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CDM Executive Board
UNFCCC Secretariat
Martin Luther King Strasse 8
P.O. Box 260124
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Germany

Re: Call for inputs on the possible introduction of the concepts of materiality and level of assurance in the clean development mechanism (CDM)

Dear Mr. Mahlung,

We thank you for the opportunity to comment on the draft standard on the use of the concept of materiality and level of assurance in the “clean development mechanism”.

EDF Trading welcomes the publication of the draft standard and its consideration by the Board. We believe that embedding the concept of materiality into the CDM framework and processes would go a long way towards delivering the efficient, scaled-up mechanism we are collectively aiming at.

The draft standard provides valuable definitions of the concepts of materiality and level of assurance in paragraphs 5 and 6. They correspond to the general understanding developed in other fields; this is hence a good basis for discussing how they may be best taken into account in the context of the CDM.

However, we fail to see what benefits the current draft standard is bringing and how it contributes to improving the CDM towards the above-stated aims. In particular, we believe that introducing the concept of materiality in validation and verification activities should let DOEs use their best judgement as to whether the deviations in results or conclusions from the involuntary misapplication of a CDM standard requirement are significant enough so as to mislead the EB when deciding about registration or issuance.

As is, the draft standard only formalises what we understand to be the existing practice i.e.:

- In cases of non compliance with a specific requirement, even if it has minor consequences (or even could trigger a more conservative result), the validation or certification fails.
- When there's no specific requirement, the DOE uses its best judgement.

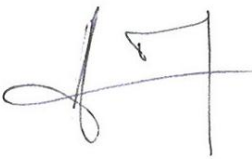
Applying the concept of materiality should allow a DOE to assess whether a non compliance with a prescriptive requirement – provided it is an involuntary and non systematic deviation from the applicable standard/rule – is susceptible to materially affect the basis for decisions by the EB.

Beyond the diligences performed by DOEs (validation, verification), it is critical to introduce the concept of materiality as well in the work performed by the UNFCCC secretariat, for instance at completeness check level.

Too often, requests for registration or issuance are delayed for entirely immaterial issues that have no bearing on the clarity of the submission and the Secretariat and the EB's ability to form an opinion on its substance. While there is no question that submissions shall be complete and of the highest quality, project participants should not be penalised for immaterial issues that could be resolved in a simpler and more efficient manner than sending the request back at the beginning of the queue.

While we understand this is difficult to address in the scope of the standard considered in the present call for input, this is nonetheless critical to improving the efficiency of the mechanism. **We believe the Board should recommend the CMP to request the Board to introduce the concept of materiality in the checks and reviews performed by the UNFCCC secretariat.**

Yours truly,

A handwritten signature in black ink, appearing to be 'AM' with a stylized flourish.

Alexandre Marty
Head of Policy – Carbon and Environmental Markets

