



CLIMATE FOCUS

Memo

To: CDM Executive Board
From: Climate Focus
Subject: Comments on Draft Validation and Verification Manual
Date: 13 June 2008

General remarks

- The Manual is complete and covers all relevant issues of the validation and verification processes;
- At times the Manual uses definitions that are different from those in the CDM Modalities and Procedures and that are different from those in the approved methodologies. This should be avoided. Below examples are indicated;
- Sections IV and V are very repetitive and therefore unpractical. It is recommended to reduce the number of repetitions of the same information. Example: paragraphs 42 and 49.

Specific remarks on validation

42 – a Change text: Assess, through application of professional scepticism, the evidence which supports the claims that the **project activity emission reductions** would not take place without the benefits of the CDM.

72 – a Change text: 72. The validation report shall, for each Party involved:

(a) Indicate whether a letter of approval has been received, with a clear reference to the **supporting documentation** PDD;

47. “During the validation, the DOE shall assess, through objective evidence, that the project design of the proposed CDM project activity meets the relevant UNFCCC **Guidelines.**”

158. “The CDM Executive Board has provided **g** guidance and procedures regarding how a programme of activities (PoA) can be registered as a single CDM project activity.”

137. This paragraph requires that a DOE should assess whether a barrier is real, have a financial impact and prevent project implementation. This guidance goes beyond the barrier analysis described in version 05 of the “Tool for the demonstration and assessment of additionality”. According to the Tool a barrier should prevent the implementation of the proposed project activity and not the implementation of at least one of the alternatives. The Tool does not refer to “a clear and definable impact on the financial viability of the project activity”. The VVM and the Tool should provide consistent guidance on this topic.

In addition, requiring that barriers impact on the financial viability of a project is too limited. Often times, barriers do not necessarily affect the financial viability of a project but stand in the way of project implementation for other reasons. A typical example is that barriers prevent access to finance, which is the case for many first of a kind projects that struggle to find



CLIMATE FOCUS

investors. Even a project that appears to be financially viable may not attract investors or secure loans simply because the technology is novel and unfamiliar to investors in the region. In these situations, the CDM can provide other than only financial benefits to project developers. It is thus not reasonable to recognise only direct financial contributions in the additionality test. As an example, the CDM may forge partnerships between developing country project developers and large and resourceful investors, who, attracted by the prospect of a carbon transaction, provide the project with the necessary skills, resources, network and credentials to obtain financing or even act as equity investors.

5.3.4 Algorithm/Formula used to determine emission reductions

The vvm should also define a procedure for DOEs if during validation formulas provided in the methodology are found to be incorrect.

Specific remarks on verification

Often the verification instruction requires to test monitoring reports against relevant decisions and guidance of the CDM EB. This is undermining the principles and the purpose of validation and is also creating business risks for project participants. A general principle of verification should be that tests are carried out against the rules and methodological insights at the time of validation of the project. Modifications due to relevant decisions and guidance of the CDM EB should be applied only upon renewal of the crediting period. Relevant instructions should be deleted *inter alia* in 172 (b), 172 (c) and 213 (c).

172. “Ensure that the project activity has been implemented and operated as per the registered Project Design Document and that all physical features (technology, project equipments, monitoring and metering equipments) of the project are in place;”

Project design may change after finalising the PDD but in many cases this does not affect the eligibility of the project under the CDM. Rather than allowing no changes at all, the verifier should allow for changes to the project that are reasonable and which do not affect the project’s compliance with the UNFCCC criteria and relevant guidance provided by the COP/MOP and the CDM Executive Board. This is particularly relevant as there is a discussion on requiring that projects are submitted for validation within one year after project start. Some large projects may have a construction time of three years. For these projects it would be detrimental when disapproving of any changes in the design in the last two years of construction.

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