



DRAFT UNEDITED VERSION

**CDM Validation
and
Verification Manual**

DRAFT



DRAFT UNEDITED VERSION

CONTENTS

	<i>Paragraphs</i>	<i>Page</i>
I. INTRODUCTION.....	1	4
A. MANDATE	1	4
B. OBJECTIVE OF THE VVM.....	2–4	4
II. UPDATES OF THE VVM.....	5	4
III. GENERAL	6–13	4
A. Designated Operational Entities.....	6–7	4
B. Conflict of interest	8–9	5
C. Competence criteria	10–13	5
IV. PRINCIPLES OF CDM	14–39	5
A. General principles for the CDM.....	14–30	5
B. Additional principles applicable to DOEs.....	31–39	7
V. CDM VALIDATION GUIDELINES	40–171	8
A. CDM validation objective.....	40–43	8
B. Validation approach	44–48	8
C. Validation methods	61–60	11
D. Stakeholder consultation process.....	61–67	11
E. Guidance on validation of specific requirements.....	68–153	12
F. Differences for specific validation activities.....	154–161	26
G. Validation report	162–167	27
H. Validation opinion.....	168–171	28
VI. CDM VERIFICATION GUIDELINES	172–229	29
A. Verification Objective.....	172–174	29
B. Verification Approach.....	175–189	29
C. Verification Methods	190–201	31
D. Guidance on verification of specific requirements.....	202–215	33

**DRAFT UNEDITED VERSION**

E.	Specific verification activities.....	215–224	36
F.	Verification Report.....	225–227	37
G.	Certification statement	228–229	38
VII.	COMMUNICATION WITH SECRETARIAT.....	230–265	38
A.	Registration - request for registration	230–236	38
B.	Registration - request for review	238–241	39
C.	Submission of monitoring report	242–243	39
D.	Issuance - Request for issuance.....	244–250	39
E.	Issuance - Request for review	251–260	40
F.	Submission of request for deviation.....	261–263	41
G.	Submission of request for revision of monitoring plan.....	264–265	41
	<u>Annexes</u>		
I.	Abbreviations.....		46



DRAFT UNEDITED VERSION

I. Introduction

A. Mandate

1. The Executive Board of the Clean Development Mechanism (hereafter referred as the CDM Executive Board), following the request from the Conference of the Parties serving as the meeting of the Parties for the Kyoto Protocol (COP/MOP), agreed to develop guidance to the requirements stipulated in the CDM modalities and procedures (CDM M&P) for the validation and verification work of designated operational entities (DOEs). The CDM Executive Board decided that this validation and verification manual (VVM) shall be a mandatory guidance for the DOEs in undertaking their validation and verification work. In case of any inconsistency with the CDM M&P and/or subsequent decisions or clarifications of the Board, specific guidance shall be sought from the CDM Executive Board. In this case the guidance from the Executive Board takes precedence and necessary modifications in the document shall be undertaken at the next revision.

B. Objective of the VVM

2. This mandatory VVM provides the necessary and agreed guidance of the CDM Executive Board and COP/MOP on essential aspects of validation and verification functions in a compiled and consolidated manner. In addition to providing guidance, the document is also aiming to promote quality and consistency in validation and verification reports by the DOEs.

3. The DOEs in carrying out their validation and verification functions are expected to fully adhere to this mandatory guidance and ensure that all technical, methodological, procedural and regulatory guidance specified in the document are met.

4. The DOEs are also expected to integrate this guidance and its updates into their quality and operational management systems so that its application as part of their validation and verification functions is ensured.

II. Updates of the VVM

5. Taking into consideration the evolving nature of the CDM and also to maintain its applicability, a regular update/revision shall be required. The CDM Executive Board requested the secretariat to ensure and maintain the applicability of this guidance by updating/revising it as and when required. Any update/revision of the document shall be immediately made public on the UNFCCC CDM website and a notification shall be sent to DOEs

III. General

A. Designated Operational Entities

6. In accordance with CDM M&P, DOEs shall be accountable to the COP/MOP through the CDM Executive Board. In accordance with CDM M&P, DOEs shall:

- (a) Undertake validation of proposed CDM project activities;



DRAFT UNEDITED VERSION

- (b) Undertake verification and certification reductions in reductions in anthropogenic emissions by sources of GHGs.
7. Paragraph 27 of the CDM M&P defines roles, functions and obligations of DOEs.
8. The CDM Executive Board, taking into consideration the importance of DOEs in the governance and support structure of the CDM, has entrusted DOEs with several other functions. Some of these functions are following:
 - (a) Serve as a channel to submit new baseline and monitoring methodologies or revision to the existing approved methodologies for the approval of the CDM Executive Board;
 - (b) Undertake voluntary pre-assessment of these new baseline and monitoring methodologies;
 - (c) Identification and submission of requests for deviations;
9. In case of requests for reviews and reviews of CDM project activities DOEs shall act as an interface for response from PPs and provide additional information/clarifications which they deem necessary.

B. Conflict of interest

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 DOE shall clearly define the links with other parts to demonstrate that no conflicts of interest exists. The DOE shall demonstrate that it is not involved in any commercial, financial or other processes that might influence its judgement or endanger trust in its independence and integrity.
11. The above requirements by the CDM M&P stipulates that sources of potential and perceived conflict of interests shall be analysed and identified by the DOE and the necessary structure and provisions should be put in place to ensure and demonstrate effectively that no such conflict of interest exists with respect to its validation and verification services¹.

C. Competence criteria

12. Generic requirements on the criteria for competence has been established as part of the list of sectoral scopes (CDM-ACCR-06).
13. DOEs shall have policies and procedures to ensure that adequate and desired competence is built into the teams that are assigned for validation and verification work.
14. DOEs shall also be able to demonstrate that the competence of the team was adequate and the same is being maintained by the DOE throughout the period of validation/verification.

¹ See paragraph 11 of EB 31 report and paragraph 13 of EB 33 report for decision of the Board on use of laboratories and calibration services for CDM projects by the DOEs. .



DRAFT UNEDITED VERSION

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 in assessing the credibility of statements and evidence provided by project participants (PPs) to support their claims of compliance with requirements. In the appointment of validation and verification teams the DOE shall ensure that the relevant expertise has been selected to allow a full and thorough assessment of the project activity.

IV. Principles of CDM

A. General principles for the CDM

16. During the life cycle of a CDM project, starting from the conception of the project to validation, implementation and verification, the following principles shall be applied at all stages by the project participants and DOEs.

17. Effective incorporation of these principles in the procedures and systems by the project participants, DOEs and other involved stakeholders shall assist in the reporting, validation, verification and certification of CDM project activities.

1. Accuracy

18. The principle of accuracy requires reduction in bias and uncertainty as far as is practical.

19. Accuracy with reference to the validation and verification is at two levels.

- (a) The first relates to the accuracy of quantitative data and information;
- (b) The second relates to accuracy of non-quantitative information.

2. Completeness

20. The project documentation and the scope of validation/ verification shall include all GHG sinks, sources and reservoirs affected/resulted by the project.

21. Completeness is satisfied by identifying all GHG sources, sinks and reservoirs affected by / resulting from the GHG project and corresponding baseline scenario.

22. Where particular individual GHG sinks, sources and reservoirs have not been identified in the applicable methodology, the procedures for clarification or deviation shall be followed.

3. Conservativeness

23. The principles of conservativeness requires the use of conservative assumptions, values and procedures in accordance with the applicable methodology to ensure that GHG emission reductions or removal enhancements are not over-estimated.

24. The choice of conservative figures for the parameters identified should be relevant and specific to the CDM project activities and the applicable methodology.



DRAFT UNEDITED VERSION

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.

4. Consistency

26. The project documents shall address comparable key indicators that enable meaningful comparisons in GHG related information. Consistency is satisfied by:

- (a) Application of the requirements of the methodology over different periods;
- (b) Similarity of application of available guidance and knowledge among projects with similar characteristics such as application of methodology, use of technology, time period and regional similarities;
- (c) Applying tests and assumptions equally across potential baseline scenario;
- (d) Ensuring the equivalent application of principles used for expert judgement, internally and externally, over time and among projects.

27. The principle of consistency shall not prevent the use of more accurate procedures or methods as they become available. However, any change in procedures and methods shall be transparently documented and justified.

5. Relevance

28. The quantification and reporting of GHG emission reductions shall include information that is needed for the assessment.

29. Data, methods, criteria and assumptions shall not be misleading. Data and assumptions that do not have an impact on the validation/verification opinion shall not be included.

6. Transparency

30. Transparency is to disclose information to allow intended users to understand and to make decisions with reasonable confidence. Transparency relates to the degree to which information is seen to as being reported in an open, clear, factual, neutral and coherent manner based on documentary evidence.

31. Information shall be recorded, compiled and analysed in a way that will enable internal reviewers and external intended users to attest its credibility.

32. Transparency requires, *inter alia*:

- (a) Clearly and explicitly stating and documenting all assumptions;
- (b) Clearly referencing background material;
- (c) Stating all calculations, methodologies and all data used;
- (d) Clearly identifying all changes in documentation;

**DRAFT UNEDITED VERSION**

- (e) Compiling and documenting information in a manner that enables independent validation and verification;
- (f) Documenting the explanation and/or justification (e.g. choice of procedures, methodologies, parameters, data sources, key factors, sampling criteria);
- (g) Documenting the justification of selected criteria (e.g. for the determination of additionality);
- (h) Documenting assumptions, references and methods such that another party can reproduce reported data;
- (i) Documenting any external factors to the project that may affect the decisions of intended users.

B. Additional principles applicable to DOEs

33. The following principles shall be applied in performing validation and verification and shall also be used as guidance when documents related to validation and verification are prepared.

34. The DOEs shall exercise due professional diligence and judgment in accordance with the decision and guidance provided by the CDM Executive Board.

1. Impartiality and independence

35. The DOE shall remain independent of the activity being validated or verified and free from bias and any real or potential conflict of interest.

36. The DOE shall maintain objectivity throughout the validation and/or verification process to ensure that the findings and conclusions are based on objective evidence generated during the validation or verification and are not influenced by other interests or parties.

37. Under no situation independence refers to the operation of DOE being independent of the system and rules defined by CDM Executive Board. All activities of the DOE related to the activities of validation and verification shall be within the system and rules defined by the CDM Executive Board and COP/MOP.

2. Ethical conduct

38. DOEs shall demonstrate ethical conduct through impartiality, independence, integrity, confidentiality and discretion throughout the validation or verification process.

3. Fair presentation

39. DOEs shall reflect truthfully and accurately validation or verification activities, findings conclusions in the reports.

