

Final Ruling Regarding the Request for Registration of

“SSL Wind Power Project” (3433)

The CDM-Executive Board decided to reject the above proposed project activity on 15th April 2011, during its 60th meeting, in accordance with “Procedures for review of requests for registration”, version 1.2, EB 55, Annex 40, paragraphs 23, 24 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 (TUV Rheinland) failed to substantiate the additionality of the project activity and meet the validation requirements for key parameters in the estimation of the benchmark; in particular the vintage data selected for the market risk premium used to calculate the WACC benchmark, in accordance with VVM, version 1.2, paragraph 112.
- VVM, version 1.2, paragraph 112, states that *‘To confirm the suitability of any benchmark applied in the investment analysis, the DOE shall: (a) determine whether the type of benchmark applied is suitable for the type of financial indicator presented; (b) ensure that any risk premiums applied in determining the benchmark reflect the risks associated with the project type or activity; (c) determine whether it is reasonable to assume that no investment would be made at a rate of return lower than the benchmark by, for example, assessing previous investment decisions by the project participants involved and determining whether the same benchmark has been applied or if there are verifiable circumstances that have led to a change in the benchmark.’*
- The DOE failed to substantiate the vintage of data selected for market risk premium that determine the WACC, in accordance with VVM, version 1.2, paragraph 112. A shorter period of 6 years (1999-2005) is opted for market return, which is not consistent with vintage years used for estimating the technical life of the project and security bonds (20 years). Market risk premium is the difference between market return and risk free return (security bonds).

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 3433	Related to EB 55 Annex 40 Paragraphs 23, 24, 27 & 28 15 April 2011	Decision Class: Ruling Document Type: Information Note Business Function: Registration
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