



Dear Members of the CDM Executive Board,

In response to the invitation for public comments on the Clean Development Mechanism Validation and Verification Manual (CDM-VVM) draft, Mitsubishi UFJ Securities Co., Ltd. submits following comments for the CDM Executive Board's consideration.

It is welcomed that the CDM Executive Board has presented these draft guidelines for validation and verification. All projects have their unique characteristics and it is useful to have a set of common guidelines to ensure fairness and quality. On the other hand, given these unique characteristics of each project in terms of project type, location, project developers' and host countries' circumstances, etc., it is also important to leave some flexibility in the application of these guidelines. We believe that it may be appropriate to use these guidelines as a reference manual for DOEs, but it would not be appropriate to use them as a binding set of rules which must be applied to all projects.

In addition, we identified a long list of items in the CDM-VVM draft which are either unclear or unjustifiable. 3 key items are outlined here:

(i) DNA approval

There is specific guidance for the DNA approval in the CDM-VVM draft with regard to the additional specification of the project in LoA. It is true that certain host countries require the specific version of the documentation for its DNA approval and such requirement should be confirmed by DOEs. However, this sentence can be misunderstood that DOEs should always confirm this information for every country. Therefore, the fact that this only applies to the countries that require such specification should be added.

(ii) Prior consideration of CDM

In paragraph 125, it is described that the commencement of validation is the publication of the PDD for global stakeholder comments. However, in practice, there could be precedent procedure, such as a desk review before the global stakeholder comments, or methodology development.

Also, the criteria described in paragraph 126 are too restrictive, and it is not clear whether such assessment shall be conducted based only on the documents that clearly contain such content or whether it can be based on other supporting documents with the circumstantial evidence. Finally, such guidelines/criteria should only be applied to project activities with a start date after the publication of the CDM-VVM and after the incorporation of the new guidelines/criteria into the Guideline for



completing the CDM-PDD. This is because the project participants who started their projects before this were not required to keep such evidence at the time of their projects were initiated.

(iii) Material misstatement

It is not clear as to how the DOE can ensure that the reported emission reductions of the CDM project activity are free of material misstatement, as described in paragraph 180.

In addition, we strongly request that the VVM would not cause unnecessary administrative delay and additional costs during the validation/verification process. An example would be the effective period of the previous version of the manual. According to the CDM-VVM draft, it says that CDM-VVM requires a regular update and revision. It is true that CDM-VVM should be updated and revised considering the evolving nature of the CDM. However, once the CDM-VVM is updated/ revised under the situation that the use of CDM-VVM is mandatory, it will affect the project activities that are undergoing validation/verification process or are near to the validation/verification stage.

Even though the points mentioned above are few, in our view, it is not reasonable to make the CDM-VVM mandatory for DOEs undertaking validation and verification work. Rather, we believe that the CDM VVM should be treated as a reference manual for DOEs.

Thank you for your consideration.

Sincerely yours,

Hajime Watanabe

Chairman

Clean Energy Finance Committee

Mitsubishi UFJ Securities Co., Ltd.