4. Competence



DRAFT UNEDITED VERSION

40. DOEs shall make available the required competence needed for the validation verification activity (ies). Such competencies include those having the necessary knowledge, skills, experience, supporting infrastructure and capacity to effectively complete validation or verification activities.

5. Confidentiality

41. DOEs shall ensure that the confidential information obtained or created during validation or verification activities is safeguarded and not inappropriately disclosed in accordance with the guidance provided by the CDM Executive Board.

V. CDM validation guidelines

A. CDM validation objective

40. The purpose of validation is to have a thorough independent assessment of proposed CDM project activities, by a DOE which shall ensure that the proposed CDM project activity meets all the identified and applicable criteria.

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;
- (b) Ensure that the approved methodology which is being applied is applicable to the underlying project activity and that it is being correctly and conservatively applied;
- (c) Ensure that the monitoring plan has been developed in accordance with the requirements of the approved methodology and that it can be adequately implemented within the context of the underlying project activity;
- (d) Ensure that the approval of Parties involved has been received, that adequate local stakeholder consultation has been undertaken, and that an analysis of environmental impacts has been undertaken and if those impacts are considered significant by the host Party or the PPs, that an environmental impact assessment has been undertaken in accordance with procedures as required by the host Party;
- (e) Ensure that all other relevant decisions of the COP/MOP and the CDM Executive Board have been complied with;
- (f) Ensure that the stated emissions reductions and calculations have been conducted in a reasonable and conservative manner

43. These criteria are applicable for the first commitment period and are derived from the Kyoto Protocol, the CDM Modalities and Procedures (Annexes to Decision 3/CMP.1 and Decision 5/CMP.1) and subsequent decisions by the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol and the CDM Executive Board.

44. The DOE shall keep up to date with the latest CDM related decisions, clarifications and guidance.



DRAFT UNEDITED VERSION

B. Validation approach

45. The CDM is a rules based mechanism. Therefore, it shall be the responsibility of the DOE to ensure, in accordance with this guidance document and other applicable guidance, that these rules are complied with for any project activities submitted for registration.
46. DOEs shall be aware that the registration of a project as a CDM project activity is considered automatic if the DOE submits a positive validation opinion to the CDM Executive Board, unless a request for review is triggered within specified time limits.
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. For this the DOE shall assess the completeness, conservativeness and accuracy of the assumptions/claims made in the PDD to meet the requirements set out by CDM modalities and procedures, the applicability conditions of the selected CDM methodology, and guidance issued by the Executive Board. To arrive at a positive validation opinion there are a number of key requirements (see paragraph 49 below) which the DOE must ascertain compliance with by means of a thorough assessment of evidence, which is not limited solely to evidence presented by the project participant.
48. There are two elements of the validation work that can be approached in a different manner;
- (a) There are a number of specific key areas, as specified below in paragraph 49 below, for which the DOE shall ensure the proposed project activity fully complies with the UNFCCC criteria, prior to providing a positive validation opinion or submitting a request for registration. It is not considered possible or appropriate to omit an assessment of evidence which is likely to alter the assessment of the compliance of the project activity with any of these criteria and therefore this manual describes in detail the expectations of the CDM Executive Board.
 - (b) For quantitative data, used for the purpose of estimating the emission reductions likely to be achieved by the proposed project activity, a risk-based approach for validation may be applied. Further description regarding the implementation of a risk-based approach is contained in the following chapter on verification.
49. The DOE shall consider the following key elements as necessary requirements, and in the validation of compliance with these requirements the DOE shall not omit an assessment of evidence which may result in a change of its opinion regarding the compliance of the project activity with the stated criteria:
- (a) Determination of the additionality as per the specifications in the selected methodology and any overriding guidance of the CDM Executive Board;
 - (b) Application of the baseline methodology to the project as per the requirements in the selected methodology and any overriding guidance by the Board;
 - (c) Identification of the baseline scenario;
 - (d) The accuracy, completeness and suitability of the proposed monitoring plan;



DRAFT UNEDITED VERSION

- (e) The adequacy of local stakeholder consultation;
- (f) The analysis of environmental impacts has been undertaken and if those impacts are considered significant by the host Party or the PPs, that an environmental impact assessment has been undertaken in accordance with procedures as required by the host Party;
- (g) Completion of PDD as per the guidance provided by the CDM Executive Board.

C. Validation Methods

1. Means of validation

50. The DOE shall apply standard auditing techniques to confirm the correctness of the information including *inter alia*:

- (a) Document Review:
 - (i) Review of data and information to confirm the correctness of presented information.
 - (ii) Crosschecks between information provided in the project design documentation and information from independent background investigations.
- (b) Follow-up interviews (On site, via telephone, via email)
 - (i) Interviews shall include relevant stakeholders in the host country, personnel responsible for project design and implementation, and other stakeholders as applicable.
 - (ii) Reasonable crosscheck of information provided by interviewed personnel, i.e. by source check or other interviews, to ensure that no material evidence likely to be available to relevant stakeholders has been omitted from the assessment
- (c) Comparison with projects or technology that have similar or comparable characteristics ;
- (d) Review of the correctness of critical formulas and calculations;
- (e) Comparisons of similar projects in the host country;

2. Means of validation for afforestation and reforestation CDM project activities

51. In the validation of afforestation and reforestation (A/R) CDM project activities, the DOE shall apply the same auditing techniques as listed above although the following specific data sources and analysis might also be used as appropriate:

- (a) National forest inventory in the host country (as applicable to the project area).
- (b) Forest statistics.

**DRAFT UNEDITED VERSION**

- (c) Growth models or yields tables.
- (d) Aerial photography, Satellite images, maps.
- (e) GPS data.
- (f) Historical land use/cover changes.
- (g) Stratification and Sampling approach.
- (h) IPCC GPG-LULUCF.
- (i) Forest regulatory framework and land use policies of the host country (as applicable to the project area).

3. Clarification requests, corrective action requests, and forward action requests

52. A validation by the DOE may identify issues related to the project's baseline, implementation or operations that need to be further elaborated, researched or added to meet UNFCCC requirements and achieve credible emission reductions. It is imperative that these issues are transparently identified, discussed and concluded in the validation report and opinion.

53. Non-compliance with project requirements, or the identification of a risk to successful fulfilment of the particular project's objectives has been termed "corrective action request".

54. A corrective action request (CAR) is issued where:

- (a) Mistakes have been made in assumptions, application of the methodology or the project documentation which will have a direct influence on project results;
- (b) The requirements deemed relevant for validation of a project with certain characteristics have not been met; or
- (c) There is a risk that emission reductions would not be able to be verified and certified.

55. A clarification request (CLs) is issued where information is insufficient, unclear or not transparent enough to establish whether a requirement is met.

56. A forward action request (FAR) may be raised in the context of validation where the DOE considers that certain issues related to project implementation should be reviewed during the first verification. FARs should not relate to the mandatory requirements for registration, as specified in paragraph B. 49.

57. It is the responsibility of the project proponent to respond to the CLs, CARS, and FARs identified by the DOE in a timely manner.

58. The CARS and CLs can be "closed out" by the DOE if the project participants modifies the project design, rectifies the project design documentation, or provides adequate additional explanations or evidence which satisfy concern raised by the DOE. If this is not done the project shall not be recommended for registration to the CDM Executive Board.



DRAFT UNEDITED VERSION

59. CARs may lead to amendments to the projects monitoring plan, or adjustments of the selected project baseline. CARs may also require further investigation of issues that are not considered or appropriately addressed in the project documents.

60. The DOE shall report and describe all CLs, CARs and FARs in the validation report. This reporting shall be undertaken in a transparent manner which allows the reader to understand the nature of the issue raised, the nature of the responses provided by the project participant, the means of validation of such responses and clear reference to any resulting changes in the PDD or supporting annexes.

D. Stakeholder consultation process

61. The DOE shall make the project design document (PDD) of the project under consideration publicly available and invite Parties, stakeholders and UNFCCC accredited NGOs to comment on the validation requirements for a period of 30 days. In case of large-scale A/R projects, the PDD will be made publicly available for a period of 45 days and for a period of 30 days for small scale A/R projects.

62. Comments received during the stakeholder consultation process shall be made publicly available.

63. To ensure this consultation is conducted in an open and transparent manner the DOE shall make the PDD available via the UNFCCC website or via a link on the UNFCCC website to its own website.

64. The UNFCCC secretariat maintains an online interface for the publication of PDDs. In cases where the DOE chooses to make the documents available on its own website rather than the UNFCCC website it must ensure that the files are available throughout the consultation period and are not removed after the closure of this period.

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.

66. Issues brought up by stakeholders shall be further discussed and elaborated in the project's validation protocol and report.

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.

E. Guidance on validation of specific requirements

1. Approval

1.1 Requirement

68. All Parties involved have approved the project activity.



DRAFT UNEDITED VERSION

1.2 Means of validation

69. The DOE shall ensure that each Party indicated as being involved in the project activity in section A.3 of the PDD has provided a written letter of approval. The DOE shall ensure that each letter:

- (a) Confirms that the Party is a Party to the Kyoto Protocol;
- (b) Confirms that participation is voluntary;
- (c) Confirms, in the case of the host Party, that the project contributes to the sustainable development of the country;
- (d) Refers to the precise project title in the PDD being submitted for registration.

70. The DOE shall ensure that all the above elements are present in the Letter of Approval and that no conditions with respect to above are mentioned in the letter.

71. The list of CDM Designated National Authorities (DNA) is available on the UNFCCC CDM website². The DOE shall ensure that the letter of approval has been issued from this organization and if in doubt shall verify with the organization that the letter of approval is valid for the project activity under validation.

1.3 Reporting requirements

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;
- (b) Indicate whether this letter was provided to it by the project participants or directly by the DNA ;
- (c) Indicate the means of validation employed to assess the authenticity
- (d) Contain a clear statement regarding whether the DOE considers the letters to be valid.

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

² <http://cdm.unfccc.int/index.html>



DRAFT UNEDITED VERSION

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.

2. Participation

2.1 Requirement

74. All project participants have been consistently listed in the project documentation and their participation in the project activity has been approved by a Party to the Kyoto Protocol.

2.2 Means of validation

75. The DOE shall ensure that the project participants shall be listed in tabular form in section A.3 of the PDD and this information is consistent with the contact details provided in annex 1 of the PDD. The DOE shall ensure that at least one Party involved has approved the participation of each project participant, either by means of a letter of approval or by a separate letter specifically to approve participation. The DOE shall ensure that no entities other than those approved or authorised to be project participants shall be listed or indicated in these sections of the PDD.

