

Comments on the draft VVM

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RE: Additionality and stakeholder consultation sections

This comment focuses on the section on additionality. Most importantly, the draft VVM effectively specifies that the role of the DOEs in testing additionality is not just to assess the validity of the statements contained in the PDD, but also to use their expert judgment to assess the likelihood that the project would not have been built without the CDM. The CDM must be restructured in the second commitment period so that such a subjective judgment is no longer a core element of the mechanism. But until this restructuring takes place, the VVM makes explicit that projects that are likely to be non-additional should be judged as ineligible for CDM registration. Paragraphs 121, 127, 128.c and other similar paragraphs should not be weakened.

Some parts of the VVM provide adequate guidance as to how to make these subjective judgments. The section on "Prior consideration of the CDM" is especially strong. I note below how other sections should be further elaborated and strengthened. The clearer the guidance is, the less uncertain the registration process will be, and the more effective the CDM will be in changing project investment and lending decisions.

Below I note paragraphs that are strong and should not be weakened, and paragraphs that need to be strengthened with specific suggestions, in their numbered order.

Paras 61-67. Stakeholder consultation process

Include guidance that all public comments should be accepted

DOEs have sometimes ignored public comments because the sender was not from an official observer organization. Since it seems as if there is some confusion over this point, it would be helpful if there is explicit guidance that all comments should be taken into account, whether or not they come from an official observer organization.

Para 121.

This paragraph is very good and very important. It should not be weakened.

6.2 Prior consideration of the CDM

This section is very good. It should not be weakened.

6.4 Investment analysis

Para 133 - *please keep in mind this example*

In India, wind is considered a good investment in large part because of the tax benefits provided, most importantly the depreciation benefits (80% in the first year). But most of the PDDs for wind projects in India do not include the depreciation benefits in their IRR analyses and many such project have been positively validated. When this paragraph is being debated, please keep in mind this example. DOEs must understand that it is there responsibility to make sure that investment analyses accurately represent the true considerations of the parties involved.

Para 133.d – *more guidance is needed*

A validator once told me that the sensitivity analysis can only support the additionality of a project, and would never be used to refute a project's additionality. DOEs need more guidance than is provided in this paragraph as to how they should use the sensitivity analysis in assessing the likelihood that a project is actually additional. Otherwise, the sensitivity analysis is just a requirement with no meaning.

6.5 Barrier analysis

136. It also must be described how the CDM helps to overcome these barriers.

137. A fourth step (step (d)) should be added:

Assess the role of the CDM in overcoming this barrier If a convincing description is not given as to how the CDM helped to overcome this barrier then the barrier should be removed from the list.

6.6 Common practice analysis

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The term “common practice” should be defined. For example, at what point is wind development considered common practice in Tamil Nadu state in India? Hydropower is common practice in all countries where there are hydropower resources. Are there any conditions under which hydropower is not considered common practice?

140.c

Ways to meet this requirement should be defined in more detail and more strictly than it has been so far. So far developers have used such a wide range of arguments to describe why their project is different from other similar projects in the region, such that practically any project could be described as different in some way.

9. Local stakeholder consultation

This section should be expanded to prevent the following problems that were documented with some CDM projects:

- people affected by the project were unaware of the public consultation. The public consultation must be publicized such that stakeholders are effectively informed about the consultations. This is very place specific. In one case (Allain Duhangan hydro project in India) an announcement in a local newspaper was not sufficient to let the people in affected villages know about the project. An NGO visited the villages and

found that many villagers were unaware of the consultation, and of basic elements of the project.

- not all people affected by the project were invited to the consultation session, such as people living downstream of a hydro project
- project documentation was not provided in a language and means that the stakeholders could understand. In one case a stakeholder request made to the developer for the project's environmental impact assessment went unanswered.
- When these issues were raised in the public comment periods, the DOEs did not investigate if the concerns raised were true. They instead simply accepted the responses given by the project developer and positively validated the projects.

para 149. Please add another element – that information about the project has been provided to the stakeholders in an appropriate language and terms that they can understand.

Please feel free to contact me with any questions about these points, or if you would like me to suggest specific wording for some of the changes I suggest.

Sincerely,
Barbara Haya