

June 15, 2008

CDM Executive Board
c/o UNFCCC Secretariat

(Submitted via uploading to UNFCCC CDM website)

Comments on the CDM Validation and Verification Manual

Thank you for giving us the opportunity to comment on the current draft of the Clean Development Mechanism (CDM) Validation and Verification Manual (VVM). The VVM is a significant step forward towards an improvement and better integration into the CDM process of the services provided by Designated Operational Entities (DOEs) to project proponents and the CDM Executive Board. Careful editing and choice of language would make this VVM an even more user-friendly instrument.

We appreciate the systematic compilation of requirements and other decisions that apply to the validation and verification of CDM projects. We fully understand that the requirements for CDM projects will continue to evolve. We also understand that the role and the work of DOEs as an important and integral part of the CDM system will continue to be strengthened. Timely updates of the VVM will therefore be of the essence to maintain its usefulness.

For future versions, a more detailed description of the process of validation and verification, e.g. explanations on the relationship and interactions between project proponents and DOEs as well as between DOEs and the EB, may be useful. Also, an annotation and commentary on CDM requirements as well as the inclusion of specific knowledge instruments such as tables with reference number, emission factors and so forth, could be a welcome supplement to the VVM. The DOE community itself could provide such supplemental information over time and turn the VVM and its supplements into a truly professional manual and daily resource for validators and verifiers as well as for project participants.

In the meantime, please find herewith our general and specific comments on this draft of the VVM, provided in tabular form. We hope that our input will help the CDM Executive Board in the execution of its tasks. Please let us know if you require further explanation and clarification or wish to discuss any aspects of our comments. Thank you very much.

With kind regards,

Johannes Heister
Team Leader Policy and Methodology
Carbon Finance Unit, The World Bank

General comments	
This draft of the VVM needs much editing to eliminate language errors and potential for confusion. It is difficult to comment on the VVM from page 30 on, because of confusing language.	
Some terms are undefined, e.g. "internal reviewers", external/internal users. A list of definitions should be added for terms not defined in the CDM Glossary. Reference in the VVM to "UNFCCC criteria" is too vague.	
The language "the DOE should confirm <i>if ...</i> " throughout the VVM should be replaced by "confirm <i>that</i> " (referring to the activity of validation and the confirmation statement).	
A clearer distinction throughout the text between parameters (also variables) used in formulae and actually monitored and reported data would be helpful.	

Specific comments by paragraph	
Para	Comment
5	The starting date of the validation could be a time limit for the version of the VVM applicable.
	Updates of the VVM by the Secretariat shall be approved by the EB.
6	Add a reference to the accreditation and designation of DOEs and the nature of their relationship with the EB.
9	The objective of a review is the DOE's performance in relation to that project, and only indirectly the project.
12	The project participant should have the opportunity to provide feedback of the expertise of the DOE to the Accreditation Panel.
14	In situations where changes in the composition of DOE team occurs during validation process, the PP should be provided with opportunity to submit feedback on the continuity of DOE competence to Accreditation Panel.
18	Add in relation to uncertainty: "and as per EB guidance" and/or a reference to the new tool on uncertainty.
19	Add: (c) Accuracy of reporting
20-22	Add to completeness: disclosure of all factors that have influenced the decision of the DOE regarding the validation of the project.
23	Refer to uncertainty (of data, information etc) in relation to the need for conservativeness.
26b	The requirement for consistency should permit the PP to utilize the similarity/precedence of another project in the region to present relevant evidence
26	Add: (e) non-contradiction between facts and assumptions in describing the CDM project as well as non-contradiction between facts and assumptions used for the CDM project and for the underlying project.
27	Add: The principle of consistency is supported by a strict application of approved methodologies and other EB guidance and decisions.
29	Add to 2 nd sentence: ... data .. shall not be included ... in what? the validation? The validation report? ...
30	Add to the purpose of transparency: allow intended users to reproduce the decision(s) arrived at by the DOE.
30, 31	DOE should submit written documentation of the stakeholder interviews as an annex to validation report and verification report.
	Who are "internal reviewers" and "external intended users"? (Add explanation / definition)
32(i)	The sentence is unclear and need to be revised to better reflect the categories of external factors that need to be documented.
32	Add: (j) disclosing all assumptions and data and referencing all information that is held confidential for commercial reasons of the PP. add to (h): and judgments and decisions by the DOE. re (i): Add to "decisions of intended users": and has affected the decision of the DOE.
40 & 57	DOE should "effectively complete validation" in a timely manner within the 8-month

