



June 13, 2008

Mr. Rajesh Kumar Sethi
Chair, Executive Board of the Clean Development Mechanism

Dear Sir,

We are writing to you as project participants and members of the International Emissions Trading Association (IETA).

Regarding the Call for Public Comments on the draft **Validation and Verification Manual (VVM)**, launched by the Board at its Thirty-Ninth Meeting, please find below our input:

- **I. Introduction, A. Mandate:** we find necessary to corroborate if major guidance of this type does not have to be necessarily approved by the COP/Mop, instead of the EB alone; the EB has gone beyond its mandate in the past and some legal opinion should be requested on this issue, which might be a major issue; the bottom line would be to include this guidance in the EB report to the COP/MoP as an annex, for endorsement by the Parties; if the above is true, the Parties should also be involved in the updating process of the VVM.
- **III. General, B. Conflict of Interest, Para 10:** "Appendix A of the CDM modalities and procedures (CDM M&P) specifies that the DOE shall work in a credible, independent, non-discriminatory and transparent manner. The structure of the DOE shall safeguard impartiality of its operations. If the DOE is part of a larger *operation*,..."; the word here should read **organization** instead of *operation*. This wording is approved in the M&P, but this is an opportunity to clarify the concept.
- **III. General, C. Competence Criteria, Para 15:** "Throughout this document the importance of the specific local and sectoral knowledge of the DOE has been highlighted. Such knowledge is vital to allow DOEs to apply their professional **skepticism**"; The word *skepticism* should be replaced by **reservation, caution, discretion** or **alertness** since the word *skepticism* may indicate a bias against the PP, whereas the attitude of the DOE should be that of objective neutrality as per para 35 of the M&P
- **IV. Principles of CDM, A. General Principles for the CDM, Para 20. Edit text to read:** "The project documentation and the scope of validation/verification shall include all GHG sinks, sources and reservoirs **affected by/resulting from the project, and identified in the applicable approved methodology**"
- **(cont'd) Para 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 underestimated rather than over-estimated**"; the text in bold is over-conservative and might go in detriment of the financial viability of CDM projects. The highlighted text should simply read: "...are **not likely to be over-estimated**"



- **IV. Principles of CDM, B. Additional Principles Applicable to DOEs, Section 2 after para 38:** The text should incorporate the principle of Integrity, meaning absence of pending judicial processes for fraud and/or malfeasance, following the M&P rationale and text.
- **V. CDM Validation Guidelines, A. CDM validation objective, general comment:** The paragraph numbering in this section is incorrect from the first paragraph on, *correct paragraph numbering*.
- **V. CDM Validation Guidelines, A. CDM validation objective, Para 42 (a).** "Assess, through application of professional *skepticism*,..." see our comments for section III.C above.
- **V. CDM Validation Guidelines, B. Validation approach, Para 45:** Text edition for clarity: "The CDM is a rules based mechanism" should read "**a mechanism based on rules**".
- **(cont'd), Para 47, first sentence:** There is wording missing at the end of the sentence which reads "During the validation, the DOE shall assess, through objective evidence, that the project design of the proposed CDM project activity meets the relevant UNFCCC...", the text here should be probably complemented with the words: "*criteria, rules and guidance*".
- **V. CDM Validation Guidelines, C. Validation methods, Para 50 (a) (i):** "Review of data and information to confirm the correctness of presented information". Here the sentence should be changed to read: "**Review of data, and information, and its corresponding interpretation, to confirm the correctness of the presented information**". The DOE does in any case check the data and its application to the PDD, so the word "*interpretation*" should definitely be added here.
- **(cont'd), Para 51:** Add a new subpara (j) to include *historical surveys on forests* that are now included in the procedures to identify the eligibility of lands.
- **V. CDM Validation Guidelines, D. Stakeholder consultation process, Para 65:** "During the assessment of the project, the DOE shall take into account the comments received and shall demonstrate how the validation process took how due account was taken in of the comments received"; there is a syntax error in the sentence that should be changed to read, in the last part: "*...and shall demonstrate how the validation process took due account of the comments received.*"
- **V. CDM Validation Guidelines, E. Guidance on validation of specific requirements, Para 73 (e):** "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 syntax is mistaken here and the text is totally unclear. ***If it refers to the entire number of the version and the fractional sub-number of the version it should be made clear and the text should be amended.***
- **(cont'd) Para 89, first sentence:** "A selected approved methodology is applicable to the project activity, if the applicability conditions are obeyed and the project activity is not expected to result in significant emissions, related both to project and leakage, other than those listed in the methodology"; The second part of the sentence, starting with the words "*...and the project activity is not expected to result...*", should be deleted because this text is unnecessary. The text should stop at the words "*...if the applicability conditions are obeyed*".
- **(cont'd) Para 90, second and third sentences:** "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. *This shall also include, based on document review and a possible site visit, identification of emission sources which are*



expected to be impacted by the project activity and which are not addressed by the selected approved methodology". The second sentence is not very clear and can be interpreted in ambiguous ways. It should be changed to read as follows: "***The DOE shall check whether the proposed project activity meets all the other requirements or stipulations mentioned in all sections of the selected methodology in addition to meeting all the applicability criteria of the methodology***". For the part in cursive there is an inherent contradiction: Either the methodology is applicable or it is not applicable in a particular scenario, or it may be applicable after a clarification / request for deviation etc. While doing validation the DOE is NOT supposed to be cross-checking a methodology which is tantamount to the DOE contravening para 92 of the proposed VVM. **This part should be completely deleted.**

- **(cont'd) Para 132:** "If investment analysis is used to demonstrate additionality, the PDD should provide evidence that the project is economically/financially not attractive without the revenue from the sale of CERs because:...". The word *because* at the end of the sentence should be replaced by the following wording: "***due to one of the following alternatives***".
- **V. CDM Validation Guidelines, F. Differences for specific validation activities, Para 161, second sentence:** "The PP should also obtain written confirmation from the Host Party that the delay will not alter the project's contribution to sustainable development and this should be validated by the DOE". The text is not very clear. It should be made sufficiently clear that the contribution to sustainable development should be determined only by the host country **and the DOE should check only that the host country has officially confirmed this point.**
- VII. Communication with the Secretariat, E. Issuance - Request for review Para 250: "*If a request for review, to be limited to issues of fraud, malfeasance or incompetence of the designated operational entities, is triggered the DOE shall be informed and provided with the reasons provided by those requesting the review, and shall be informed of the EB meeting at which the request will be considered*". This text is totally ambiguous and provides no clarification on the procedure and the cause for review. **It should be either properly amended or removed from the text.**

We hope our comments are useful to improve the document. We look forward to continue supporting your work and the continuous development of the CDM

Best regards,



Mark A. Miller
Director of Regulatory Affairs and Quality Assurance

