

CDM-PA7822-RULE01

Ruling note

Request for registration for “Bonyic Hydroelectric Project”

Version 01.0



United Nations
Framework Convention on
Climate Change

1. The CDM-Executive Board decided to reject the above proposed project activity on 4 November 2013, in accordance with the "Procedures for review of requests for registration", version 1.1, EB 55, Annex 40, paragraphs 20 and 28 (the procedures). In accordance with paragraph 27 of the procedures, the rulings shall contain an explanation of the reasons and rationale for the final decision, which are as follows:
 - (a) The DOE (ICONTEC) failed to substantiate: (i) the barrier due to project location in accordance with validation and verification manual (VVM), version 01.2, paragraph 116 and EB 50, Annex 13, guidelines 2 and 4; and (ii) the investment barrier in accordance with VVM, version 01.2, paragraph 117(a) and EB 50, Annex 13, guidelines 1 and 6.
 - (b) The relevant requirements in full are:
 - (i) VVM, version 01.2, paragraph 116 states that "the issue that have a clear direct impact on the financial returns of the project activity cannot be considered barriers and shall be assessed by investment analysis". The VVM, version 01.2, footnote 31 further states that "issue that have a clear direct impact on the financial returns" in above paragraph means: "those issues whose impacts can be expressed in monetary terms with reasonable certainty".
 - (ii) EB 50, Annex 13, guideline 2 states that "If the CDM does not alleviate the identified barriers that prevent the proposed project activity from occurring, then the project activity is not additional".
 - (iii) EB 50, Annex 13, guideline 4 states that "Barriers that can be mitigated by additional financial means can be quantified and represented as costs and should not be identified as a barrier for implementation of project while conducting the barrier analysis, but rather should be considered in the framework of investment analysis".
 - (iv) VVM, version 01.2, paragraph 117(a) states that "Determine whether the barriers are real. The DOE shall assess the available evidence and/or undertake interviews with relevant individuals (including members of industry associations, government officials or local experts if necessary) to determine whether the barriers listed in the PDD exist."
 - (v) EB 50, Annex 13, guideline 1 states that "While demonstrating barriers related to the lack of access to capital, technologies and skilled labour, the project proponents shall provide information on the nature of the companies and entities involved in the financing and implementation of the project. More specifically: while demonstrating barriers related to the lack of access to capital, information should include nature of company, organization and its ownership and, financial information..."
 - (vi) EB 50, Annex 13, guideline 6 states that "In case the PPs make the claim for investment barriers, they should demonstrate in the PDD that the financing of the project was assured only due to the benefit of the CDM".
 - (c) The reasons and rationale for the final decisions are :

- (i) The DOE failed to substantiate: (i) why the impact of the identified barrier due to the project location, which has been addressed by the transfer of 25% of the CERs profits to Naso Teribe people, cannot be expressed in monetary terms; and (ii) how the CDM will help to alleviate the barrier caused by the Naso Teribe community’s internal crisis, in accordance with VVM, version 01.2, paragraph 116, and EB 50, Annex13, guidelines 2 and 4.
 - (ii) The DOE failed to provide information about the project owner and the principal shareholder (e.g. nature of company, organization and its ownership and, financial information) in accordance with EB 50, Annex 13, guideline 1. The DOE also failed to substantiate, in accordance with EB 50, Annex 13, guideline 6, that the financing of the project was assured only due to the benefit of the CDM considering that the principal shareholder’s decision (04/08/2008) to fund the project activity with CDM consideration is after the start date of the project activity (28/08/2007). Further, the DOE also failed to substantiate, in accordance with VVM, version 01.2, paragraph 117(a), that the investment barrier is project specific considering that the bank did not provided the loan due to principal shareholder’s statutory limitations, rather than the nature of the proposed project activity.
2. Please note, however, that, with appropriate revisions, this project activity may be resubmitted for validation and registration, providing it meets the requirements for validation and registration, in accordance with paragraph 42 of the CDM Modalities and Procedures (Decision 3/CMP.1).

Document information

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01.0	9 December 2013	Initial publication. Related to EB 55, Annex 40 (Paragraphs 20, 27 & 28)

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