76. The list of CDM DNAs is available on the UNFCCC CDM website. The DOE shall ensure that the approval of participation has been issued from this organization and if in doubt shall verify with the organization that the approval of participation is valid for the proposed project participant.

2.3 Reporting requirements

77. The validation report shall, for each project participant,
- (a) Indicate whether the participation has been approved by a Party to the Kyoto Protocol;
 - (b) Describe the means of validation employed to make these conclusions.

3. Project design document

3.1 Requirement

The PDD used as a basis for validation shall be in accordance with the latest guidance by the Board .
(http://cdm.unfccc.int/Reference/PDDs_Forms/PDDs/index.html).

3.2 Means of validation

78. The DOE shall ensure that the PDD has followed the structure and guidance given in the latest relevant PDD template for type of project and the accompanying binding guidelines for completing the PDDs. In cases where the PDD is incomplete, unclear, inaccurate, or inconsistent the DOE is expected to raise a CAR to ensure the accuracy and reliability of this document.

3.3 Reporting requirements

79. The validation report shall contain a statement regarding the compliance of the PDD with relevant templates and guidance.

4. Project description



DRAFT UNEDITED VERSION

4.1 Requirement

80. The PDD shall contain a clear description of the project activity which provides the reader with a clear understanding of the precise nature of the project activity and the technical aspects of its implementation.

4.2 Means of validation

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

82. In cases where the project activity involves the alteration of an existing installation or process, the DOE shall ensure that the description includes a clear description of the differences between the project and pre-project scenario.

4.3 Reporting requirements

83. The validation report shall:

- (a) Describe the process undertaken to validate the accuracy and completeness of the project description;
- (b) Contain a statement of the DOE's opinion of the accuracy and completeness of the project description.

5. Baseline and monitoring methodology

5.1 General requirement

84. The baseline and monitoring methodologies comply with requirements pertaining to:

- (a) Methodologies previously approved by the Executive Board; or
- (b) Modalities and procedures for establishing a new methodology.

85. To ensure that the project activity meets this general requirement, the DOE shall ensure that:

- (a) the selected methodology is applicable to the proposed CDM project activity;
- (b) the selected methodology is correctly applied.

5.2 Applicability of the selected methodology to the proposed CDM project activity

5.2.1 Requirement

86. Project participants shall use a baseline and monitoring methodology that is approved by the CDM Executive Board and is applicable to the project activity.



DRAFT UNEDITED VERSION

5.2.2 Means of validation

87. The DOE shall validate that the proposed CDM project applies a baseline and monitoring methodology that has been approved by the CDM Executive Board, the version of the methodology used is valid³ and was retrieved from the UNFCCC CDM website.

88. If the DOE determines that the project activity intends to use a new baseline or monitoring methodology, it shall, prior to a submission for registration of this project activity, forward the proposed methodology, together with the draft project design document to the CDM Executive Board for review, in accordance with the latest procedure for submitting and considered proposed new methodology (http://cdm.unfccc.int/Reference/Procedures/meth_proc02_v13.pdf). A proposed small scale methodology together with the draft PDD may also be directly submitted to the CDM Executive Board by the PP or stakeholder.

89. 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 DOE shall confirm if the choice of selected approved methodology is justified and the PPs have shown that the proposed project activity meets each of the applicability conditions of the approved methodology or any tool or any other methodology component referred to therein. This shall be done by validating the documentation referred to in the PDD and by confirming if its content is correctly quoted and interpreted in the PDD. Where relevant, the DOE should crosscheck the information provided in the PDD with other sources.

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. 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.

91. In case there is ambiguity in the applicability of the selected methodology to the proposed CDM project activity, the DOE shall request clarification of, revision to, or deviation from the approved methodology in accordance with the clarifications provided by the CDM Executive Board⁴. Assistance in this regard can be found in the latest version of the clarifications to project participants on when to request revision, clarification to an approved methodology or a deviation⁵ and the latest version of the guidance on criteria for consolidations and revisions of methodologies⁶.

92. Any deviation from the selected approved methodology shall be approved by the CDM Executive Board before a request for registration is submitted. Under no circumstances shall a DOE consider the

³ In accordance with paragraph 39 of the CDM modalities and procedures, any revision to an approved methodology or tool referred to in a methodology shall only be applicable to project activities registered after the revision and shall not affect (i) registered CDM project activities during their crediting period; and (ii) project activities that have been published for public comments for validation using an approved methodology or tool, so long as the project activity is submitted for registration within 8 months of the effective date of the revision of the methodology.

⁴ See Annex 12 of EB 31 meeting report.

⁵ See Annex 12 of EB 31 meeting report.

⁶ See Annex 10 of EB 27 meeting report.



DRAFT UNEDITED VERSION

submission of a request for registration to be a means of seeking clarification on applicability of the approved methodology from the CDM Executive Board.

5.2.3 Reporting requirements

93. For each applicability criteria listed in the selected approved methodology, the DOE shall clearly describe in the validation report the steps taken to assess the information contained in the PDD. The validation report shall further describe the steps undertaken by the DOE to check whether the proposed project activity meets all the other possible stipulations and or limitations mentioned in all sections of the approved methodology selected. In conclusion, the validation report shall provide an unambiguous validation opinion regarding the applicability of the selected approved methodology to the underlying project activity.

5.3 Correct application of the selected approved methodology

5.3.1 Requirement

94. Project participants shall correctly apply the following sections of the selected baseline and monitoring methodology:

- (a) Project boundary;
- (b) Baseline identification;
- (c) Algorithms/Formulae used to determine emission reductions.

95. Other section of the methodology such as determination of additionality and application of the monitoring methodology are discussed in more detail in sections E.6 and E.7 of chapter V of this document.

5.3.2 Project boundary

5.3.2.1 Requirement

96. The PDD shall correctly describe the project boundary including the physical delineation of the project activity and the description of the emission sources and GHG gases that are included in the project boundary for the purpose of calculating project and baseline emissions for the specific project activity.

5.3.2.2 Means of validation

97. The DOE shall confirm if the delineation of the project boundary as contained in the PDD is correct and meets the requirements of the methodology based on documented evidence as corroborated by a site visit if required). The DOE shall further confirm if all sources and GHGs as required by the methodology, have been included in the project boundary. In cases where the methodology allows project participants to choose whether a source or gas is to be included in the project boundary, the choice shall be explained and justified by the project participants. The DOE shall confirm if the justification provided by the PPs is reasonable, based on assessment of supporting documented evidence provided by the PPs or by onsite observations from the DOE, where required.

5.3.2.3 Reporting requirements



DRAFT UNEDITED VERSION

98. In the validation report, the DOE shall provide information on how the validation of the project boundary has been performed either based on reviewed documented evidence (a list of documentation reviewed, e.g., commissioning report, shall be provided in the report) or by describing what was observed/viewed (i.e. physical site or equipment used in the process) during a site visit. The DOE shall provide a statement if the identified boundary and the selected sources and gases are appropriate for the project activity. In cases where the DOE identifies emission sources which are impacted by the project activity and are not addressed by the approved methodology, the DOE shall request clarification of, revision to, or deviation from the approved methodology, as appropriate, as described in the paragraph 91 above.

5.3.3 Baseline identification

5.3.3.1 Requirement

99. The PDD shall identify the baseline for a CDM project activity as the scenario that reasonably represents the anthropogenic emissions by sources of greenhouse gases (GHG) that would occur in the absence of the proposed project activity.

5.3.3.2 Means of validation

100. The DOE shall confirm if the PDD provides a transparent and verifiable description of the identified most plausible baseline scenario, including a description of the technology that would be employed and/or the activities that would take place in the absence of the proposed project activity.

101. The approved methodology contains a procedure to identify the most plausible baseline scenario. The DOE shall confirm if this procedure has been applied correctly and is transparently and sufficiently (i.e. in order to allay reasonable doubt) documented in the PDD. If the methodology requires use of the tools (such as the combined tool or additionality tool) in establishing the baseline, the methodology might contain further guidance on the application of these tools. In that case the guidance in the methodology supersedes that in the tool. The DOE shall check each step in the procedure provided in the PDD against requirements of the methodology.

102. Where the methodology requires several plausible alternative scenarios to be included in the identification of the most plausible baseline scenario, the DOE shall, based on local and sectoral knowledge, confirm if all scenarios that are supplementary to those provided in the methodology are reasonable in the context of the project activity and that no plausible alternative scenario has been excluded.

103. The DOE shall confirm if the choice of the identified baseline scenario is reasonable by validating the key assumptions, calculations and rationales used in the PDD. The DOE should check the documents and sources referred to in the PDD and confirm if the information is correctly quoted and conservatively interpreted in the PDD. Where relevant, the DOE should crosscheck the information provided in the PDD with other sources such as local expert opinion or other verifiable and credible sources.

104. The DOE shall confirm if all relevant guidance provided by the CDM Executive Board has been taken into account in the identification of the baseline scenario for the project activity described in the



DRAFT UNEDITED VERSION

PDD. This includes the treatment of national and/or sectoral policies and circumstances⁷. Based on the DOE's knowledge of the sector and/or based on advice by local expert, the DOE shall confirm that the PP has shown that all relevant policies and circumstances have been identified and correctly considered in the PDD in accordance with the guidance by the Board.

5.3.3.3 Reporting requirements

105. The DOE shall clearly describe in the validation report the steps taken to assess the requirement and shall provide an opinion as to whether:

- (a) All the assumptions and data used by the PPs are listed in the PDD, including references and sources;
- (b) All the references and documentation used are relevant for the purpose of establishing the baseline and are correctly quoted and conservatively interpreted in the PDD;
- (c) All relevant policies/regulations are considered and listed in the PDD; and
- (d) The identified baseline scenario reasonably represents what would occur in the absence of the proposed project activity and the approved methodology used is applicable to the identified baseline scenario.

106. The validation report shall clearly describe other steps taken and credible sources used by the DOE to crosscheck the information contained in the PDD.

5.3.4 Algorithm/Formulae used to determine emission reductions

5.3.4.1 Requirement

107. The PDD shall apply steps and equations to calculate project emissions, baseline emissions, leakage and emission reductions as per the requirements of the methodology

5.3.4.2 Means of validation

108. The DOE shall ensure that equations have been applied correctly by comparing the equations in the PDD against the methodology. Where the methodology allows for different methodological choices, the DOE shall confirm whether proper justification has been provided (based on the choice of the baseline scenario, context of the project activity and other evidence provided) and that the correct equations have been used reflecting the relevant methodological choices.

