

**CDM-PA10328-RULE01**

## Ruling note

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Request for registration for “Small Hydroelectric Power Plants Projects: São Pedro, Carangola, Calheiros, São Simão, Funil, São Joaquim, Fumaça IV, Jataí, Irara, Bonfante, Monte Serrat, Santa Fé, hereafter referred to as group (“bundling”)”

Version 01.0



**United Nations**  
Framework Convention on  
Climate Change

1. The CDM-Executive Board decided to reject the proposed project activity on 04 May 2017, in accordance with the "CDM project cycle procedure" (PCP), version 09.0, paragraphs 111 and 117. Further, in accordance with paragraph 118 of the PCP, the ruling shall contain an explanation of the reasons and rationale for the final decision, which are as follows:
  - (a) The DOE (RINA Services S.p.A.) failed to substantiate:
    - (i) Continuous and real actions were taken to secure the CDM status of the project activity, in accordance with VVS, version 9.0 - paragraphs 117, 118 and 119 and PS, version 9.0, paragraph 29(b).
    - (ii) Validity of the tariff used for the investment analysis, in accordance with "Guidelines on the Assessment of Investment Analysis", version 5.0, paragraph 6.
2. The relevant requirements are:
  - (a) PS version 9.0, Paragraph 29 (b) states that
    - (i) "Project participants shall provide evidence that continuing and real actions were taken to secure CDM status for the proposed project activity in parallel with its implementation"; and
    - (ii) "Evidences to support continuing and real actions "should include one or more of the following: contracts with consultants for CDM/PDD/methodology/standardized baseline services; draft versions of PDDs and underlying documents such as letters of authorization, and, if available, letters of intent; emission reduction purchase agreement (ERPA) term sheets, ERPAs, or other documentation related to the sale of the potential CERs (including correspondence with multilateral financial institutions or carbon funds); evidence of agreements or negotiations with a DOE for validation services; submission of a new methodology or standardized baseline, or requests to the Board for clarification or revision of existing methodologies or standardized baselines; publication in a newspaper; interviews with DNA; earlier correspondence on the project with the DNA or the secretariat. Letters, e-mail exchanges and other documented communications may help to substantiate the evidence".
  - (b) VVS version 9.0 paragraphs 117, 118 and 119 state that:
    - (i) "Assessment of real and continuing actions shall be conducted by the DOE and should focus on real documented evidence as indicated in paragraph 116(b) above, including an assessment by the DOE of the authenticity of the evidence. The DOE shall assess letters, e-mail exchanges and other documented communications submitted by the project participants to substantiate the above information, and these shall be considered as evidence only after the DOE has assessed the reliability and authenticity of such communications, inter alia through cross-checking (e.g. interviews)."
    - (ii) "In validating proposed CDM project activities where:

- a. There is a gap of less than two years between the documented evidence, the DOE shall conclude that continuing and real actions were taken to secure CDM status for the project activity;
      - b. A gap between documented evidence is greater than two years and less than three years, the DOE may determine that continuing and real actions were taken to secure CDM status for the project activity and shall justify any positive or negative validation opinion based on the context of the evidence and information assessed;
      - c. A gap between documented evidence is greater than three years, the DOE shall conclude that continuing and real actions were not taken to secure CDM status for the project activity.”
    - (iii) “If evidence to support the serious prior consideration of the CDM as indicated above is not available, the DOE shall determine that the CDM was not considered in the decision to implement the project activity.”
  - (c) The “Guidelines on the Assessment of Investment Analysis” version 5.0, paragraph 6 states that:
    - (i) “Input values used in all investment analysis shall be valid and applicable at the time of the investment decision taken by the project participant. The DOE is therefore expected to validate the timing of the investment decision and the consistency and appropriateness of the input values with this timing. The DOE should also validate that the listed input values have been consistently applied in all calculations.”
3. The reasons and rationale for the final decisions are:
- (a) Continuing and real actions to secure the CDM status were demonstrated by ELETROBRÁS through events related to the PROINFA legislation / regulation and actions taken by ELETROBRÁS in order to develop the PDDs and to commercialize the CERs. However, the actions towards investing in the construction and operation of the individual power plants belong to the project sponsors and not to ELETROBRÁS, therefore the milestones to secure the CDM status shall be determined for individual power plant.
  - (b) PROINFA floor price (117.02 R\$/MWh) were published on 06/04/2004, which were one of the milestones presented by the PP. With the application of PROINFA floor price for the entire investment analysis period (as compared to 76.92 R\$/MWh used in the investment analysis), the NPV for two power plants (Jataí and Santa Fé) becomes positive, indicating that the some of the components from the bundle are not additional.
4. In accordance with paragraph 42 of the CDM Modalities and Procedures (Decision 3/CMP.1), if the project participant wish so, this project activity may be resubmitted for validation and registration provided it meets the requirements for validation and registration.

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### Document information

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