20, 27, 28 17 March 2011	Decision Class: Ruling Document Type: Information Note Business Function: Registration
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