109. The DOE shall verify the justification contained in the PDD for the data and parameters used in the equations. Where data and parameters are not monitored throughout the crediting period but are determined only once and thus remain fixed throughout the crediting period, the DOE shall assess all data sources, assumptions and calculations in order to verify that they are correct, applicable to the project and will add to a conservative estimate of the emission reductions. Where data and parameters will be monitored and hence only become available after validation of the project activity (e.g. measurements after the implementation of the project activity), the DOE should confirm that the emission reduction estimates provided in the PDD are reasonable.

⁷ See Annex 3 of EB 22 meeting report



DRAFT UNEDITED VERSION

5.3.4.3 Reporting requirements

110. The DOE shall clearly describe in the validation report the steps taken to assess the requirements mentioned in paragraph 107 and shall provide an opinion as to whether:

- (a) All the assumptions and data used by the PPs are listed in the PDD including references and sources;
- (b) All the reference and documentation used are correctly quoted and conservatively interpreted in the PDD;
- (c) All values used are considered reasonable in the context of the project activity
- (d) The methodology has been applied correctly to calculate project emissions, baseline emissions, leakage and emission reductions;
- (e) All the estimations of the baseline emissions can be replicated using data and parameter values provided in the PDD.

111. The validation report shall clearly describe how the DOE has verified the data and parameters used in the equations including reference to any other data sources used.

5.4 Methodology related issues for A/R project activities under the CDM

5.4.1 Requirement

112. The baseline and monitoring methodology selected by PPs comply with requirements pertaining to:

- (a) Methodologies previously approved by the CDM Executive Board; or
- (b) Modalities and procedures for establishing a new methodology;

113. To ensure that the project activity meets this requirement, the DOE shall ensure that:

- (a) the selected baseline and monitoring methodology is applicable to the proposed A/R CDM project activity;
- (b) the selected baseline and monitoring methodology is correctly applied.

5.4.2 Means of validation

114. The DOE shall ensure the proposed A/R CDM project activity meets the requirements for the application of baseline and monitoring methodologies as defined in the modalities and procedures for A/R project activities and the project activity is not expected to decrease carbon stocks in carbon pools not selected by the methodology. To the extent defined in modalities and procedures for A/R project activities under the CDM and relevant guidance by the Board, these requirements are similar to the requirements for non A/R projects. Therefore the guidance as provided in section E of chapter V above also applies to the validation of A/R project activities. In addition, the DOE shall ensure that requirements and guidance that are specific for A/R CDM project activities have been met.



DRAFT UNEDITED VERSION

115. As part of the specific A/R requirements, the DOE shall confirm, based on document review and a possible site visit, that the areas of land included in the project boundary are eligible for afforestation or reforestation activity. The Board clarified that in order to demonstrate the eligibility of land, for both large- and small-scale A/R CDM project activities, it is sufficient to follow the most recent version of the “Procedures to demonstrate the eligibility of land for A/R CDM project activities”

(<http://cdm.unfccc.int/EB/038/eb38rep.pdf>). The Board further clarified that when the A/R CDM definition of forest is applied to stands with several storeys, then the trees selected from any storey to satisfy the crown cover threshold (or equivalent stocking level) must also be trees that have the potential to reach the height threshold at maturity in situ, where the crown cover and height thresholds referred to, are those selected by the host party and reported through its designated national authority for the CDM to the Executive Board .

116. The DOE shall confirm if the project boundary for an A/R project activity geographically delineates the A/R project activity under the control of the project participants. If the project activity contains more than one discrete area of land, the DOE should [confirm the boundary through sampling.

117. The DOE shall confirm if the PDD selects the carbon pools (above ground biomass, below ground biomass, dead wood, litter and soil organic carbon) to be considered in the proposed A/R CDM project activity according to the requirements of the approved methodology. If the approved methodology allows for the option to include or exclude certain pools and/or emissions, the DOE shall confirm if transparent and verifiable information has been provided to justify the selection and that the choice will not increase the expected net GHG removals by sinks. For this, the DOE should check the documents and information sources referred to in the PDD and confirm if the information is correctly quoted and conservatively interpreted in the PDD. Where relevant, the DOE should crosscheck the information provided in the PDD with other published sources or local experts.

118. For project activities which have both A/R and non-A/R components, the DOE should take into account the clarification by the Board⁸ that in order to avoid double counting of emission sources, the emissions associated with A/R activity should be accounted for in the A/R CDM project activity. In general all project activities using biomass for energy should account for emissions associated with production of biomass. However, in the case that it can be demonstrated that for a project activity using biomass for energy, which uses biomass originating from a registered A/R project activity (i.e. through contractual agreement for procurement of biomass) it need not account for emissions related to biomass production.

5.4.3 Reporting requirements

119. In addition to the reporting requirements already mentioned in section 5.2.3 above, the validation report shall clearly describe the steps taken to confirm the information contained in the PDD on the specific requirements for A/R CDM project activities. The validation report shall provide an unambiguous validation opinion as to whether the boundary of the CDM project activity is geographically correctly delineated and if the areas of land included in the project boundary are eligible for a CDM A/R project activity.

6. Additionality of a project activity

⁸ See paragraph 44 of EB 32 meeting report



DRAFT UNEDITED VERSION

6.1 General

120. A CDM project activity is additional if anthropogenic emissions of greenhouse gases by sources are reduced below those that would have occurred in the absence of the registered CDM project activity. An A/R project activity is additional if the actual net GHG removals by sinks are increased above the sum of the changes in carbon stocks in the carbon pools within the project boundary that would have occurred in the absence of the registered CDM A/R project activity.

121. The DOE shall assess and verify the reliability and creditability of all data, rationales, assumptions, justifications and documentation provided by project participants to support the demonstration of additionality. This requires the DOE to critically assess the presented evidence on the basis of local knowledge and sectoral expertise.

122. The Executive Board has provided a number of tools and guidance documents which can be used by project participants to demonstrate the additionality of CDM project activities, these include the “Tool for the demonstration and assessment of additionality”, the “Combined tool to identify the baseline scenario and demonstrate additionality” and the “Non-binding best practice examples to demonstrate additionality for SSC project activities”. These documents and specific additional, complementary, or alternative requirements included in approved CDM methodologies provide specific requirements for particular project types. Therefore while specific elements of the assessment of additionality, derived from existing requirements of the Executive Board, are discussed in further detail in the sections below DOEs should note that not all elements discussed below will be applicable to all project activities.

6.2 Prior consideration of CDM

6.2.1 Requirement

123. If the project activity start date is prior to the commencement of validation it shall be demonstrated that the incentive from the CDM was seriously considered in the decision to proceed with the project activity.

6.2.2 Means of validation

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.

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.

126. The DOE shall assess the consideration of the CDM through document reviews and interviews. This assessment shall be conducted in two parts. Firstly the DOE shall assess whether the CDM was considered during or prior to the decision to proceed with the project activity. The DOE shall:



DRAFT UNEDITED VERSION

- (a) determine how and when the decision to proceed with the project activity was taken;
- (b) determine whether this date is consistent with other available evidence (e.g. dates of construction, purchase orders for equipment);
- (c) determine whether the person/body taking decision regarding the project has the authority to do so;
- (d) determine whether the CDM was considered by this person/entity in taking such a decision to proceed with the project.

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.

6.2.3 Reporting requirements

128. The validation report shall:

- (a) State the DOE's assessment of the project activity start date provided in the PDD and describe how this date has been validated;
- (b) Describe the evidence assessed regarding the prior consideration of the CDM (if necessary);
- (c) Provide a clear validation opinion regarding the seriousness of this prior consideration (if necessary), i.e whether or not the project would have been undertaken without the incentive of the CDM.

6.3 Identification of alternatives

6.3.1 Requirement

129. The PDD shall identify a range of credible alternatives to the project activity in order to determine what the most realistic baseline scenario is, except for approved methodologies where the baseline is not required to be identified (e.g., ACM0002).

6.3.2 Means of validation

130. The DOE shall assess the list of alternatives contained in the PDD and shall ensure that:

- (a) The list contains the project activity not undertaken as a CDM project;
- (b) The list contains all realistic alternatives which the DOE, on the basis of its local and sectoral knowledge, considers to be a viable means of supplying outputs or services comparable to the project activity;



DRAFT UNEDITED VERSION

- (c) The alternatives comply with all enforced and applicable legislation.

6.3.3 Reporting requirements

131. The validation report shall describe whether the DOE considers the list of alternatives to be complete.

6.4 Investment analysis

6.4.1 Requirement

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:

- There are costs associated with the CDM project activity and it is demonstrated that the activity produces no economic benefits other than CDM related income;
- The proposed project activity is economically or financially less attractive than at least one other plausible alternative;
- The financial returns of the proposed project activity are insufficient to justify the required investment.

6.4.2 Means of validation

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;
- (b) Cross check such parameters against third party or publicly available sources, such as invoices or price indices;
- (c) Assess the computations prepared by the project participants to confirm their correctness;
- (d) Assess the sensitivity analysis of the computations to determine under what conditions significant variations in the result would occur and provide an opinion regarding whether or not such conditions could be considered likely.

134. To confirm the suitability of any benchmark applied the DOE shall:

- (a) Determine whether the type of benchmark is a suitable comparator for the type of financial indicator presented;
- (b) Ensure any risk premiums applied in the determination of the benchmark reflect the risks associated with the specific project activity;
- (c) Determine whether it is reasonable to assume that no investment would be made by the company at a rate of return lower than the benchmark by, for example, assessing previous



DRAFT UNEDITED VERSION

investment decisions by the entity involved and determining whether the same benchmark has been applied.

6.4.3 Reporting requirements

135. The validation report shall:
- (a) Describe in detail how the parameters used in any financial calculations have been validated;
 - (b) Describe how the suitability of any benchmark applied has been assessed.

6.5 Barrier analysis

6.5.1 Requirement

136. If barrier analysis is used to demonstrate the additionality of the project activity it shall be demonstrated that the barrier(s) presented prevent the implementation of the specific project activity.

6.5.2 Means of validation

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: For each barrier listed in the PDD the DOE shall assess the description of the barrier to determine whether this issue acts as a barrier or is an issue which has a clear and definable impact on the financial viability of the project. If it is considered, on the basis of the DOE's specific sectoral or local expertise, that the barriers listed are issues which have a clear and definable impact on the financial viability of the project a corrective action request shall be raised to have reference to this barrier removed from the project documentation.
- (b) Determine whether the barriers are real: The DOE shall assess the available evidence and/or undertake interviews with relevant individuals (including industry associations, government officials, local experts where necessary) to determine whether the barriers listed in the PDD exist. The DOE shall ensure that the barriers listed in the PDD are supported by independent sources of data such as relevant national legislation, surveys of local conditions, national or international statistics etc. If the barrier is only supported by the opinions of the project developer the DOE shall not consider this barrier to be adequately substantiated. If it is considered, on the basis of the DOE's specific sectoral or local expertise, that the barriers are not real or are not supported by sufficient evidence a corrective action request shall be raised to have reference to this barrier removed from the project documentation.
- (c) Determine whether the barriers prevent the implementation of the project activity: The DOE must note that not all real barriers can be considered to represent an insurmountable



DRAFT UNEDITED VERSION

hurdle to a project activity. Therefore the DOE shall apply its local and sectoral expertise to provide a judgment regarding whether a barrier or set of barriers can be considered to prevent the implementation of the project activity and not to equally prevent the implementation of the possible alternatives, in particular the identified baseline scenario.

