TÜV NORD CERT GmbH • P.O. Box 10 32 61 • 45032 Essen • Germany

TÜV NORD CERT GmbH

Langemarckstrasse 20
45141 Essen
Germany

Phone: +49 201 825-0
Fax: +49 201 825-2517

Info.tncert@tuev-nord.de
www.tuev-nord-cert.com

TÜV®

CDM Executive Board

Our / Your Reference	Contact	Direct Dial	Date
	Rainer Winter E-Mail: rwinter@tuev-nord.de	Phone: -3329 Fax: -2139	23.04.2010

Comments on

“Draft tool to determine the weighted average cost of capital (WACC)”

Dear Sir/Madam,

We appreciate the opportunity to submit comments on the “Draft tool to determine the weighted average cost of capital (WACC)” and would like to submit the following.

If you have any questions do not hesitate to contact us.

Yours sincerely,

TÜV NORD JI/CDM Certification Program

Rainer Winter

Comment No. 1	
Applicability of the CAPM model to calculate the cost of equity financing	TÜV NORD experienced that in projects submitted for validation the CAPM model has been utilized in order to calculate the cost of equity financing. Since this approach is not proposed in the respective draft guidance we would like to seek clarification on the adequacy / applicability of the CAPM model for calculating the cost of equity financing. In case application would be enabled it is appreciated to elaborate clearly under which conditions and restrictions the model would be applicable.

Comment No. 2	
Comparable projects	Option 3B under step 3 of the Draft guidance mentions “comparable projects”. In this specific regard TÜV NORD would like to seek further guidance on the term “comparable projects” as this may be subject to interpretation w.r.t. project type, region, scale, investment decision date. For instance comparability of projects may or may not be given in case of Waste Heat Recovery / Waste Gas Recovery projects in the cement, copper melting or steel producing sector.

Comment No. 3	
Choice between Options and Cases	TÜV NORD observed that the Draft Tool enables PPs to select between several options and / or cases. In the course of validation of CDM projects in the past it has been noted that a broad degree of freedom for choosing one of multiple options causes difficulties in the determination of the most conservative option or case. Since the Draft Tool often states, e.g. “This option can be used if:” or “Equation 3 should be used if …” it may promote the difficulties in determining the most conservative option.

Comment No. 4	
Definition of high / low country risk	TÜV NORD observed that Option 4B of Step 4 enables PPs to calculate the country specific equity return according to the respective country risk. In this regard the elaboration in the relevant section may cause difficulties in interpreting the meaning of high or low country risks. Therefore TÜV NORD would like to request further guidance on the definition of high or low country risks in order to alleviate demonstrating / assessing the adequacy of the country specific equity return.

Comment No. 5	
Definition of expected equity returns used consistently in the past	Option 4C under step 4 mentions that one specific expected equity return should have been used “consistently in the past…”. TÜV NORD would like to entreat the Meth Panel to further specify the meaning of consistently used in the past as this may enable space for interpretation.