

## **Final Ruling Regarding the Request for Registration of “Chamelecón 280 Hydroelectric project” (5069)**

The CDM-Executive Board decided to reject the above proposed project activity on 29 February 2012 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 rulings shall contain the reasons and rationale for the final decision, which are as follows:

- The DOE (ICONTEC) failed to substantiate the additionality of the project activity and meet the requirements for validation, in particular existence of the institutional and investment barriers in accordance with version 1.2 of the validation and verification manual (VVM), paragraph 115(a) and the “Guidelines for objective demonstration and assessment of barriers” (EB 50, Annex 13) (Guidelines), paragraphs 5 & 9.
- Paragraph 115 of the VVM states that “*If barrier analysis has been used to demonstrate the additionality of the proposed CDM project activity, the PDD shall demonstrate that the proposed CDM project activity faces barriers that: (a) Prevent the implementation of this type of proposed CDM project activity*”, which is also further referred to in the Guidelines.
- Paragraph 5 of the Guidelines states that “*If the CDM does not alleviate the identified barriers that prevent the proposed project activity from occurring, then the project activity is not additional*”.
- Paragraph 9 of the 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 that the identified institutional and investment barriers are project-specific given that: (a) as per the DOE response, the institutional barriers (delay in obtaining the permits and licenses) is a general institutional barrier in Honduran energy sector; and (b) the investment barriers (unavailability of finance from local banks and delay in obtaining the PPA) is a general barriers to hydropower generation projects in Honduras as per the letter issued by the Banco Del Plais on 16/08/2010.
- The DOE also failed to substantiate that the CDM alleviates each of the identified barriers sufficiently to enable implementation of the proposed project activity, considering that: (a) the project participant had secured all the necessary permits to implement the project activity including the Environmental Permit (November 2009), PPA (December 2009), interconnection authorization (June 2008) and final approval from the president of Honduras (30/07/2010) before receiving the letters from ENEE (14/11/2010) and SERNA (10/09/2010), which states the importance of CDM benefits to overcome the hurdles associated with securing the Interconnection authorization to the National Grid and the Environmental Permit; and (b) the project has already been equity financed by ELCOSA group on 16/06/2008 as per statement for loan agreement issued by ELCOSA group to which the project participant belongs.



- While the DOE has explained that until the power purchase agreement (PPA) was approved, the project participant was not able to secure financing and able to fulfil contractual obligations with suppliers and the civil work company, the DOE failed to justify that the delay in the signature of the PPA can be considered as investment barrier given that the ELCOSA group signed investment agreement with the project participant on 16/06/2008, which is more than one year prior to the approval of the PPA (December 2009).

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> 5069	Related to EB 55 Annex 40 Paragraphs 20, 27 & 28 29 February 2012	<b>Decision Class:</b> Ruling <b>Document Type:</b> Information Note <b>Business Function:</b> Registration
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