6.5.3 Reporting requirements

138. The validation report shall:
- (a) Provide an assessment of each individual barrier listed in the PDD published for stakeholder comments which describes how the DOE has undertaken validation of the barrier and the conclusion of this validation;
 - (b) Provide a final overall determination of the credibility of the barrier analysis.

6.6 Common practice analysis

6.6.1 Requirement

139. For large-scale project activities a common practice analysis shall be used as a credibility check of the other available evidence used to demonstrate additionality. This credibility check shall confirm that the project activity is not a common practice

6.6.2 Means of validation

140. The DOE shall on the basis of its local and sectoral expertise:
- (a) Assess whether the defined region is appropriate for the technology/industry type, for certain technologies the relevant region for common practice assessment will be very local and for others may be global.
 - (b) Determine, by reference to official sources and local and industry expertise, to what extent similar project activities have been undertaken in the relevant region;
 - (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;

6.6.3 Reporting requirements

141. The validation report shall provide details regarding how:
- (a) The geographical scope of the common practice analysis has been validated;
 - (b) The DOE has undertaken an assessment of the existence of similar projects;
 - (c) The DOE has assessed the essential distinctions if similar projects are widely observed.

7. Monitoring plan

7.1 Requirement



DRAFT UNEDITED VERSION

142. In accordance with paragraph 53 of the CDM Modalities and Procedures, the PDD shall include a monitoring plan. This monitoring plan shall be based on the approved monitoring methodology applied by the project activity.

7.2 Means of validation

143. The DOE shall assess compliance with this requirement in a two step process;
- (a) Compliance of the monitoring plan with the approved methodology. The DOE shall:
 - (i) By means of document review, identify the list of parameters required by the approved methodology; and
 - (ii) Identify additional parameters requiring monitoring, i.e. based on the requirements of the Environmental Impacts Assessment; and
 - (iii) Confirm that all of these parameters are contained in the monitoring plan, that they are appropriately labelled and that the means of monitoring described in the plan complies with the requirements of the methodology.
 - (b) Implementation of the plan. The DOE shall, by means of review of the documented procedures, interviews with relevant personnel and physical inspection of the project site/project plans, assess whether:
 - (i) The monitoring arrangements described in the PDD can be properly implemented in the context of the project activity.
 - (ii) The means of implementation of the monitoring plan, including the data management and QA/QC procedures, are sufficient to ensure that the emission reductions can be reported ex-post without material misstatement.

7.3 Reporting requirements

144. The validation report shall:
- (a) Contain a statement regarding the DOEs opinion of the compliance of the monitoring plan with the requirements of the methodology;
 - (b) Describe the steps undertaken by the DOE to assess whether the monitoring plan can be implemented in the context of the project activity;
 - (c) Contain a statement regarding the DOE's opinion of the ability of the project participant to implement the monitoring plan in the context of the project activity.

8. Sustainable development

8.1 Requirement

145. CDM project activities shall assist Parties not included in Annex I in achieving sustainable development.



DRAFT UNEDITED VERSION

8.2 Means of validation

146. The contribution of the project activity to the sustainable development of the Host Party shall be assessed by the DNA of that Party. The DOE shall ensure that the letter of approval from the Host Party DNA confirms that the project activity contributes to the sustainable development of that country.

8.3 Reporting requirements

147. The validation report shall contain a statement confirming whether the contribution of the project to the sustainable development of the Host Party has been confirmed by the Host Party DNA. This can be reported together with the DOE's assessment of the validity of the project's Host Party approval.

9. Local stakeholder consultation

9.1 Requirement

148. Local stakeholders shall be offered the opportunity to provide comments on the proposed project activity.

9.2 Means of validation

149. The DOE shall, by means of document reviews and/or interviews with local stakeholders as appropriate, determine whether:

- (a) All relevant local stakeholders have been invited to consultation;
- (b) The summary of the comments received as provided in the PDD is appropriate; and,
- (c) The project has indeed taken due account of any comments received, and the PDD includes a description of how due account was taken.

9.3 Reporting requirements

150. The validation report shall:

- (a) Describe the steps taken by the DOE to assess the adequacy of the local stakeholder consultation;
- (b) Contain a statement of the DOE's opinion of the adequacy of the local stakeholder consultation.

10. Environmental impacts

10.1 Requirement

151. Project participants shall submit to the DOE documentation on the analysis of the environmental impacts of the project activity. If those impacts are considered significant by the project participants or the host Party, project participants shall undertake an environmental impact assessment in accordance with procedures as required by the host Party. (CDM M&P, paragraph 37 (c)).

For A/R project activities, the PDD will need to address socio-economic and environmental impacts, including impacts on biodiversity and natural ecosystems.



DRAFT UNEDITED VERSION

10.2 Means of validation

152. The DOE shall assess the documentation regarding the environmental impacts supplied by the project participants and ensure that this are accurately reflected in the PDD. The DOE shall not repeat the EIA but confirm adequacy of it taking into account requirements of CDM M&P . The DOE shall assess, on the basis of a review of relevant legislation and its local expertise, whether a Environmental Impact Assessment is required for the project activity. In cases where such an assessment is required the DOE shall by means of document review ensure that such an assessment has been conducted in accordance with local regulations and is accurately reflected in the PDD.

10.3 Reporting requirements

153. The validation report shall describe how the environmental impacts of the project activity have been assessed by the PPs and whether this assessment is in accordance with all relevant local regulations.

F. Differences for specific validation activities

1. Background

154. There are a number of specific validation activities which a DOE may be contracted to undertake. While DOEs shall apply general means of validation and reporting requirements contained above in undertaking this activities, this section of the manual provides additional guidance on the requirements for such activities.

2. Different requirements related to the project design of small scale

155. The DOE shall ensure that a Small-Scale CDM project activity meets the requirements of the simplified modalities and procedures for small-scale CDM project activities. During validation the DOE shall apply the same approaches and means of validation as discussed in section B and C of chapter V of this document to the extent defined in the simplified modalities and procedures for small-scale CDM project activities.

156. In addition to the criteria discussed in section B and C of chapter V of this document, during the validation of a small scale CDM project activity the DOE shall confirm if:

- (a) The project qualifies as a small-scale project activity and is within the thresholds of the three possible types of small-scale CDM project activities. The small scale project activity may include more than one eligible component, for example a type III methane recovery component activity and type I electricity component activity(see EB 28 paragraph 56 and 57 for guidance on size limits for the components).
- (b) The project applies one of the approved small-scale categories⁹ and any tool or methodology referenced therein. The small-scale methodologies are to be applied in conjunction with the general guidance to the methodologies that provides guidance on equipment capacity, equipment performance, sampling and other monitoring related issues. Guidance on demonstration of additionality is not contained in the methodologies

⁹ Small scale project activities following the simplified modalities and procedures are not eligible to apply a large scale approved methodology. However a project activity that is within the thresholds of small scale project activity may choose to apply a large scale approved methodology following the modalities and procedures of large scale project activities



DRAFT UNEDITED VERSION

but is included in a separate document (appendix B of simplified modalities and procedures of small scale CDM project activities). The CDM Executive Board, at its thirty-fifth meeting, also provided Non-binding best practice examples to demonstrate additionality for SSC project activities¹⁰. Biomass project activities shall also comply with general guidance on leakage in biomass project activities.

- (c) The project is not a debundled component of a large scale project in accordance with the rules defined in appendix C of Annex II to Decision 4/CMP.1¹¹;
- (d) The analysis of the environmental impacts of the project activity which only has to be submitted if required by the host Party.

3. Different requirements related to the project design of small scale A/R projects

157. During the validation of a small scale A/R CDM project activity, the DOE shall confirm in addition to the above criteria that:

- (a) The project qualifies as a small scale A/R project activity and is expected to be within the thresholds for the small-scale A/R projects. If a small-scale A/R project activity results in net anthropogenic greenhouse gas removals by sinks greater than the prescribed limit, the excess removals will not be eligible for the issuance of tCERs or ICERs.
- (b) The project complies with one of the types of small-scale A/R project categories defined in appendix B of the Annex to Decision 6/CMP.1. and qualifies to apply a simplified baseline and monitoring methodology for this project type and the methodology is applied according to guidance for small-scale A/R project activities. Demonstration of additionality for small-scale A/R project activities shall be according to the simplified guidance included as an annex in the methodology. The additionality tool for large scale A/R project activities is not applicable to small-scale A/R projects;
- (c) The project is not a part of a debundled large scale A/R project in accordance with the rules defined in appendix C of the Annex to Decision 6/CMP.1;
- (d) The small scale A/R project activity is developed or implemented by low-income communities and individuals. This should be confirmed by the host Party.

4. Programme of activities

158. The CDM Executive Board has provide guidance and procedures regarding how a programme of activities (PoA) can be registered as a single CDM project activity (http://cdm.unfccc.int/Reference/Procedures/PoA_proc01_v02.pdf). In the validation of a PoA and in the scrutiny of CPAs proposed to be added to the PoA the DOE should apply the means of validation described throughout this manual. As further experience is gained with the validation and registration of PoAs the CDM Executive Board will update this document. The Board therefore welcomes the inputs of DOEs in the application of existing guidance in their initial validation activities related to PoAs.

¹⁰ See annex 34 of EB 35 meeting report.

¹¹ See annex 27 of EB 36 meeting report for compendium of guidance on de-bundling.



DRAFT UNEDITED VERSION

5. Renewal of crediting period

159. The DOE shall undertake a thorough reassessment of the validity of the original baseline scenario or any updates proposed by the project participant. This assessment should be based on the latest version of the procedures for renewal of the crediting period, the applicable approved methodology and the means of validation described in relevant sections of this document.

6. Changes to the start date of the crediting period

160. The CDM Executive Board has provided procedures for requesting post-registration changes to the start date of the crediting period (Annex 31, EB24). In cases where project participants wish to delay the start date of the crediting period by more than one year the DOE shall validate the baseline in accordance with the relevant guidelines given above.

161. The validation report shall contain a description of the progress made in project implementation. 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.

