

Final Ruling Regarding the Request for Registration of

“Fujian Dongshan Damaoshan Wind Power Project” (3709)

The CDM-Executive Board decided to reject the above proposed project activity on 14^h April 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 (BVC) has failed to verify the accuracy of financial calculations carried out for the investment analysis of the proposed project activity in accordance with the VVM version 01.2 paragraph 111 (VVM) as the DOE has not adequately cross-checked input values to the investment analysis. As a result, the proposed project activity is not considered additional.
- VVM paragraph 111 states that: “*To verify the accuracy of financial calculations carried out for any investment analysis, the DOE shall: ... (b) Cross-check the parameters against third-party or publicly available sources, such as invoices or price indices...*”.
- The project activity proposes to use an annual increase of maintenance costs of 5 percent. The DOE has validated these costs by comparing with other CDM projects and has shown that two wind projects have applied an annual escalation rate maintenance costs of respectively 6 percent and 4 percent. However, the Board noted that these projects are not located in the same province as the proposed project activity, and one of them is not located in an area with comparable conditions (i.e. not on the coast.) The Board also noted that most similar CDM projects (25 identified) in China that are also in coastal locations, did not consider a similar annual rate of increase of maintenance costs. The validation of these costs is therefore insufficient. If the 5 percent annual escalation rate is removed for maintenance costs, the project IRR will increase from 7.44 percent to 8.33 percent, crossing the benchmark of 8 percent.

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).

History of the document

Project 3709	Related to EB 55 Annex 40 Paragraphs 20, 27 & 28 14 April 2011	Decision Class: Ruling Document Type: Information Note Business Function: Registration
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