



Key issues on validation of CDM projects

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**II National Workshop – 28 October 2011
PDD development and validation in the CDM**



The CDM

- Rules based mechanism
- Complex regulatory structures
- Many actors participating
- Transparency of processes
- Time consuming



Principles of the CDM

- Consistency
- Transparency
- Impartiality
- Independence
- Confidentiality



Recent efforts to streamline and facilitate processes

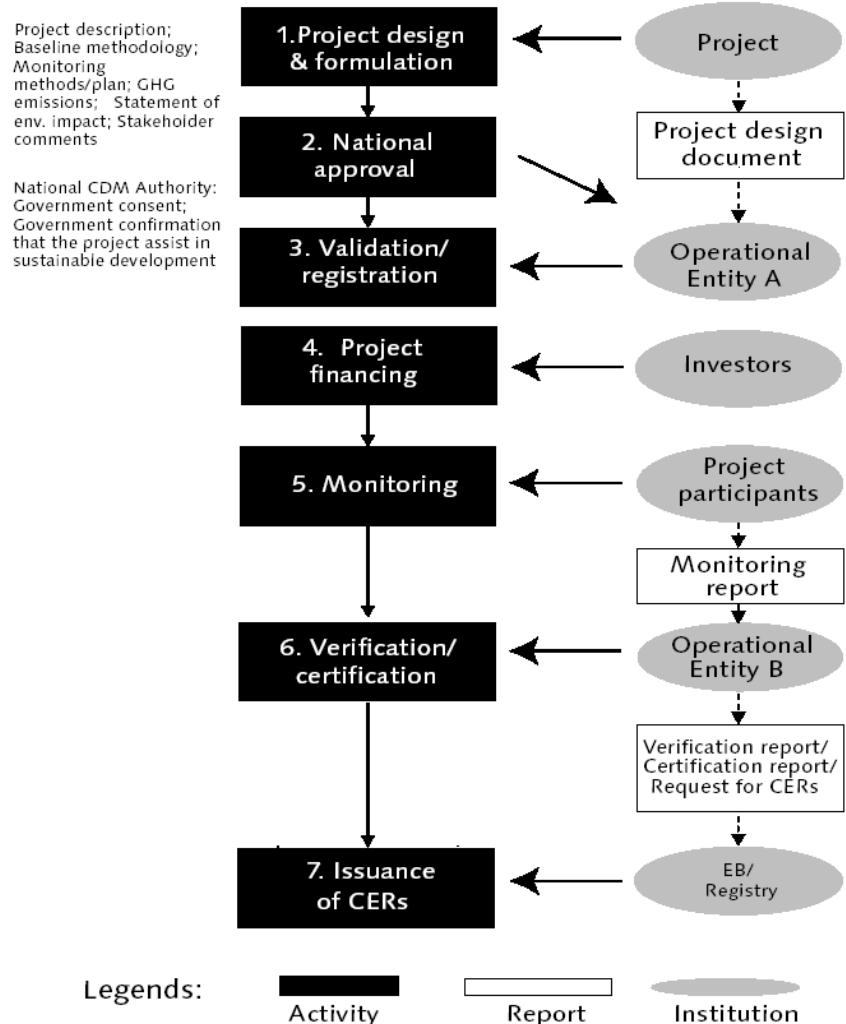
Basis of CDM evaluations

- ✓ Precision
- ✓ Conservadurism
- ✓ Relevance
- ✓ Credibility
- ✓ Reliability
- ✓ Completeness