G. Validation report

162. The validation report shall reflect the results from the dialogue between the DOE and the PP and any adjustments made to the project after the draft PDD was made publicly available to Parties, stakeholders and NGOs for stakeholder consultation. It shall reflect the responses to CARs and CLs, discussions and revisions of project documents.

163. The validation report shall give the final conclusions regarding the projects conformance with relevant UNFCCC requirements (especially each requirement of the paragraph 37 of the CDM M&P). The validation report may raise issues that need to be subsequently addressed during project implementation.

164. The validation report shall include a validation opinion which either forms the basis for UNFCCC registration of the project or which explains the reason for non-acceptance if the project is judged not to fulfil validation requirements

165. The validation report shall give an overview of the validation activities carried out by the DOE/AE in order to arrive at the final validation conclusions and opinion. Apart from this, the general discussion of details captured by the validation protocol and conclusions related to project requirements shall be included in the final report.

166. The DOE shall employ necessary quality assurance procedures to ensure the correctness of the report and opinion.

167. The validation report has to provide information at least on:

- (a) A summary of the validation process and its conclusions;
- (b) The validation team;
- (c) Internal quality control;



DRAFT UNEDITED VERSION

- (d) A list of interviewed person;
- (e) All findings and conclusions, especially on: additionality, emission factors, and monitoring;
- (f) Information on the local stakeholders consultation by project participants prior to submitting the project for validation including timing - the global stakeholder process the final opinion of the DOE;
- (g) Appointment Certificates or CVs of the validation team members.

H. Validation opinion

168. After completed validation, a validation opinion shall be provided by the DOE as part of the validation report.

169. The validation opinion shall either form the basis for UNFCCC registration of the project or shall explain the reason for non-acceptance if the project is judged not to fulfil the requirements for validation. In addition, the opinion will be an important decision factor for project proponents whether to proceed or not with the project.

170. This opinion shall include at least the following:

- (a) Summary of the validation methodology and process and the applied validation criteria;
- (b) Statement on project components/issues not covered in the validation engagement;
- (c) Summary of the validation conclusions;
- (d) Statement on the validation of the expected emission reductions.

171. The validation opinion shall confirm whether the project meets stated criteria and that the methods presented in the project design documentation are acceptable and have been correctly applied.

VI. CDM Verification Guidelines

A. Verification Objective

172. The purpose of each verification is to have the periodic independent review and *ex-post* determination by the DOE of the monitored reductions in GHG emissions during the defined verification period. This assessment shall, *inter alia*:

- (a) 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;
- (b) Ensure that the monitoring report and other supporting documents provided are complete and transparent and in accordance with the requirements of the registered project document and relevant decisions and guidance;

**DRAFT UNEDITED VERSION**

- (c) Verify that actual monitoring systems and procedures are in compliance with the monitoring systems and procedures described in the monitoring plan and the approved methodology;
- (d) Evaluate the GHG emission reduction data recorded and stored as per monitoring methodology and express a conclusion confirming that the CERs requested for issuance are free of material misstatements.

173. These criteria are derived from the Kyoto Protocol, the CDM M&P (Annexes to Decision 3/CMP.1 and Decision 5/CMP.1) and subsequent decisions by the COP/MOP and the CDM Executive Board.

174. The DOE shall keep up to date with the latest CDM related decision, clarifications, and guidance.

B. Verification Approach**1. Verification of compliance**

175. The DOE shall assess and confirm whether or not the implementation of the project activity and the steps to claim emission reductions are in compliance with the UNFCCC criteria and relevant guidance provided by the COP/CMP and the CDM Executive Board.

176. In doing so, a complete assessment in the verification process shall involve review of relevant documentation as well as on-site assessment. Details of information that need to be verified are described in the section Means of Verification. In the case it is not possible to carry out the site, the DOEs shall justify the appropriateness of not conducting the site visit.

177. The verification of the project documentation provided by the project participant shall consider both quantitative and qualitative information on emission reductions. Quantitative data comprises the reported numbers in the monitoring reports submitted to the DOE, while qualitative data may comprise information on internal management controls, calculation procedures, procedures for transfer, frequency of emissions reports, review and internal audit of calculations/data transfers, etc.

178. In addition to the monitoring documentation provided by the project participant, the DOE shall review:

- (a) PDD, including the monitoring plan and the corresponding validation report;
- (b) Previous verification reports as applicable;
- (c) Applied methodology;
- (d) Relevant COP/CMP and EB decisions, clarifications, and guidance;
- (e) Any other information and references relevant to the project's emission reductions (e.g. IPCC, electricity generation in the grid, laboratory analysis, etc.).

179. In addition to reviewing the monitoring documentation, the DOE shall verify that the project participants address issues identified at validation which need to be checked at the verification.



DRAFT UNEDITED VERSION

2. Verification of data

180. For the verification of quantitative data collected and used for the purpose of determining the emission reductions, the DOE may employ a risk-based approach as outlined below.

The DOE shall ensure that the reported emission reductions of the CDM project activity are free of material misstatement¹². In the context of verification of CDM projects, a material misstatement is defined as a misstatement due to errors, omissions, and misrepresentations in the reported emission reductions, which exceeds a materiality threshold of [1% for large projects][and 5% for small projects] of the final emission reductions. Issues that may cause risk for material misstatement of emission reductions should be identified through the use of a project-specific checklist. The DOE should ensure that the checklist cover all necessary specific project requirements that have impact on project performance.

181. The key reporting risks for the quantitative data related to the estimation of emission reductions should be identified and it should be assessed to which extent the project participant's control systems for data collection and recording are adequate for mitigating these key reporting risks. Key reporting risks that are not sufficiently addressed by the project participant's control system represent residual risks areas where detailed audit testing may be necessary.

182. Risks can be classified in risk categories (e.g. high, moderate and low). A risk may be high, moderate or low depending on the significance of an error on the determination of the emission reductions and the likelihood of an error occurring.

183. Whether a risk is classified as high, moderate or low is to a large extent subjective, project specific and requires the DOE's expert judgement. The result of the assessment should also be reflected in the selection of the personnel in the verification team.

184. The following are key areas where the assessment of risks required to be performed:

- (a) Monitored parameters;
- (b) Calculation of the emission reduction including various emission factors;
- (c) Monitoring procedures, including calibration of instruments, and operation and maintenance of measuring devices.

185. The list above is not exhaustive and where the DOE identifies other areas where risk assessment may be important, the DOE should use their expert judgement and evaluate in greater depth and provide a clear verification opinion based on what is assessed.

186. The DOE shall clearly describe what additional measures have been taken in the verification process to ensure that high risk categories will not result in a material misstatement in the emission reduction.

¹² Materiality is as a concept that individual or the aggregation of errors, omissions and misrepresentations could affect the GHG assertion and could influence the intended user's decisions (Materiality as defined in the ISO14064).



DRAFT UNEDITED VERSION

187. The DOE shall also inform the project participants of best industry practices through issuing FARs regarding how such risks can be reduced for future verifications, and document the project participant's initial response to this guidance.

188. Measures can be taken to limit the risk e.g. in the form of cross-checking of monitored data with other relevant data, or by specific testing and calculation checks. Risks can also be reduced by choosing a more conservative option in the event of encountered uncertainties.

C. Verification Methods

1. Means of Verification

189. The DOE shall apply standard auditing techniques to confirm the quality of the information including, *inter alia*:

- (a) Desk Review:
 - (i) Review of data and information to confirm the completeness of the presented information;
 - (ii) Review of monitoring plan and the monitoring methodology, in particular on the requirements of the frequency of measurements, the quality of metering equipment including calibration requirements, and the quality assurance/quality control procedures;
 - (iii) Evaluation of data management and QA/QC system in the context of its impact on the generation and reporting of emission reductions.
- (b) On-site Assessment
 - (i) Assessment of project implementation and operation in accordance with the registered PDD;
 - (ii) Review of information flows for generating, aggregating/collating and reporting the monitoring parameters;
 - (iii) Interviews with key personnel at site to check the risks for inappropriate operation and data collection procedures of the project;
 - (iv) Cross-check between information provided in the monitoring report and data from plant log books, inventory, purchase records, etc;
 - (v) Check of monitoring equipment including calibration performance and observations of monitoring practices in accordance with the PDD and the methodology;
 - (vi) Review of calculations and assumptions made in determining the GHG data and emission reductions;



DRAFT UNEDITED VERSION

- (vii) Identification of quality control/quality assurance in place to prevent, identify, and correct any significant errors or omissions in the reported monitoring parameters.

2. Quality of evidence

190. When verifying GHG information the DOE shall verify that there is a clear audit trail for the reported emission reductions.

191. The DOE shall also obtain sufficient and appropriate audit evidence especially during the site visit. Evidence includes a complete audit trail including source documents which form the basis for assumptions, and other information underlying the GHG data.

192. Issues to address when assessing audit evidence include:

- (a) Whether the evidence is of sufficient quantity and appropriate quality;
- (b) Professional judgement on the reliability of the evidence;
- (c) The source and nature of the evidence (external/internal, oral, documented).

193. Audit evidence is the information obtained by the DOE in arriving at the conclusions on which the verification statement is based. This involves reviewing the adequacy of the data collection systems/management controls. Evidence includes source documents and records underlying the GHG information as well as cross-checking information from other sources.

194. If the verification can not obtain sufficient evidence for the reported emission reductions or part of the reported emission reductions, these emission reductions shall not be verified and certified.

3. Clarification Requests, Corrective Action Requests, and Forward Action Requests

195. A verification shall identify issues related to the monitoring aspects and the implementation or operations of the project that could impact the generation of emission reductions. It is imperative that these issues are transparently identified, discussed and concluded in the verification report.

196. A Clarification Request (CR) is issued where information is insufficient, unclear, or not transparent enough to establish whether a requirement is met.

197. A Corrective Action Request (CAR) is issued where:

- (a) Non conformities are found or sufficient evidence has not been provided that the monitoring and reporting have been conducted in accordance with the monitoring plan and the methodology. Mistakes have been made in applying assumptions, data, or calculations of emission reductions, which will impact the estimation of emission reductions.
- (b) Issues identified at validation as a Forward Action Request to be verified at the verification have not been resolved by the project participants

**DRAFT UNEDITED VERSION**

198. All CARs and CRs raised by the DOE during the verification should be resolved prior to submitting the request for issuance.

199. A Forward Action Request (FAR) in the context of verification is issued for actions which do not result in material impact on the estimation of emission reductions and applied for situations where the actual project monitoring and reporting requires attention and /or adjustment for the next verification period.

200. The DOE/AE shall make sure that all CRs, CARs, and FARs are reported and elaborated in the conclusion of the verification report.

