

15 August 2011

Dear Sir/Madam,

The view for us on the “Call for inputs on the validation process” by the CDM Executive Board at its sixty-second meeting is as the followings:

The inputs on the implementation of local stakeholders consultation during the validation process

1. The most important local stakeholder is the consultant (the project proponent responsible for the PDD compilation and representative of the project participants) with the inputs concentrated to the proposed project activity itself relevant to both the project participants and the DOE

The consultant as the representative of the project participants and common interests with them understands the project activity well and usually has close relation to the project owner, with which it can receive more and factual detailed information on the project activity from the project owner than the DOE as the basis of the PDD and subsequent validation and verification process while it has to keep an eye open on the operation of the proposed project activity instead of the CERs buyer¹.

Therefore, the consultant is playing the most important role on development and supervision of the project activity among the local stakeholders and quite clear about the problems related to the original information and data for the project activity and the subsequent validation and verification process by the DOE.

In the end there are three different situations for the proposed project activity:

- a. The proposed project activity is successfully registered as the CDM project, satisfied by all sides of the project participants, the consultant and the DOE.
- b. The proposed project activity is failed to be registered as the CDM project, recognized by all sides of the project participants, the consultant and the DOE with definite evidence.
- c. The proposed project activity is failed to be registered as the CDM project, but not recognized by, at least, one side of the project participants, the consultant and the DOE, especially the cases with disputes between the project participants and the DOE.

For situation a. there must be some proportion of mistaken registration with false information and evidence or fouts implementation and erroneous use of standards, guidelines and the like required by EB covered in the validation and verification process. The three sides involved in it would not like to disclosure the mistakes due to the common interests unless the local stakeholders, most of them without conflict of the interests, inform against it. This means that it is quite necessary for local stakeholders known the proposed project activity and access to EB well, not only in the short period for the submission of the PDD publicly available to stakeholders right now but in the whole period for validation and verification process as a supervisor from outside.

For situation c. in accordance with the specific investigation and research on the rejected and withdrawn project in China we have been dong as mentioned in our view on the call for public inputs before², it is sure that a huge number of potential projects submitted for registration of CDM had been refused by DOEs with its various erroneous comments and

¹ The consultant usually makes a consulting contract for the CDM project with the project owner meanwhile it does another supervision contract on the operation of the project with the CERs buyer

² http://cdm.unfccc.int/public_inputs/2010/guid_inv/cfi/YW06LN5144ILD4JL48566JCD4I6QGO

opinions including that in analysis and demonstration provided by some consultants. But till now almost, as we know, no project participant in China has put up an appeal to EB for the errors done in the validation process due to the following three obstacles, but not limited to, before them:

①The project participants and/or the consultant have no ability to identify the mistake done by the DOE and/or the consultant in the validation process.

②Some words or statements have to be taken a clarification or revision, such as the definition for “the point of the decision to proceed with the investment” as we pointed out before², so that it could be made clear in the dispute between the project participant and the DOE in the validation process.

③The appeal process to EB is too complex and much cost at present that the project participants could not afford. As the standard³ by EB and the relevant document by DOEs shown and indicated by the secretariat of EB⁴, the appeal, if any, shall start from complaint, dispute or appeal for the problem over to the headquarters of the DOE, which might be the first round for complaint, the second for dispute and the third for appeal for the final decision with which the project participants then could be taken to EB for appeal to the DOE. Now our appeal process to the draft denied validation report for the Tianba 15MW Small Hydropower Plant in China² is just at the second round of dispute which has taken more than one year (including the time for communication between for the draft denied validation report and relevant issue). It is quite easy for DOEs to take a denied report without any risk for its irresponsible and mistaken opinion as no more necessary check by EB has been taken on the denied project and even nowhere we can find the related documents for it in the validation process but it is quite difficult for the project participants to demonstrate its erroneous opinion in the denied report on our experience so far.

So it is essential and urgent for the project participants to have access to EB directly for serious disputes met in validation and verification process that most of the disputes between the project participants and DOEs would be settled efficiently based on the credibility and authority to EB with the remain unsettled to arbitration as suggested⁵ if a fast settlement mechanism without payment, limited to serious errors, partiality, malfeasance and forge by DOEs which lead to an opposite decision on the project activity, is specifically set up, avoiding the possible three rounds of complaint, dispute and appeal in the end like mentioned above in the circle of the same DOE for so long time, as well as a supervisor from outside to push DOEs to improve its validation and verification ability and implementation in compliance with the requirement by EB.

2. Another important stakeholder is the habitants or communities around the site of proposed project activity with the inputs focused on environment, local development and its rights and interests.

During the validation process another important stakeholder is the habitants or communities around the site of proposed project activity on whom it has more impact. Therefore, the habitants or communities with other relevant stakeholders are invited to joint a meeting or investigation for their comments on the proposed project activity as designed in the PDD.

³ CDM Accreditation Standard for Operational Entity, updated (version 03) at EB62, Annex 1

⁴ Indicated in the answer email from the secretariat of EB

⁵ EB51, Annex 2: Draft Procedures for an Appeal Process against DOEs by Project Participants

Consideration of the two-round call for inputs from stakeholders by the Golden Standard⁶ it is likely to be necessary to have a two-round call for inputs from stakeholders for CDM as well, the first one does as that stated as before, but the second, arranged by the project owner in advance, shall be done along by the DOE as scheduled in the validation process on site without much trouble and cost on both of the project owner and the DOE if the opinions with reference to the Golden Standard brought forward by some one on the “Call for public inputs on sustainability benefits”⁷ are to be considered definitely reasonable.

Regards,

Zhao-jing Li

The personnel in charge

Beijing Wenhua Economic Consult Centre

Address: Room 501, gate 2 of Stored Building

No.3, Hualongyuan-Nanli, Changping District,

Huoying, Beijing 102208 China

Tel: 8610-69794234/81623924/13021156737

Fax: 8610-69794234

Email: bjwhzx@sohu.com

⁶ Golden Standard (version 2.0), Chapter 0, *1.7 Start Planning Stakeholder Consultation Process*

⁷ Referred to some inputs at http://cdm.unfccc.int/public_inputs/2011/sustainability_benefits/index.html