	period
40	DOEs should have an internal training system and ensure permanent training of their staff. The VVM could be used as part of a training system for staff from all DOEs.
42(d), 68 & 75	There needs to be consistency in the guidance on the participation of participants in the project.
44, 49(a)	The decisions, clarifications and guidance relevant for the validation process should be those latest CDM decisions, clarifications and guidance available at the start date of the global stakeholder process of the project.
47	Documentation and references of other evidence considered by DOE in its validation shall be made available to the project participant.
50(a)(ii)	Information sources of the independent background investigations in the document review should be stated in the validation protocol.
50d	Correctness of formulas and calculations should be assessed as per the specifications outlined in the relevant approved methodology
52	Add: related to the project's "additionality"
53	The wording should be "non-compliance with methodology requirements" and not project requirements. Add: "CDM-related" to project objectives. (DOEs should not have to deal with any other non-CDM related objectives of the project). Replace "has been termed ..." with: may result in a CAR, CR or FAR
54(b)	Delete: "with certain characteristics"
55 etc.	"CL" should be "CR"
57	The DOE's responsibility to follow the timeline of the validation process should also be stated
65	Replace "demonstrate" with: "record in the validation report", fix language
67	Clarify "request further information": from the commenting entity.
68	Approval by all parties - by when? Getting the LOI should not prevent the DOE to effective conduct the validation process .
75	The wording on the approval of parties is not consistent in the paragraphs 42(d), 68 and 75. For example, paragraph 75 states that "at least one Party has approved", which is not consistent with information in the paragraphs 42(d) and 68.
before 77	The PDD form used for validation shall be in accordance with latest guidance of the Board at the <i>starting date of validation</i>
83(b)	The DOE should not have an "opinion" on the accuracy ... of data but "confirm" their accuracy, i.e. "statement confirming accuracy"
87	How is it relevant that the methodology was retrieved from the UNFCCC website, and how can the DOE verify this?
89	Applicability conditions cannot be "obeyed", only met. Means of validation is a comparison between applicability criteria and project description (incl. regulatory and physical conditions at the site) and the establishment of congruence between them.
97	Is there a definition of when a justification provided by the PP is "reasonable"?
98	"Commissioning report" is probably too late as evidence for project boundary (not a good example).
116	There should be clear guidance on the information to be used for the assessment of project boundary of A/R project implemented on community lands and private lands as large number of discrete land parcels are brought under the project during different years of planting and some discrete parcels would not be planted because of natural hazards or other reasons. The eligible discrete areas included in the project at the time of validation but not planted should be excluded from the project boundary at the first verification.
116	Replace "the DOE should confirm" with: the DOE <i>may</i> confirm the boundary through sampling.
120 etc.	State that DOE may not use intentions (of PP) or opinions in testing additionality, but that additionality testing must be strictly based on facts.
122	The tools outlined are not mandatory on their own and would only be mandatory if the

