November 15, 2010

Dear Sir/Madam,

Hereunder is our view to the *Call for public inputs on the possible introduction of the concepts of materiality and level of assurance in the clean development mechanism*, reference to *the draft Standard on the use of the concept of materiality and level of assurance in the "clean development mechanism"*.

(a) Threshold of the application of materiality

With regard to qualitative aspect the threshold of the application of materiality could be defined as the key points of any prescriptive CDM requirement and non prescriptive CDM requirement information in process of registration and issuance of a proposed project, such us serious consideration of CDM in the decision to implement the project activity, calculation of IRR based on the reliability study report or equivalent document but that from current use if it has been changed when to proceed the project activity, common Practice analysis for large-scale project, calculation of GHG emission reduction in conservativeness, and etc.

With regard to quantitative aspect the threshold of the application of materiality could be considered on any key point or that related to as pointed out above, if applicable, and it dose in the paragraph 10 of *the draft Standard on the use of the concept of materiality and level of assurance in the "clean development mechanism"*.

(b) Scope of the application of materiality

Therefore, the scope of the application of materiality falls in the information of factuality and completeness provided by project proponent and the information related to the additional validation/verification decision taken by DOE on the key points shown as above and the information related to registration and issuance decision by EB.

(c) How to implement in practice the concept in CDM

From our practice we would like to take account of something combined with implementation of concepts of materiality in CDM. For an example, in IRR calculation there might be sometime more than one data relevant to for consideration that which one and by what it shall be taken. The Tianba 15MW Small-scale Hydropower Station in China that we took as CDM project for consultant met with, at least, four conservative data of averaged annual electricity generation since the initial designated installed capacity was 12MW in accordance with the feasibility study report without updated, which are as the following:

(1) 47230 MWh averaged by the most three years generation from the referenced data of past 10 years generation for Huikou Hydropower Station with the same capacity and technology and similar hydrology environment as Tianba Hydropower Station on 15km lower reaches of the same river, which is much more higher than the average annual generation of 3911MWh for 12MW Qijiang Hydropower Station 2km from Tianba Hydropower Station on upper reaches of the same river;

(2) 54310MWh estimated on a one-page note by the hydropower engineer from the project proponent as the highest average value required by DOE;

(3) 57400MWh calculated as the most by the increased capability of（15MW-12MW）/12MW×100%=25% times 4592MWh and plus 4592MWh for the annual generation of 12MW installed capacity in accordance with the feasibility study report;

(4) 67910MWh shown with a one-page note provided by another hydropower planning and

designing research institute.

It is obvious that the datum of 47230MWh is possibly the closest one to the annual generation in practice for the proposed project because a) the Huikou Hydropower Station has larger runoff area than the Tianba Hydropower Station; b) 47230MWh is averaged by the highest three years generation from the referenced data of past 10 years generation for the Huikou Hydropower Station; c) 47230MWh is more than the datum of 4592MWh for the annual generation of 12MW installed capacity in accordance with the feasibility study report and much more than that of 3911MWh for 12MW Qijiang Hydropower Station by a cross check, which show that the calculation of 47230MWh is conservative and substantiate and compliances with the relative requirements by EB.

And as a result, the Tianba 15MW Small-scale Hydropower Station had produced electricity of 4214MWh annually averaged for past two and half years since it started generation in April 2008, which is the closest one to the calculated annual generation for it with the same variation to that for the Huikou Hydropower Station in the same period.

Otherwise, the proposed project might be concluded by DOE depending on the other choices as without additionality to be rejected as per over conservativeness.

These bring a matter up for consideration that how these kinds of matter, especially a proper conservativeness, shall be assessed more efficiently and what shall be based on.

Combined with the Guidance on the Assessment of Investment Analysis (version02) paragraph 16 and 17 of annex 45 to EB41 report, it states that "Where a DOE considers that a variable which constitute less than 20% have a material impact on the analysis they shall raise a corrective action request to include this variable in the sensitivity analysis" and that "As a general point of departure variations in the sensitivity analysis should at least cover a range of +10% and -10%, unless this is not deemed appropriate in the context of the specific project circumstances", with which we could take use of the ±10% variable between ±10% and ±20% if the sensitivity analysis range of +10% and -10% is limited.

Then the conservative datum of average annual generation can be calculated by 47230MWh of the most three years generation or that of the past 10 years generation times 10% plus 47230MWh equal to 51953MWh or less as the limitation of the highest average annual generation the threshold for total project costs or total project revenues calculation, which immediately excludes the other three choices in this case.

Now the way to establish new threshold could be summarized as below:

(1)Establish threshold based on the principle of tarsus and experience as it dose in the paragraph 10 of *the draft Standard on the use of the concept of materiality and level of assurance in the "clean development mechanism"*.

(2)Take use of existing quantitative information out of the guidance, procedure, tool and so on from EB and adopt the lest quantitative but conservative data in practice to establish threshold like the case shown above so that it would keep compliance with the requirement of EB.

(3)Set up threshold for CDM system by reference to data and information from legal precedent, convention and other subject.

It can be fund that the principle of objectiveness and factuality shall be concerned when the concept of materiality involved as the principle of objectiveness and factuality is the basis of principle of materiality. This is what shall be emphasized and pay attention to when to set up

threshold among different data and information.

Regards,

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