

**Final Ruling Regarding the Request for Registration of
“Refurbishment of Enguri Hydro Power Plant, Georgia” (5366)**

The CDM-Executive Board decided to reject the above proposed project activity on 1 May 2012, in accordance with the “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 (BVCH) failed to substantiate the additionality of the project activity and to meet the requirements for validation of the project start date in accordance with EB 41, paragraph 67, and the investment barrier in accordance with EB 60, Annex 7, page 7, and version 1.2 of the validation and verification manual (VVM), paragraph 116.
 - EB 41, paragraph 67 states that *“there may be circumstances in which 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”*.
 - EB 60, Annex 7, page 7 states that investment barriers may include [or indicate] that *“no private capital is available from domestic or international capital markets due to real or perceived risks associated with investments in the country where the project activity is to be implemented, as demonstrated by the credit rating of the country or other country investment reports of reputed origin”*.
 - VVM paragraph 116 states that *“issues that have a clear direct impact on the financial returns of the project activity cannot be considered barriers and shall be assessed by investment analysis”*.
- (i) The DOE failed to substantiate the suitability of the revised project start date as 13/01/2006 when the contractors re-started the implementation of the project as the five weeks gap (from 12/12/2005 to 13/01/2006) of stopping work is not considered as a cessation of the project implementation and cancellation of contract in accordance with EB 41, paragraph 67. Furthermore, it appears that the funds from the first loan granted on 21/12/2001 were also spent in rehabilitating unit 2 (project activity consists of units 1, 2, 4 and 5) prior to the project starting date.
- (ii) The DOE has also failed to substantiate the investment barrier in accordance with EB 60, Annex 7, as the decisions to consider CDM and investment decision (project starting date) were taken on 21/12/2005 and 13/01/2006 respectively, before a second loan for the project with the explicit condition on CDM financing was granted on 29/12/2006. Furthermore, the risk due to tariffs, which are deemed to have a clear impact on the financial returns of the project activity, was not translated into economic terms in accordance with VVM, paragraph 116.

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 5366	Related to EB 55 Annex 40 Paragraphs 20, 27 & 28 1 May 2012	Decision Class: Ruling Document Type: Ruling Note Business Function: Registration
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