	methodology requires the use of these tools.
124	For projects that require construction, “start date” would need to be defined. There needs to be guidance on the start date of A/R project. In A/R projects, the planting activity would only commence after soil preparation and nursery stock is raised and available for planting. Therefore the start date of the project should be the start date of nursery preparation.
126(a)	Definition of the “decision to proceed with the project activity” would need to be clarified to avoid ambiguous interpretation.
127	A “gap between the start date of the project and the commencement of validation” can occur due to many reasons, which are not necessary under the control of project participants. Despite the fact that the CDM may be important for a project’s implementation and maintenance, for many projects the CDM income stream generates only a small contribution to the overall financing package (e.g. Banks don’t lend against CDM contracts). Entrepreneurs and investors take the project risk and may also have to take the CDM-related (validation) risks when committing funds. It may be difficult and even inappropriate for a DOE to try and validate the risk taking behavior of investors as part of the validation of a CDM project, since the willingness to take risks is highly subjective and would be outside of the scope of validation.
129-131	For consistency of guidance, the process of baseline identification would need to be included in 5.3.3. (para. 99)
130(b)	There is also a need to consider comparable service or output in situations where projects are implemented under suppressed demand.
130(c)	Include that under certain conditions emission reducing (E-) policies/laws need not be considered in the baseline scenario (perverse incentive of the CDM on host country policies).
131	Replace “describe whether” with: confirm that (or: describe how the DOE has confirmed that the list is complete)
133(b)	Add: “if possible”. To make cross-checking a mandatory requirements is not feasible because third party or publicly available sources may not be available for all parameters.
133(d)	The language should be changed. The terms “significant variation” and “likely” could introduce subjectivity into the accuracy of financial analysis and may bias the validation process of risk averse DOEs against project proponents. While sensitivity analysis is useful to assess the relative influence of factors, such analysis must not turn into a scenario analysis involving different project alternatives.
134 (a)	The DOE should provide written justification if it determines that a comparator is not suitable.
134(c)	Requesting the DOE to look into previous business decisions of the project entity unduly expands the scope of the validation beyond the CDM project. Other investment decisions may be taken under circumstances and have characteristics that are not relevant for a comparison with the CDM project under validation.
137(a)	Requirement of barrier analysis to show a clear and definable impact on the financial viability causes circularity: This requirement refers back to the investment analysis and goes against the guidance that PPs can choose between investment analysis and barrier analysis. Every barrier that can be removed by providing a financial incentive (through the CDM), has a clearly definable impact on the financial viability of the project. A barrier that cannot be removed by spending money will make the implementation of the CDM project impossible.
137(b)	The DOE assessment of the “realism” of barriers would need to be substantiated relevant evidence, otherwise it would lead to generic opinions
137(c)	It is often not one barrier, but a combination of barriers that make a project unattractive and that in combination are insurmountable without financial support from the CDM. The EB needs to provide guidance on how a DOE should assess the impact of a combination of various barriers in a situation where PPs may well be able to overcome each

	individual barrier when considered separately.
140(a)	Replace: “the region is appropriate for a technology/ industry type” with: is appropriate for the assessment of common practice related to a technology / industry.
140(c)	The definition for “widely observed” should be provided to avoid ambiguous interpretation.
143(a)(ii)	It may not be appropriate and consistent with host country law to include issues related to the EIA into the Monitoring Plan and request validation by the DOE. This should not be mandatory unless specifically required by the host country DNA.
143(b)(ii)	Add after “ex post”: and verified
143(b)	Add: (iii) that the algorithms used to calculate emission reductions are correct and properly implemented and the monitored data is properly used in those algorithms, in particular if automated data processing techniques are used.
143(b)	Add: (iv) that proper procedures are defined to draw relevant conclusions from monitored data other than those that directly impact emission reduction calculations.
153	The DOE should only confirm that the environmental impacts have been assessed by the PP and that this is properly recorded in the PDD. The description of impacts is done in other documents (e.g. the report on the EIA).
150-263	Really poor drafting from here on makes it difficult to comment on the remainder of the VVM.
158	While this sections is work in progress, the VVM should already include some guidance for DOEs on how to assess that a CPA meets all the criteria laid down in the PoA.
159	The confirmation of the validity of the original baseline is limited to the application of new data and the following crediting period. Replace “the applicable approved methodology” with: the methodology <i>registered</i> for the project. (A newer version of the methodology should not be required, since the confirmation is limited to new data.)
165	“Project requirements” should be: requirements of the methodology
after 165	Insert clarification that the DOE must also submit to the EB a validation report if the DOE does not validate the project.
167(e)	Add: baseline, appropriateness of methodology for project, boundary
167(f)	Separate: local stakeholder process, global stakeholder process, final opinion of DOE.
167(g)	Include in 167(b)
170(d)	The expected emission reductions cannot be validated, only the methods of calculating the projected emission reductions can be validated.
171	Most importantly, the DOE should state in its validation opinion that the project can be registered as documented.
172	Clarify objective of verification: (a) confirm that the project has generated the indicated amount of ERs, (b) complies with the registered Monitoring Plan and PDD.
173	Delete – this does not need to be repeated.
180	Applying materiality threshold of 1% and 5% of the final emission reductions for ex ante estimates is not realistic. Moreover some approved methodologies define significance with values between 2% and 5%. Therefore, clarification on significance and materiality and their suitable interpretation should be provided.
204 etc.	Why does compliance of the monitoring plan with the methodology need to be checked again? It is a repetition of the work undertaken during validation (Section 7). It would be more important to check the consistency of company operational plans and procedures with the registered monitoring plan.
213	“Monitoring period” should be: “verification period” throughout the VVM. (Monitoring can be continuous, reporting and verification is done for a particular time period).
217	How is it possible that an approved methodology is no longer applicable to the project for which it was register? It is only possible that the project does no longer comply with the registered methodology.