

**The CDM Executive Board (EB) has call for public comment on the draft of the Validation and Verification Manual (VVM). This document represents the main views of the CantorCO2e with regards to the current VVM draft.**

CantorCO2e appreciates the huge effort and diligence invested to produce such detailed and precise guidelines for DOEs conducting validation and verification of CDM projects. We recognize that improving the consistency of the validation and verification is crucial, and the VVM is well needed framework for this. A general point comment is that there are a number of qualitative words throughout, which unless they are properly defined will lead to continued inconsistency. Furthermore, we feel some of the following issues may be relevant to bring further clarity in the content of the document:

1) Refer Point # 25 of draft VVM:

25. *The principles of conservativeness are applied when choosing approaches, assumptions, parameters, data sources and key factors so that baseline emissions and removals are more likely to be **under-estimated** rather than over-estimated, and that reliable results are maintained over a range of probable assumptions.*

We think that while ensuring conservative estimates in emission reduction calculations, DOEs should also ensure that the emission reductions are not too under estimated. The over cautious approach should not lead to under estimation to such extent that would deprive the project proponent from the adequate incentive to undertake Emission Reduction activities.

2) Refer Point # 42 (a)

42. *This assessment by the DOE shall, inter alia:*  
(a) *Assess, through application of **professional scepticism**, the evidence which supports the claims that the project activity would not take place without the benefits of the CDM;*

We think the word ‘Professional scepticism’ needs to be defined in detail to avoid individual interpretation leading to confusion.

3) Refer Point# 50 (e)

(e) *Comparisons of similar projects in the host country;*

Up until now and at various instances the CDM EB has discouraged quoting ‘precedence’ as a justification of any claim. Does this sentence of the guideline mean that from now onwards, DOEs and/or PPs can use ‘precedence’ as a justification? Clarification requested.

4) Refer Point# 67

67. *If comments are not sufficiently substantiated, the DOE may request further clarifications, and shall do so in cases where the comments indicate that the project activity may not comply with the mandatory criteria identified in paragraph B. 49. However the DOE is not required to enter into a dialogue with Parties, stakeholders or NGOs commenting on the validation requirements, and if subsequent to a request for clarification no additional information or substantiation is provided the DOE shall proceed to assess the comments as originally provided.*

The above guideline supports our understanding of ‘global stakeholder consultation’. We understand hosting the PDD in DOE site is for stake holder ‘consultation’; to improve and bring in clarity to the project and not for a ‘one way comments platform for criticism’. Hence, DOEs should not encourage comments from ‘anonymous’ stakeholders or from individual/groups who are not ready to disclose their real identity. It is not only difficult to engage such person for consultation but also the purpose of such consultation process may not get solved due to lack of clarity in comments or the intention behind the comments. We think, VVM can also provide some guidance on this issue.

5) Refer Point# 73

*73. If Letters of Approval contain additional specification of the project, such as PDD version number etc., then the request for registration must be made on the basis of this documentation. In the particular case where a Letter of Approval refers to a specific version of the validation report, it may not be possible for the DOE to submit this precise version of the validation report as it may require updating to confirm receipt of the final Letter of Approval. The DOE shall address this situation by one of the following options*

*(a) The validation report may contain a statement to indicate that the final Letter of Approval has not yet been received but that a request for registration will not be submitted until it has been received.*

*(b) The DOE may update the validation report to reflect the receipt of the letter of approval. If this option is chosen validation report major number should remain unchanged and the minor number should be increased. The validation report should contain confirmation that this is the only change that has been made compared to the version listed in the letter of approval.*

We think any DNA while approving a CDM project may refer to the version number of the document. During validation, the PDD may undergo various revisions in the sections of ‘demonstration of additionality’, ‘emission reduction calculation’ etc, which are not necessarily reviewed by the DNAs. Hence, for such changes which are not evaluated by the DNA while approving the project in the first instance, there is no reason for getting approval again from the DNA even if the version of the PDD is changed. This would delay the registration process, increase the workload of DNAs and PPs without adding any value to the project.

The process laid down in the above point #73 also forces the HGA to be a post validation process. In our opinion, The DNAs of the host countries should be determining their own process adhering to the conditions agreed in the Modalities and Procedures (adopted in Marrakesh Accord). Such guidelines (point #73 above) by CDM EB would increase confusion, increase workloads and lead to delays without any productive output. We request that this point be reviewed.

6) Refer Point #81

*81. The DOE shall validate the description of the project as contained in the PDD to ensure that it is complete and accurate and that it provides the reader with a clear understanding of the nature of the project activity. In the case of greenfield project activities this validation shall be undertaken by reviewing all available plans. In the case of pre-existing facilities this validation may also comprise an inspection of the physical site of the project activity to ensure that the description adequately reflects the nature of the project*

In our opinion, in order to avoid double accounting, DOEs should also check if any physical link exists with any other CDM project activity at site.

7) Refer Point #90

90. Meeting all the applicability conditions is a “necessary” condition to apply the approved methodology but not “sufficient” to ensure that selected methodology can be used by the project activity. Even if the project meets all the applicability criteria, the DOE shall check whether the proposed project activity meets all the other possible requirements or stipulations mentioned in all sections of the selected methodology.