D. Guidance on verification of specific requirements**1. Project implementation in accordance with registered PDD****1.1 Requirement**

201. Project activities have been implemented and operated as per the registered project design document¹³

1.2 Means of verification

202. The DOE shall, by means of on-site visit, ensure that all physical features of the project are in place, and the project participants operate the registered project activity in accordance with the registered PDD, taking into account relevant guidance on this matter.¹⁴ The DOE shall verify the key features of the implemented project activity against the description in the PDD, for example and where applicable, the actual capacity and output of GHG-emission reducing unit(s)/plant(s), plant load factor, type of feedstock, the operation of other components/units within the boundary project activity which could affect the functioning of the GHG-emission reducing unit(s), etc.

1.3 Reporting requirements

203. For each monitoring period, the verification report shall include:

- (a) Implementation status of the project. For project activities which consist of a number of sites, the report shall clearly describe the status of implementation and starting date of operation for each site. For project activities with phased implementation, the report shall indicate the progress of the project activity achieved in the respective phases;
- (b) Description of the actual operation of the project activity;
- (c) Description of information (data, key variables) in the monitoring report which is different from that stated in the PDD that have caused increase in the GHG emission

¹³ Paragraph 62 (g) of the CDM M&P stipulates that: the designated operational entity contracted by the project participants to perform the verification shall make the monitoring report publicly available, and shall (g) Identify and inform the project participants of any concerns related to the conformity of the actual project activity and its operation with the registered project design document. Project participants shall address the concerns and supply relevant information.

¹⁴ Paragraph 75 of EB 33 states that “project participants are required to operate registered project activities in accordance with the registered PDD and any monitoring plan revised in accordance with paragraph 57 of the CDM modalities and procedure.”



DRAFT UNEDITED VERSION

reductions in the current monitoring period and/or could potentially increase the delivery of emission reductions in the future monitoring periods¹⁵.

2. Compliance of Monitoring Plan with Monitoring Methodology

2.1 Requirement

204. The monitoring plan of the project activity is in accordance with the applied methodology¹⁶.

2.2 Means of verification

205. Although has been validated, the DOE shall verify that the registered monitoring plan is in accordance with the approved methodology applied by the project activity.

206. A revision to the monitoring plan¹⁷ shall be requested by the DOE prior to the concluding on their verification / certification decision if the monitoring plan is not in accordance with the monitoring methodology applied to the registered project activity.

In the case the revision of the monitoring plan cannot be implemented for the monitoring period under verification, the DOE shall consider the appropriateness of submitting a request for deviation.

207. For aspects of monitoring which are not specified in the methodology, particularly small-scale methodologies (e.g. additional monitoring parameter, monitoring frequency, calibration frequency), the DOE may request the project participant to revise the monitoring plan to improve the level of accuracy and the completeness of the monitoring.

2.3 Reporting requirements

208. The verification report shall provide a statement that the monitoring plan is in accordance with the approved methodology applied by the project activity.

3. Compliance of monitoring in accordance with monitoring plan

3.1 Requirement

209. The monitoring shall be implemented in accordance with the monitoring plan contained in the registered project design document¹⁸.

3.2 Means of verification

210. The DOE shall ensure that:

- (a) the monitoring plan and the applied methodology are properly implemented and followed by project participant;

¹⁵ Discrepancies may include for example, higher water availability than expected in the PDD that potentially increases the electricity output from a hydro power plant, higher plant load factor due to higher bagasse availability during crushing season which increases the production of steam and electricity.

¹⁶ Para 84 EB33 report states that “The Board requested that DOEs take note of the requirements of paragraph 2 of the “Procedures for revising monitoring plans in accordance with paragraph 57 of the modalities and procedures for the CDM”, and requested DOEs to confirm in all verification reports that the monitoring plan of the project activity is in accordance with the relevant approved methodology.”

¹⁷ See annex 34 of EB 26 meeting report for procedures for revising monitoring plan.

¹⁸ Para 56 of the Marrakech Accords states that, “Project participants shall implement the monitoring plan contained in the registered project design document.”



DRAFT UNEDITED VERSION

- (b) All parameters stated in the monitoring plan, the applied methodology and relevant CDM Executive Board decisions¹⁹ are sufficiently monitored and updated as applicable, i.e.:
- (i) Project emission parameters;
 - (ii) Baseline emission parameters;
 - (iii) Leakage parameters;
 - (iv) Management and operational system: the responsibilities and authorities for monitoring and reporting are in accordance with the responsibilities and authorities stated in the monitoring plan;
 - (v) Sustainable development indicators for CDM projects, applicable only if the monitoring plan includes the determination of environmental and/or social indicators.
 - (vi) The accuracy of equipment used for monitoring is in accordance with the relevant guidance provided by the EB and/or reflects good practice for monitoring and regularly controlled and calibrated in accordance with the monitoring plan;
 - (vii) Monitoring results are consistently recorded, reviewed and approved as stated in the PDD and the applied methodology.
 - (viii) QA/QC procedures have been consistently applied as described in the monitoring plan.

3.3 Reporting requirement

211. The verification report shall indicate that the monitoring has been implemented in accordance with the monitoring plan contained in the registered project design document. The verification report shall list each parameter required by the monitoring plan and clearly state how the values in the monitoring reports have been verified by the DOE. .

4. Assessment of data and calculation of GHG emission reductions

4.1 Requirement

212. GHG emission reductions shall be calculated, applying the methodology, taking into account the actual project emissions and adjusting for leakage.

4.2 Means of verification

213. The DOE shall verify that:

- (a) Complete set of data during the specified monitoring period are available. If only partial data is available during certain period within the specified monitoring period, the DOE

¹⁹ For example, a decision at the EB35 meeting provide an clarification for the projects which adopted the approved methodology AM0001. This clarification asked the DOE to check the value of “w” based on the past one year period during the verification which was not clearly stated in the approve methodology.



DRAFT UNEDITED VERSION

shall ensure that the most conservative option have been taken²⁰. The DOE may also consider if in such circumstances a request for deviation is more appropriate to be applied;

- (b) Information provided in the monitoring report have been cross-checked with plant log books, inventory, purchase records, laboratory analysis, etc
- (c) Calculation of baseline emissions, project emissions, and leakage, as appropriate, have been carried out in accordance with the formulaes and methods as described in the monitoring plan and the applied methodology;
- (d) Any assumptions used have been justified;
- (e) Appropriate emission factors, IPCC default values, and other reference values have been correctly applied;

4.3 Reporting requirement

214. The verification report shall contain:

- (a) An assessment of whether complete set of data during the specified monitoring period are available, and indicate any actions by the DOE to ensure most conservative option has been taken in the case only partial data is available;
- (b) A description of how the cross-checking of reported data and how the DOE has applied concept of materiality in assessing the reported data has been performed by the DOE;
- (c) A confirmation that appropriate formulas and method of calculation of baseline emissions, project emissions, and leakage have been followed;
- (d) An indication that any assumptions and the use of various emission factors and default values have been appropriately justified.

E. Specific Verification activities

1. Request for deviation

215. Request for the deviation at issuance shall be submitted prior to concluding on their verification / certification decision, if the verifying DOE identifies that the project participant deviated from the provisions contained in the documentation related to the registered CDM project activity, i.e. from the provisions of the registered monitoring plan²¹.

216. The DOE shall ensure that the request for deviation reflects situations where a change in the procedures for the estimation of emissions or monitoring procedures is required due to a change in the conditions, circumstances or nature of a registered project activity. The deviation shall be project specific and shall not deviate from the methodology such that a revision of the methodology would be required.

²⁰ Para 109 (b) of EB 26 meeting report states that “in conducting verification, when it is discovered that activity levels or non-activity parameters have not been monitored by the project participants in accordance with the registered monitoring plan, the DOE shall make the most conservative assumption theoretically possible in finalising the verification report”.

²¹ Annex 30 of EB 24 meeting report contains the procedures for requests for deviation.

**DRAFT UNEDITED VERSION**

217. The DOE shall note that the request for deviation is not suitable for cases where:
- the monitoring plan is not in accordance with the monitoring methodology applied to the registered project activity,
 - when the approved methodology is no longer applicable to the project activity,
 - it results in revisions to the approved methodology
 - or for example it results in a change in default parameter values other than those mentioned in the approved methodology.
218. The DOE shall note that an approved request for deviation applies only for the monitoring period under verification. In the case the deviation is to be applied for future monitoring periods, a request for revision of monitoring plan shall be submitted.
219. The verification report shall indicate that the monitoring report reflects the application of the approved guidance from the Executive Board regarding the request for deviation.

2. Request for revision of monitoring plans

220. Request for the revision of monitoring plans shall be submitted prior to concluding on their verification/certification decision, if the DOE identifies that the monitoring plan is not in accordance with the monitoring methodology applied to the registered project activity²².
221. The DOE shall ensure that the request for revision of monitoring plan only be made where the monitoring plan in the registered CDM project activity document is found not to be consistent with the approved monitoring methodology applied to the registered project activity, or the proposed revision of the monitoring plan ensures that the level of accuracy or completeness in the monitoring and verification process is not reduced as a result of the revision.
222. The verification report shall indicate that the monitoring report reflects the application of the approved guidance from the Executive Board regarding the request for revision of the monitoring plan.

3. Differences between request for deviation and request for revision of monitoring plan

223. The following table illustrates the differences between request for deviation and request for revision of the monitoring plan.

Table. Comparison between Request for deviation and Request for revision of the monitoring plan

	Request for deviation	Request for revision of the monitoring plan
Definition	- A formal request for guidance from the Board regarding deviations from provisions of the registered project documentation for the verified period	- A formal request to the Board to revise the monitoring plan to comply with the monitoring methodology or to improve accuracy and/or completeness

²² Annex 34 of EB26 meeting report contains the procedures for revising monitoring plan.

**DRAFT UNEDITED VERSION**

	only	of information
Required documents	- Request for deviation form ²³ - Other relevant documents	- Revised monitoring plan - Validation option by the DOE - Other relevant documents
Submission	- Dedicated web interface	- Web interface or email by the DOE
<p>Note: Request for deviation or revision of the monitoring plan cannot be used to ask guidance on the changes in the project design from the PDD.</p>		

F. Verification Report

224. Building on the transparency principle, the verification report shall give an overview of the verification process deployed by the DOE in order to arrive at the verification conclusions. All verification findings shall be clearly identified and justified.

