

CDM Executive Board
UNFCCC Secretariat
Martin Luther King Strasse 8
P.O.Box 260124
D-53153, Bonn
Germany

Attention: Mr. Rajesh Kumar Sethi

13 June 2008

Subject: Call for public comments on Clean Development Mechanism Validation and Verification Manual (CDM-VVM)

Dear Mr. Sethi,

I am writing to you on behalf of the International Emission Trading Association (IETA) in response to your call for input at EB 39 in relation to “Clean Development Mechanism Validation and Verification Manual (CDM-VVM)” IETA welcomes this call for input and its secretariat and member look forward to be working with you to finalise the VVM.

IETA welcomes the Boards initiative to establish the VVM, particularly since the VVM once completed will be able to provide clarity to both the DOEs and Project Developers on the elements that need to be demonstrated during the Validation & Verification Process. IETA congratulates the CDM EB and the UNFCCC Secretariat for their hard work in getting the VVM to the level it currently has gone for public input, we however feel that the current VVM could still be further improvement before the launch and role out programme. IETA is pleased to provide you with our comments which we have split in this submission into two parts part I general comments and opinions followed by Part II with some details comments related to specific parts within the VVM.

Part I General Comments:

Usage: IETA is of the opinion that the VVM can do with a further cleaning up of the text to reduce the specific CDM EB formulation of decisions which is typical to the CDM EB reports and are generally seen as difficult to understand for those not custom to these types of formulation. In the same line the VVM should make more clear the different process and topics that are handled with the VVM.

Currently the VVM is providing guidance on the same requirements in different

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locations within the VVM with also different information on the requirements (i.e. para 46 & 236, para 68 to 73 and 145 to 147, para 143 (ii) and 151 to 152).

Role of the VVManual: As a manual that is to be used by DOEs to know specifically what is expected from them but also to understand the type of evidence that is expected the Board should make more effort to include examples in the VVM that illustrate the point. As such IETA feels that para 158 is lacking significantly information for DOEs to use this manual whilst undertaking a Validation or Verification of Programme of Activities (PoA). IETA encourages the Board, based on the existing procedures to provide clearer instructions on what it will expect the DOE to act whilst assessing a PoA. IETA recognises the fact that experience will need to be built however, based on existing experience and lessons learned to date with Validation & Verification more could be done to expand this section of the VVM.

VVM Implementation: IETA would like to encourage the Board and the secretariat to develop an extensive and effective outreach programme that would allow a swift implementation by all DOEs and AOE. We equally encourage the Board to keep in mind developing the outreach programme to of the fact that DOEs and the Market have already developed infrastructure for this type of training and as such could for a basic source for the Board to effectively implement a global outreach programme.

Use of Project Developer & Project Participant: The VVM currently seem to indiscriminately use the term “Project Developer” and “Project Participant” as these terms have specific meanings in the CDM we would request that the UNFCCC Secretariat screens the VVM for consistency in these terminologies.

Part II Detailed comments

- Par 5: “.. Any update/revision of the document shall be immediately made public..” – As DOEs will have to disseminate the impact of the update/revision to its staff and client IETA suggest that a grace period defined between the adoption of the upgrade/revision and its mandatory usage by DOEs
- Par 10 & 11: IETA suggest that the Board explicitly defines and illustrate with an example more clearly what it considers conflict of interest: Why exactly is it a conflict of interest for if a DOE verifies a N2O project with a calibration of one measurement instrument being done by the same DOE?
Par 46: “..*within specific time lines*” – IETA suggest that reference is made to paragraph 236 to define these specific time lines, or integrate these two paragraphs see General comments above;
- Par 49 (a) & (b): “*overriding guidance of the CDM EB*” – IETA acknowledge that some methodological requirements are based on general requirements of the Board however it is our opinion that a methodology should capture all these requirement to general cross referencing and as such there are no elements that



- can override a methodology which once selected by the PP is the rule book on how a project should be implemented in order to successfully pass the Validation & Verification process;
- Par 49 (c): “*Identification of the baseline scenario*” – IETA suggest that this is change to “The adequacy of the baseline identification & selection”;
 - Para 54 (b): “*...certain characteristics have not been met;*” – The language of this is unclear. A DOE can only issue CARs if it has found a non-conformity against specific requirement of the CDM and be able to identify this i.e. step 2 of the additionality tool, or formula x of methodology etc. The language of “*certain characteristics*” suggests that there are requirements that go beyond the CDM requirements as specified under the CDM M&P. IETA would therefore suggest this paragraph should be replaced by “*The other requirements as defined and covered under the CDM Modalities & Procedures*” ;
 - Par 72 & 77: IETA questions why these paragraphs that aim to demonstrate in essence the same but use different wording, IETA would suggest that Par 72 (b) and (c) are deleted to form the same principle as applied in Par 77;
 - Par 81: “*...reviewing all available plans*”: IETA feels that current demand could result in significant amount of paper work which not all may be relevant to the project. IETA suggest that the text would be modified to say “*all available plans relevant to the project activity*”.
 - Par 87: “*and was retrieved from the UNFCCC CDM website*” – IETA questions how the DOE would verify this requirement of the VVM, based on the fact that the manual demands that the DOE validates that it is a valid version of the methodology makes this addition obsolete. We therefore suggest that this text is deleted from this paragraph;
 - Par 92: “*Under no circumstances from the CDM Executive Board*” – IETA questions whether the Board or its bodies is able to determine whether the DOE & project developer are submitting a project for registration in order to obtain clarification from the Board. Instead IETA would encourage the Board to provide more guidance and examples even in areas where currently little experience exists (see “Role of the VVManual” above);
 - Par 105: “*All relevant policies/regulations are considered and listed in the PDD*” – IETA understands the intent of the text however feels that current text general and would require the project developer to develop an extensive lists of policies & regulations which includes among others the country’s constitution. IETA would suggest to delete the “All” from the paragraph;
 - Par 123: Experience has demonstrate that many projects go though phases that can mean that the project is temporarily put on hold till future progress made on a specific topic. Some may be preceding following the inclusion of for example CDM. IETA therefore suggest that this paragraph is extended with “*in case a project activity's construction has come to a halt for more than 2 months due to additionality-related events, it shall be demonstrated that the incentive from the CDM was seriously considered in the decision to re-start the project activity.*”
 - Par 127: “*... DOE shall query how it was possible for the project participant to commit funds to the project in advance of the receiving a positive validation*”