We think the above statement introduces more uncertainties in the project registration process. Even after satisfying all the applicability conditions, if the project participants are not sure that the baseline methodology is applicable for their project, could lead to further confusion in validation process. Whereas the same could be managed by Meth Panel introducing processes to ensure that the methodologies are designed to estimate baseline emissions and monitor the emission reductions for cases that satisfies the applicability conditions.

8) Refer Point #124

124. The DOE shall, in all cases, assess the start date of the project activity as listed in the PDD. The DOE shall confirm whether or not this date has been reported in accordance with the CDM glossary of terms. If the reported date is not in accordance with the glossary, the DOE shall raise a CAR to ensure that the start date is properly reported. In particular, DOEs should note that for projects which require construction, the date of commissioning cannot be considered the project activity start date.

In the CDM glossary of terms, the terms like ‘implementation’ and ‘real action’ are not defined in such a way which could be supported by evidence (in other words the definition is such that it is not evidencable). Hence, these words need to be clarified further for benefit of DOE as well as the PPs.

In our opinion, the start date should be financial closure/ investment decision/ irreversible step towards project implementation. We have observed instances where the project activity had been stopped after starting construction, after receiving all clearances from the regulatory authorities, after financial closure, due to various reasons. Hence, we feel that the guidelines should provide DOE enough space to apply their judgments on the start date when the CDM was considered for implementation of the project activity.

9) Refer Point #125

125. If the project activity start date is before the date of the commencement of validation (i.e. publication of the PDD for global stakeholder comments) the DOE shall assess whether or not the incentive of the CDM was seriously considered. The DOE shall ensure that the evidence to support such consideration is adequately and transparently described in the PDD. If the PDD does not contain these details the DOE shall raise a CAR to ensure the proper completion of the PDD.

We have observed that based on the different set of systems followed by the various DOEs, there is a definite time lag introduced between the time the DOE is appointed for validation, the time the PDD is submitted for validation by the PP to the DOE and the time the PDD is hosted in site for global stakeholder comments. Sometimes these time lags are as high as 8 to 12 weeks. Hence, in our opinion, the commencement of validation should be the date when the DOE receives the PDD for hosting.

*10) Refer Point #127*

*127. If the DOE establishes that the CDM was considered in the decision to proceed with the project activity it shall then undertake an assessment to determine whether or not this consideration was serious, i.e. whether or not the project activity would have been undertaken without the incentive of the CDM. This assessment should be conducted with regard to the rest of the evidence supplied to demonstrate the additionality of the project activity. If there is a significant gap between the start date of the project activity and the commencement of validation the DOE shall query how it was possible for the project participant to commit funds to the project in advance of receiving a positive validation opinion.*

In our opinion, the ultimate result of this clause would be to increase burden of proof for the early movers. The fact that in the early days of CDM, the processes for CDM project registration were not clear, there were no (or limited) accredited DOEs to validate CDM projects, there were limited methodologies, registries were not set up etc. factors have deterred many PPs to put up high risk projects based on CDM revenue. Despite this situation, a set of entrepreneurs took up border line projects expecting CDM revenues to flow in future. Up until now CDM project registration has remained an uncertain activity, and banks have only recently begun to recognize CDM revenue as a definite cash flow. Hence, the early movers, taking the risk of project based on CDM revenue really could not do much advertisement about it to raise debt from market. Under such circumstances those who have taken risk of CDM based project has actually pushed the CER generation and made CDM a success. Hence, loading early movers with burden of proof is unfair if they have the valid reason for delayed submission for registration.

*11) Refer Point #133 (a)*

*133. To confirm the accuracy of financial calculations the DOE shall  
(a) Conduct a thorough assessment of all parameters and assumptions used in the calculation of the relevant financial indicator, and determine the accuracy and suitability of such parameters on the basis of the available evidence and expertise using relevant accounting principles;*

We observed that accounting principles do not exist on many circumstances that are relevant to additionality demonstration. Whereas, the word ‘accounting practices’ would be more relevant than ‘accounting principles’.

*12) Refer Point #137 (a)*

*137. Barriers are issues in project implementation which would prevent a reasonable investor from pursuing the implementation of the specific project activity. Issues which have a clear and definable impact on the profitability of the project cannot be considered barriers and should be assessed by investment analysis. The DOE shall apply a three step process to assess barrier analysis*

*(a) Determine whether the barriers listed are issues which have a clear a **definable** impact on the financial viability of the project activity:*

We think that there may be instances where the barrier is definable but not monetisable. In such cases the investment analysis could not be carried out as instructed above. Hence we feel 'monetisable' would be a better substitution of word in place of 'definable' in the context of mentioned above.

*13) Refer Point #140 (c)*

*(c) Assess whether the specific project activity differs from existing or ongoing projects, if the project type is already widely observed in the relevant region;*

We think that the fact that CDM projects should not be included during analysis of common practice in any region, is not made clear in the above. Hence the sentence could be modified to:

*(c) Assess whether the specific project activity differs from existing or ongoing projects, **other than CDM project activities**, if the project type is already widely observed in the relevant region;*