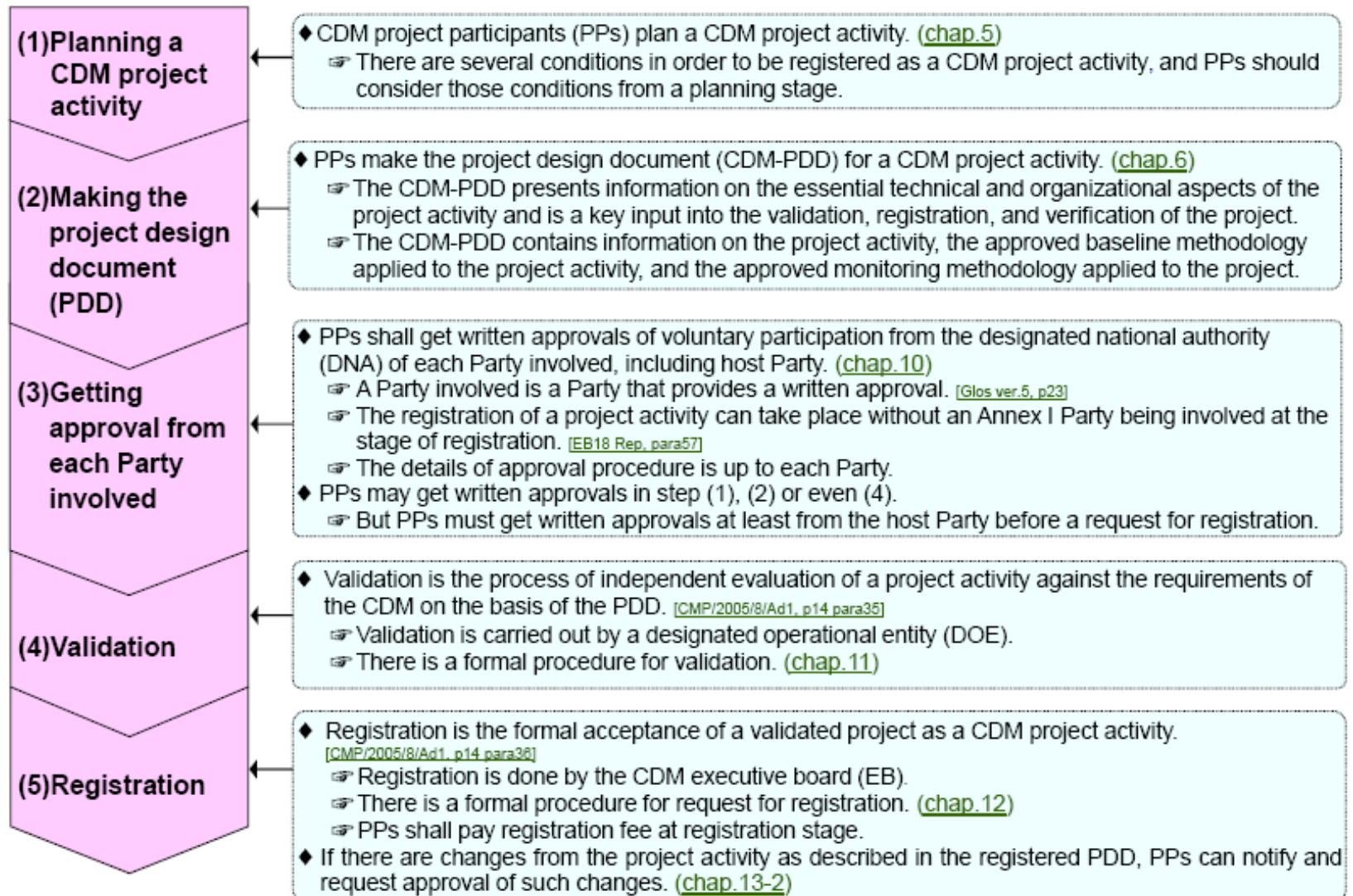


Overview of the CDM project cycle

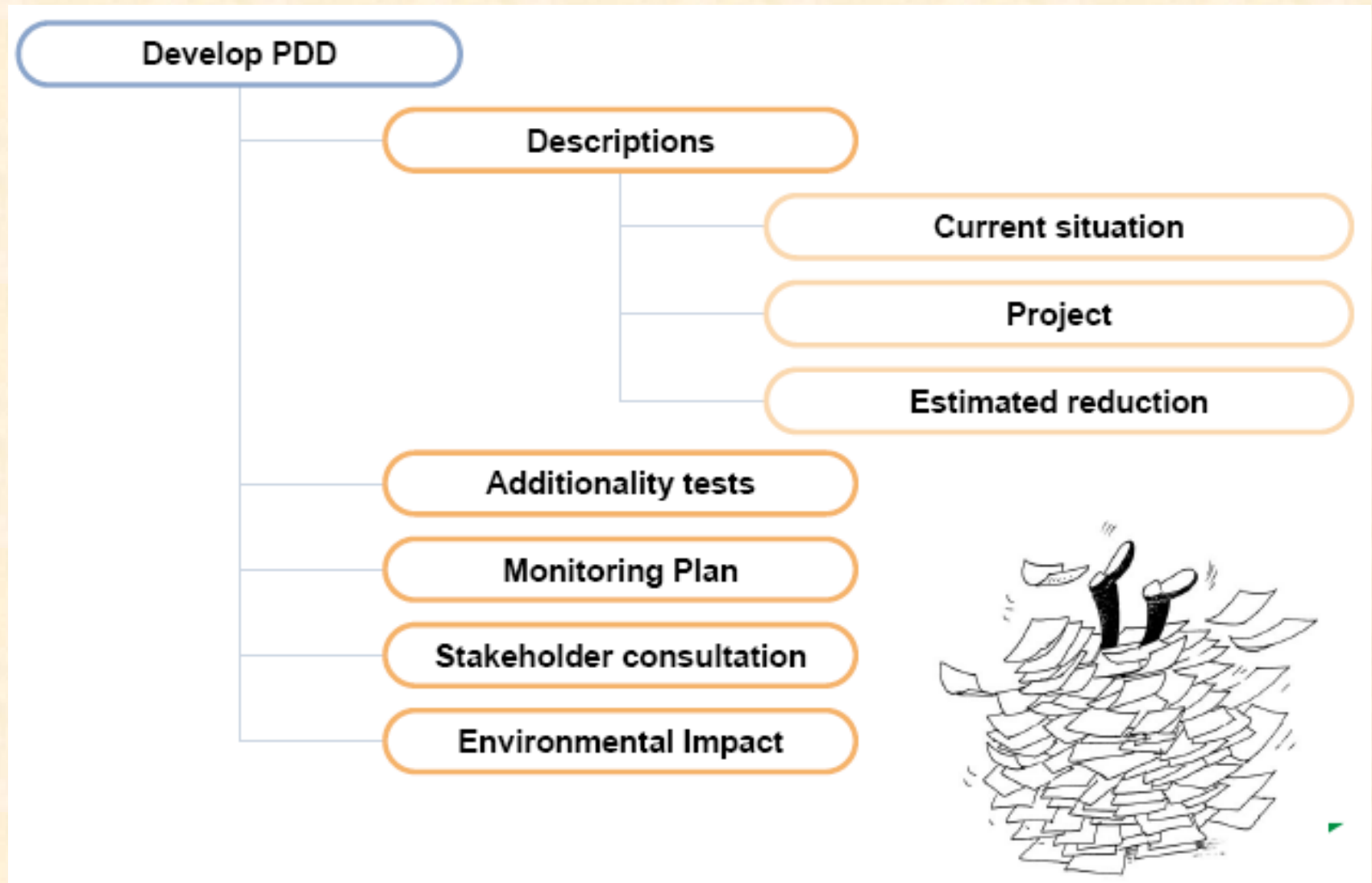
Project cycle for the CDM



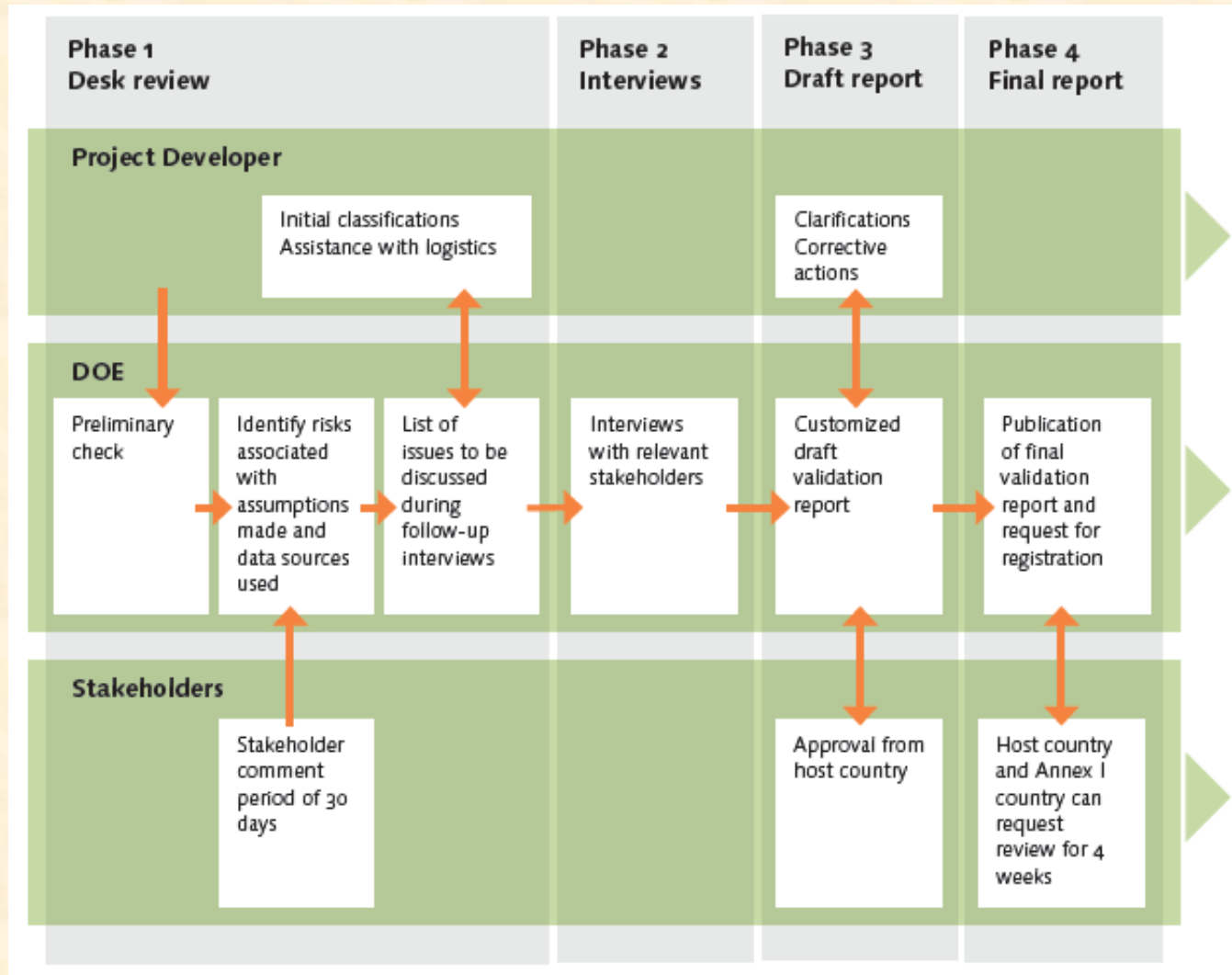
CDM Project Cycle



The Project Design Document



The validation process



Desk review

In reviewing the project information received from the project developer, the DOE validation team will first perform a risk analysis. Particular emphasis will be put on the identification of key risks to the validity of potential CERs. An expert from the relevant sector is involved at this stage to ensure the quality required by the UNFCCC for validation. The EB at the 52nd meeting requested the CDM Accreditation Panel to conduct an analysis on competence requirements for different functions within validations and verifications, defining technical areas and appropriate deployment of technical expertise. A "Complex technical area" requires the validation/verification team to apply multi-disciplinary knowledge and skills.

As per the VVM, the following areas are described in the protocol and reviewed during validation:

- Project design.
- Baseline assessment (including additionality).
- Emission reduction calculations.
- Monitoring plan.
- Environmental and social impacts, including the local stakeholder process.

Useful hints during the desk review...provide the validator with...

