

October 15, 2010

CDM Executive Board  
c/o UNFCCC Secretariat  
P.O. Box 260124  
D-53153 Bonn  
Germany

**Subject: Call for inputs regarding the “Draft standard on the use of concept of materiality and level of assurance in the clean development mechanism”.**

Honorable Members of the CDM Executive Board,

We welcome the opportunity to contribute to the call for inputs regarding the “Draft standard on the use of the concept of materiality and level of assurance in the clean development mechanism”. We commend the EB and Secretariat for this important step. The inclusion of materiality will benefit the project developers and the DOEs and allow them to focus their scarce resources on issues that have a significant impact on emission reductions. Our inputs on the scope, thresholds and application of materiality are outlined below.

### **Scope and application of materiality**

The scope and application of materiality should address the following elements:

- The prescriptive aspects of materiality should conform to the procedures supporting the hierarchy of decisions.
- For non prescriptive aspects of materiality, the EB needs to define the steps and procedures to ensure common understanding on the application of procedures by DOEs. The guidance could help avoid the DOE requests for clarification on its application.
- The draft standard envisages the application of materiality to registration and issuance stages. However, it is recommended to extend its scope to cover the review process as well. This would require that the EB, Secretariat and RIT consider the thresholds when deciding whether or not to trigger reviews of projects and programs.

### **Threshold of the application of materiality**

The materiality thresholds of 0.5% of emission reductions for projects achieving greater than 500,000 tonnes; 2% for large scale projects achieving 500,000 tonnes or less; and 5% of emission reductions for small scale projects proposed in the draft standard are appropriate.

### **Application of materiality in practice**

The definition of materiality, its application and relevance to other rules and procedures of the clean development mechanism need to be amplified in the VVM.

Materiality is a relative concept whose application is also project specific. In this context, the draft standard implies a need for the revision of methodologies or the VVM to accommodate its application to project specific situations. However, revisions to the standard each time a non-material issue is identified increases the burden of regulation as issues that are non material for one project may be material for another project and vice versa. Therefore, materiality needs to be assessed within the overall context of the projects and programs.

In order to ensure that all stakeholders have a common understanding on the application of materiality, technical workshops could be held to achieve consensus on the concepts of materiality and level of assurance prior to the approval of the draft standard.

With kind regards,

A handwritten signature in black ink, appearing to read 'Rama Chandra Reddy', with a stylized flourish at the end.

Rama Chandra Reddy  
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