



**Final Ruling Regarding the Request for Registration of
“Mannapitlu Small Hydel Project” (3821)**

The CDM-Executive Board decided to reject the above proposed project activity on 7th April 2011 in accordance with “*Procedures for review of requests for registration*, version 1.2, EB 55, Annex 40, paragraph 20 and 28 (the procedures). In accordance with paragraph 27 of the procedures, the rulings shall contain 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 meet the validation requirements for projects for which implementation ceases after the commencement and where implementation is recommenced due to consideration of the CDM and for the accuracy of the financial calculation, in accordance with the glossary of CDM terms, version 5, page 28, and Paragraph 7 of “Guidance on the assessment of investment analysis”, version 3.1, EB 51, Annex 58 (Requirements).
- Page 28 of the Glossary of CDM terms, version 5, page 28, states that *‘for circumstances in which an investment decision is taken and the project activity implementation is subsequently ceased, if such project activities are restarted due to consideration of the benefits of the CDM, the cessation of project implementation must be demonstrated by means of credible evidence such as cancellation of contracts or revocation of government permits.’* Furthermore, Paragraph 7 of the “Guidance on the assessment of investment analysis”, version 3.1, EB 51, Annex 58, states that *‘in the case of project activities for which implementation ceases after the commencement and where implementation is recommenced due to consideration of the CDM the investment analysis should reflect the economic decision making context at point of the decision to recommence the project. Therefore capital costs incurred prior to the revised project activity start date can be reflected as the recoverable value of the assets, which are limited to the potential reuse/resale of tangible assets.’* Footnote to paragraph 7 also refers to tangible assets as *‘capital expenditures should be included not at the original investment costs but at the market fair value at the point of the decision to proceed with the investment, demonstrating the value through assessments done by chartered specialists.’*
- The DOE failed to meet the Requirements as it has not presented credible evidence substantiating that the project activity was terminated in 2007 before the re-starting of the project activity on 28 February 2008. The DOE has also failed to substantiate the capital expenditure prior to the cessation of the project implementation at the market fair value at the point of the decision to proceed with the investment (28 February 2008) in accordance with paragraph 7 of Guidance on the assessment of investment analysis, version 3.1, considering that the full amount investment by the previous project owner is accounted as part of the investment cost.

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 3821	Related to EB 55 Annex 40 Paragraphs 20, 27 & 28 07 April 2011	Decision Class: Ruling Document Type: Information Note Business Function: Registration
------------------------	---	---