225. The verification report shall provide information on:

- (a) Summary of the verification process and scope of verification;
- (b) Verification team;
- (c) Desk review and site visit findings;
- (d) Findings and conclusions, especially on: project implementation in accordance with PDD, compliance of monitoring plan with monitoring methodology, and compliance of monitoring with the monitoring plan ;
- (e) List each parameter required by the monitoring plan and clearly state how the values in the monitoring reports have been verified;
- (f) Assessment and the closure of corrective actions requests, clarification requests, and forward action requests issued to the project participant;
- (g) Assessment of remaining issues from previous verification;
- (h) Conclusion on the verified amount of emission reductions;

226. Any supporting documentation pertaining to the verification (e.g. verification check list) shall be provided along with the verification report.

G. Certification Statement

227. Certification is the written assurance by the DOE that, during a specified time period, a project activity achieved the reductions in anthropogenic emissions by sources of the greenhouse gases as verified.

²³ The document should provide clear and precise assessment and description of the impact of the deviation on the emission reductions from the project activity for the Executive Board to evaluate.



DRAFT UNEDITED VERSION

228. The certification statement shall constitute a request for issuance to the CDM Executive Board of certified emissions reductions (CERs) based on the verified amount of emission reductions stated in the verification report.

VII. Communication with secretariat

A. Registration – request for registration

229. Registration is the formal acceptance by the CDM Executive Board of a validated project as a CDM project activity.

230. In cases where the DOE, following validation, considers that a proposed CDM project activity meets the requirements the project can be submitted for registration via a dedicated interface on the UNFCCC CDM website.

231. Besides the validation report, the following documents will need to be submitted as part of the request for registration:

- (a) The written approval of voluntary participation from the designated national authority of each Party involved, including confirmation by the host Party that the project activity assists it in sustainable development;
- (b) A statement signed by all project participants stipulating the modalities of communicating with the Executive Board and the secretariat in particular with regard to instructions regarding allocations of CERs at issuance;
- (c) Final PDD, including all necessary annexes; emission reduction, financial analysis;
- (d) F-CDM-REG.

232. Upon receipt of the documentation a unique registration reference number is generated. This reference has to be used by the PP for bank transfer of the registration fee.

233. Upon receipt of the fee the secretariat will undertake a check to confirm that all necessary documents have been submitted and that cross references, dates and other information contained therein is complete and consistent.

234. A number of recurring issues have been identified during such completeness checks which DOEs are therefore requested to pay particular attention to in order to facilitate the timely publication of registration requests:

- (a) Letters of Approval must contain all required elements and must refer to the title of the project in the PDD submitted for registration;
- (b) Dates and cross-references between documents must be consistent;
- (c) English is the working language of the Executive Board and all documentation submitted, including map legends and spreadsheets, must be in the English language;



DRAFT UNEDITED VERSION

- (d) Detailed information to support the baseline determination and additionality must be contained in the PDD or as an annex to the PDD.

235. In cases where the secretariat deems that the submission is incomplete the DOE shall be notified immediately of the issues and may resubmit the required additional or replacement documents via the dedicated interface on the UNFCCC interface.

236. Following publication of the request for registration on the UNFCCC CDM website the registration of the project will be considered final after eight weeks, or four weeks in the case of small-scale projects, unless three members of the Executive Board or one Party involved requests a review.

B. Registration – request for review

237. If a request for review is triggered the DOE shall be informed and shall be provided with the reasons provided by those requesting the review, and shall be informed of the CDM Executive Board meeting at which the request will be considered. Both the DOE and project participant may choose to provide initial comments on the reasons provided.

238. If the CDM Executive Board determines that a review of the request for registration is necessary the DOE will be informed of this by means of the report of the CDM Executive Board meeting and notification from the UNFCCC secretariat.

239. The review team appointed by the Executive Board may request further clarifications from the DOE on the basis of the agreed scope of the review.

240. A potential outcome of the request for review and the review can be that the CDM Executive Board determines that the project activity can be registered following corrections. In such cases the DOE will be required to validate that any corrections made by the project participant confirm with the UNFCCC criteria and that the validation opinion remains valid.

C. Submission of monitoring report

241. The DOE shall make the monitoring report submitted by the project participant available on the UNFCCC CDM website through the completion of the entry in the dedicated interface, prior to commencing the verification.

242. The first monitoring report made publicly available shall be the one prepared by the project participants prior to the verification activity. Any revised monitoring report, prepared as a result of corrective action raised by the DOE, shall be submitted as an additional document together with the request for issuance²⁴.

D. Issuance - Request for Issuance

243. A DOE shall submit its request for issuance of CERs using the appropriate form.

244. The following documents will need to be submitted as part of the request for issuance:

- (a) Verification report and certification statement;

²⁴ See paragraph 107 of EB 25 meeting report.

**DRAFT UNEDITED VERSION**

- (b) Final version of monitoring report, as applicable;
- (c) Other documents supporting the monitoring of parameters and calculation of emission reductions²⁵.

245. Upon receipt of the documentation, the secretariat will undertake a completeness check to confirm that all necessary documents have been submitted and that cross references, dates and other information contained therein is complete and consistent.

246. When submitting request for issuance, particular attention should be given to avoid submission of documentation with:

- (a) Inconsistent data (reference version, methodology version, date of crediting period, amount of CERs, documentation in language other than English);
- (b) Incomplete information/missing data (methodology version, monitoring report date and version, PA reference number, missing signatures in the verification/certification report);
- (c) Incomplete documentation (missing spreadsheets, requests for deviation).

247. In cases where the secretariat deems that the submission is incomplete the DOE shall be notified immediately of the issues and may resubmit the request for issuance via the dedicated interface on the UNFCCC website.

248. The date of receipt of a request for issuance is the date when the documentation is deemed complete and published in the UNFCCC website.

249. Following publication of the request for issuance on the UNFCCC CDM website the issuance of CERs by the CDM Executive Board shall be considered final 15 days after the date of receipt by the Executive Board of the request for issuance, unless a Party involved in the project activity or at least three members of the Executive Board request a review of the proposed issuance of CERs.

E. Issuance - Request for Review

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.

251. If a review is requested on the basis of other issues which are only of minor nature and could be corrected via additional clarifications and/or revised documentation, the project participant and the DOE will be informed by the secretariat that the issuance of CERs has been postponed until they have provided satisfactory clarifications to the issue(s) raised, and, if necessary, revised documentation. These clarifications and documentation shall be submitted to the secretariat within two weeks from the notification and they will be checked by the secretariat, in consultation with the Chair of the Executive Board before the CDM registry administrator is instructed to issue CERs.

²⁵ Data should be contained in the monitoring report before a request for issuance is made to a DOE, and submitted to the secretariat in a format which allows for assessment by the RIT member appointed to conduct the appraisal. (Para 109 of EB26 report).

**DRAFT UNEDITED VERSION**

252. In case a request for issuance is requested for review within one week prior to the deadline for circulation of the proposed agenda, the deadline for submitting comments is two weeks before the Board meeting. The DOE/PP may, within one week from the notification, inform the secretariat that they intend to provide their response with the full two weeks deadline, and the CDM Executive Board will consider the request for review at the subsequent Board meeting.

253. The DOE shall verify the information contained in the response to request for review sent by the project participant.

254. If the Board determines that a review of the request for issuance is necessary, the DOE will be informed of this by means of the report of the Executive Board meeting and notification from the UNFCCC secretariat.

255. The review team appointed by the Executive Board may request further clarifications from the DOE on the basis of the agreed scope of the review.

256. A potential outcome of the request for review and the review can be that the Board determines that the issuance of CERs can take place following corrections. In such cases the DOE shall verify that any corrections made by the project participant confirm with the UNFCCC criteria and that the verification and certification statement remains valid.

257. For cases where the Board requests corrections to be made based on the findings from the review, the DOE responsible for the verification and/or the project participants shall submit its corrections within 12 weeks to the secretariat.

258. For cases where the CDM Executive Board declines to approve the request for issuance based on the findings from the review, the requests for permission to resubmit requests for issuance shall be submitted within 60 days from the date of rejection²⁶.

F. Submission of Request for Deviation

259. If guidance for an identified deviation is sought, the DOE shall submit the particular form intended for submission of a request for deviation “CDM: Request for deviation form” (F-CDM-DEV) through the dedicated internet interface on the UNFCCC CDM website.

260. The submission by the DOE shall provide complete, clear and precise assessment and a description of the impact of the deviation on the emission reductions from the project activity, for the Executive Board to evaluate. In addition, the DOE shall substantiate the assessment with relevant and verifiable technical information.

261. If the form and documentation are incomplete, the secretariat shall ask the DOE to resubmit. The secretariat shall also inform the DOE if additional information or technical clarification is required.

G. Submission of Request for Revision of Monitoring Plan

262. If guidance for an revision of the monitoring plan is sought, the DOE shall submit the a revised monitoring plan and the validation opinion which contains an assessment that:

²⁶ See paragraph 86 of EB31 meeting report.

**DRAFT UNEDITED VERSION**

- (a) the proposed revision of the monitoring plan ensures that the level of accuracy or completeness in the monitoring and verification process is not reduced as a result of the revisions;
- (b) the proposed revision of the monitoring plan is in accordance with the approved monitoring methodology applicable to the project activity; and
- (c) the findings of previous verification reports, if any, have been taken into account.

263. The revised monitoring plan will be a stand-alone document substituting the monitoring plan contained in the registered PDD, therefore, the DOE shall ensure that the revised monitoring plan contains all monitoring parameters and necessary monitoring and QA/QC procedures required by the project participant to properly implement the monitoring in accordance with the monitoring methodology.

DRAFT

**DRAFT UNEDITED VERSION**

Annex I :

• Abbreviations

AE	Applicant Entity
CDM	Clean Development Mechanism
CAR	Corrective Action Request
CEF	Carbon Emission Factor
CER	Certified Emission Reduction
CL	Clarification Request
CO ₂	Carbon Dioxide
CoP	Conference of the Parties to the UNFCCC
DNA	Designated National Authority
DOE	Designated Operational Entity
EB	CDM Executive Board
EIA	Environmental Impact Assessment
FAR	Forward Action Request
GHG	Greenhouse Gas(es)
GWP	Global Warming Potential
KP	Kyoto Protocol
LoA	Letter of Approval
LoI	Letter of Intent
MA	Marrakech Accords = Decision 17CP.7 = Decision 3/CMP.1 = Modalities and procedures for a clean development mechanism, as defined in Article 12 of the Kyoto Protocol
MoU	Memorandum of Understanding
MP	Monitoring Plan
ODA	Official Development Assistance
PDD	Project Design Document
SSC	Small-Scale Project Activities
UNFCCC	United Nations Framework Convention for Climate Change

• References

Glossary for CDM projects:

<http://cdm.unfccc.int/Reference/index.html>
