

## Final Ruling Regarding the Request for Registration of “4 MW AMDB Perting Mini Hydro Project” (4015)

The CDM-Executive Board decided to reject the above proposed project activity on 28<sup>th</sup> June 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 (TUV Rheinland) has failed to substantiate the additionality of the project activity as it has failed to justify the suitability of input values to the investment analysis, in particular the annual O&M costs in line with the “Guidelines on the assessment of investment analysis”, version 3.1, EB51, Annex 58, paragraph 6 and VVM, version 01.2, paragraph 111.
- “Guidelines on the assessment of investment analysis”, version 3.1, EB51, Annex 58, paragraph 6 states that: “*Input values used in all investment analysis should be valid and applicable at the time of the investment decision taken by the project participant.*”.
- VVM, version 01.2, 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...*”.
- However, it is considered that the DOE has failed to justify the suitability of the input values to the investment analysis, in particular the O&M costs. The project activity applied an annual escalation rate of 5% to the annual O&M costs. However, this annual escalation is based on an O&M agreement signed between the project participants and service provider, (dated 24 April 2007), which was not available at the time of investment decision (21 December 2006). The Board noted that if the escalation rate of O&M is removed, the IRR would be above the benchmark of 8.7%.

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

<b>Project</b> 4015	Related to EB 55 Annex 40 Paragraphs 20, 27 & 28 28 June 2011	<b>Decision Class:</b> Ruling <b>Document Type:</b> Information Note <b>Business Function:</b> Registration
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