- opinion*” - The text seems to suggest that the Board would expect that only once you have obtained a validation opinion the project developer is able to start the project, which IETA expects is not the Board's intention;
- Par 128 (b): IETA would like to suggest that the paragraph is extended to include "*Such evidence does not have to be uploaded as part of the request for registration.*" Since currently there is a difference in treatment and based on the fact that the paragraph starts with "Describe.." it is suggested that evidence is not need.
 - Par 133 (d): The current requirement may be interpreted that the DOE is responsible for the sensitivity analyses instead of assessing that the sensitivity analyses undertaken by the project developer. As such we propose that the text is changed to "*Assess the sensitivity analyses by the project developer of the computations...*"; If it is the Board's intent that the DOE is undertaking the sensitivity analyses IETA would like to highlight that this potentially could significantly increase the costs of Verification due to significant additional time requirements from the DOE;
 - Par 136: IETA suggest to add "*... and do not prevent the implementation of other alternatives, particularly the identified baseline scenario.*"
 - Par 137: "*... If the barrier is only supported by the opinions of the project developer the DOE shall not consider barrier to be adequately substantiated.*" – IETA questions whether this paragraph and the above text in particular would make studies commissioned by the project developer would make them invalid to demonstrate barriers as these studies can be seen as opinions of the project as they paid for the study and was carried out on behalf of the Project Developer. We therefore would encourage the Board to clarify that these type of studies can still be included in the assessment.
 - Par 143 (ii): This requirement is also covered under Par 151 and 152 in relation to EIA, as well as there is currently no requirement to report this in Par 144. See also comment Par 54 (b).
 - Par 143 (b) "*...The DOE shall, by means of review of documented procedures, interviews with relevant personnel and physical inspection of the project site/project plans, assess whether:...*" – Current text seems to indicate that a physical inspection of project site is required were in the in other occasions the VVM clearly identifies that site visits are only undertaken at Validation if it is deemed necessary. IETA would suggest that the text reads "*...relevant personnel, project plans and were relevant through physical inspection of the project site assess whether:..*"
 - Par 145, 146 and 147: This is basic repetition of requirements outline in Par 68 to 73 and as such redundant;
 - Par 149 (a): IETA suggest to remove the word "All" Since the current text suggests that the consultation of representatives of all stakeholders is not enough and that even children, very old persons etc. have to be consulted. The importance is to validate that ALL representatives from stakeholders have been consulted and that the consulted persons really are official/accepted representatives of the stakeholders. It also needs to be validated whether the stakeholders or their



- representatives have been invited to comment on the project activity by appropriate means
- Par 158: For a Manual this is insufficient guidance and IETA encourages the Board to extend this section of the VVM;
 - Par 176: “Means of Verification”: - Appropriate reference in VVM is missing;
 - Par 180: “...[1% for large projects][and 5% for small projects]...” IETA welcomes that the VVM intends to provide guidance on the materiality threshold however it would encourage the Board to only take one level (5%) which has been commonly be used in other Climate Change & Emission Verification Programmes (EU ETS, ISO 14064). This will enhance consistency and eliminates the need to define what large and small projects are. For example in the event the Board would adopt a 1% for all Large scale project, using the CDM M&P definition for large scale it would have a dramatic financial impact on small and medium size large scale projects in order to demonstrate the 1% threshold.
 - Par 206: IETA would encourage the Board to also include guidance on how DOEs should act when there has been a design change within the project i.e. a 25 MW hydro project adds another turbine of 2 MW. From its members it is clear that such design changes occur frequently and are as such not the exception but the rule. How should a DOE deal with such situation.
 - It also needs to be validated whether the stakeholders or their representatives have been invited to comment on the project activity by appropriate means
 - Par 234 (d): IETA suggest that this paragraph is amended to reflect annex 20 of EB 38: "*documentary evidence to support the baseline determination and additionality needs to be referred to and validated but NOT translated and NOT submitted for registration.*"

IETA trusts that the comments above will assist the Board in finalise the “Clean Development Mechanism Validation and Verification Manual (CDM-VVM)” and providing Project Proponents & DOEs with more clarity and guidance on the requirements.

Sincerely,

Henry Derwent
President & CEO
International Emissions Trading Association