- An Excel file with detailed emissions reduction calculations in a reproducible format (i.e., indicating the formulae applied and not only the final figures).
 - An Excel file with detailed calculations of investment analysis indicators used for the demonstration of additionality (if applied) and evidence of the sources used for the analysis.
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- Evidence of the project start date in line with the Glossary of CDM Terms⁵.
 - Evidence of the consideration of the CDM benefits before the final decision to go ahead with the project (if applicable).
 - Other evidence and references that may be needed in the validation process (feasibility study reports, EIA, etc.).

Stakeholder consultation process

In parallel with the desk review, a stakeholder consultation process as required by the CDM modalities and procedures is carried out. The PDDs are published on the UNFCCC CDM site, and parties, stakeholders and observers are invited to comment on the PDDs within 30 days⁶. Any issues raised by stakeholders are subsequently addressed in the final validation report.

Follow up interviews and site visits

The DOE will use Phase 2 to review any additional information necessary to allow it to conclude on issues raised during the desk review. This information will typically also be sourced via interviews with project stakeholders in the host country (e.g., project operators, DNA, local community) who can provide evidence of the fulfilment of requirements in cases where this has not been fully established in the desk review.

For many projects, information provided in the project documentation, such as information on the baseline scenario, can only be verified by visiting the activity in operation. DOEs perform site visits for all of the proposed projects unless it is justified that such visits are not necessary. Site visits are particularly important for the projects where baseline emissions are established *ex-ante* for the entire crediting period and are based on historical performance data. In such a case, the DOE will visit the plant to verify that the data reported in the PDD is accurate and reflects the reality of the situation at the plant.

The project developer is then contacted in order to review the list of issues raised during the desk review and to decide how these issues can be resolved. Resolution can be done via email, phone calls, or direct meetings between the DOE and involved stakeholders, such as representatives from the operating company and the DNA.

Smooth
communications
Point of contact

Draft validation report and resolution of outstanding issues

In the third phase, the DOE issues a draft validation report, which includes the initial findings for the client to review. The draft validation report should also include issues raised by stakeholders during their 30-day consultation period that have not already been resolved by the DOE in the desk review. Any outstanding issues that may impact the final validation opinion are presented as either:

- CARs (Corrective Action Requests) – these describe the actions required for successful project validation.
- CLs (Clarification Requests) – these describe the elaboration or supplementary evidence necessary for successful project validation.
- FARs (Forward Action Requests) – these describe issues that require review during the future verification of the project activity.

This is the phase in which delays are most likely to occur, since the issues raised can take time to resolve. For example, missing LoAs from host country DNAs can take 2-5 months or more to obtain, depending on the countries involved. There is also the possibility of submitting enquires to the CDM EB, and waiting for their feedback can also require additional time.

**Expect the unexpected, be patient
and respond to the required issues**

Validation

Start PDD writing

Publication of draft
PDD for 30 days

Registration

Start crediting period

Needs to be in place before next steps:

- Operating and purchase agreements
- EIA, construction and operating licence
- Local stakeholder involvement
- Letters of approval
- Statement on Communication

Needs to be in place before next steps:

- Project implemented
- Training of personnel performed,
monitoring equipment installed
- Monitoring and project management
procedures implemented

Final validation report and opinion and request for registration

In this final phase, a validation report and opinion are submitted to the client for review. The report will indicate whether the project, as designed and documented, meets the Kyoto Protocol criteria and CDM modalities and procedures, as well as the criteria for consistent project operations, monitoring and reporting.

Following successful validation and approval of the project by the DOE and the relevant DNAs, the DOE finalises the validation report and the project will be presented to the CDM EB for registration. The validation report is then made publicly available on the UNFCCC CDM-website. The registration is deemed final if no request for review is presented by either three EB members or one of the Parties involved within four weeks. Registration is the formal acceptance by the EB of a validated project activity as a CDM project activity and is the prerequisite for verification, certification and issuance of CERs related to the project.

Current issues on validation

- DOEs are over booked, crunch in service capacity
- Most of them are wanting to see a project profile before committing to a validation
- Some of them are establishing deadlines for reception of documentation in order to start a validation process
- Some are offering committed evaluations at a price differential in order to assure delivery of the validation opinion