United Nations Framework Convention on Climate Change

4th CDM Roundtable

Wrap-up session - Materiality

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UNFCCC secretariat SDM Programme

Discussion Question #1

1) Where can the guidelines be further improved through the inclusion of additional information and examples?

- No further guidance / example needed for risk assessment by DOE (reporting risks as a function of reliability of monitoring system) – but Example 1 should be further elaborated to highlight that immaterial emission source may have the potentially largest error and thus needs more attention during the verification audit
- Need to have example to highlight that no further testing is needed even if errors are detected in case error is not expected to be systematic and any further random error as the one identified would not be material (PP is still requested to re-check data, but their check is not further verified)
- Calibration of DOEs needed. Best practice document by DOEs, including template
- Reference to ISO 14064 : 3 with regard to implementation of materiality
- Inclusion of flow charts to illustrate application of guidelines
- Clarify what is meant with "majority of efforts"



2) Are there any missing elements?

- See answers to question 1
- Application of materiality in for example post registration changes assessments not to be addressed with these guidelines, but this needs to be addressed through revision of VVS and Project Standard



3) What additional guidance should be included in the section D on when materiality thresholds are surpassed?

- Include concept of extrapolation of errors identified in sampling to remaining dataset to test whether possible in errors of remaining dataset would have a material impact on reported ERs
- Title of section is misleading: materiality threshold is not surpassed, but there is the possibility that it may be surpassed



Discussion Question #4

4) What information should be reported by DOEs to allow the Secretariat / Executive Board to apply materiality to the assessment of requests for issuance?

- Important to find acceptable level of reporting which ensures transparency of verification reports, but does not require to include a lot of details which may results in misunderstanding by a reader does not have the full context
- Learn from reporting requirements in EU ETS
 - a) Description of audit plan
 - b) Reporting of where material errors were
- Is interpretation of CMP decision to apply materiality in assessment by requests for review by EB and Secretariat really a requirement to assess for each project how DOE has applied materiality or could this be checked though focused performance assessment
- Only require rather basis information on how DOE report on application of materiality in verification in verification report
 - a) risk that were identified and how they were addressed
 - b) Not reporting on timing and extent of verification activities
- DOEs to develop best practice and suggest reporting examples



Discussion Question #5

5) What to do if a immaterial or material omission is detected, but can not be corrected. Is there a need to include guidance on how to apply conservative discounts for such errors?

- Most relevant to omissions
- Is relevant in the context of the project standard



6) Could materiality also be applied to verification of CPAs as long as the PoA requires verification of each CPA?

- Verification of CPAs of a PoA where all CPAs are verified is not different from the verification of a normal CDM project activity and materiality may also be applied in the verification of such CPAs.
- It may also be applied in the context of sampling in case of PoAs where only a sample of CPAs is being verified and materiality could be applied to guide sampling plan



7) Deviation vs. materiality issue

Stakeholder feedback and discussion summary:

• Materiality should also be used in assessment of deviations and deviations which introduce errors which are immaterial may be assessed by DOEs



Main issues discussed:

- How to apply materiality in the context of sampling by the DOE and when to testing can be stopped – include as example or flowchart in guidelines
- What to do if a misstatement is detected which can not be corrected DOEs need to follow VVS and PS
- Reporting requirements by DOEs to EB / Secretariat for each verification
 - a) Stakeholders to provide recommendations / examples of reporting best practices for consideration by EB 68
 - b) Balance between what should be reported in each verification reports vs. what can be checked through (focused) performance assessments
- Potential application of materiality in the verification of CPAs in PoAs



Action points / Recommendations:

- 1. DOEs to provide recommendations / examples of reporting best practices for consideration by EB 68.
- 2. Stakeholder to provide recommendations to the Secretariat on enhancements to current requirements on post registration changes, in particular temporary deviations, in consideration of materiality
- 3. Secretariat to update guidelines considering comments made today
- 4. Secretariat to note to the EB recommendations provided by stakeholders regarding post registration changes, application of materiality in the verification of CPAs (PoAs where all CPAs are verified vs. sample of CPAs in verification) and reporting on the application of materiality by the DOE

