



CDM Project Cycle and Validation Procedures

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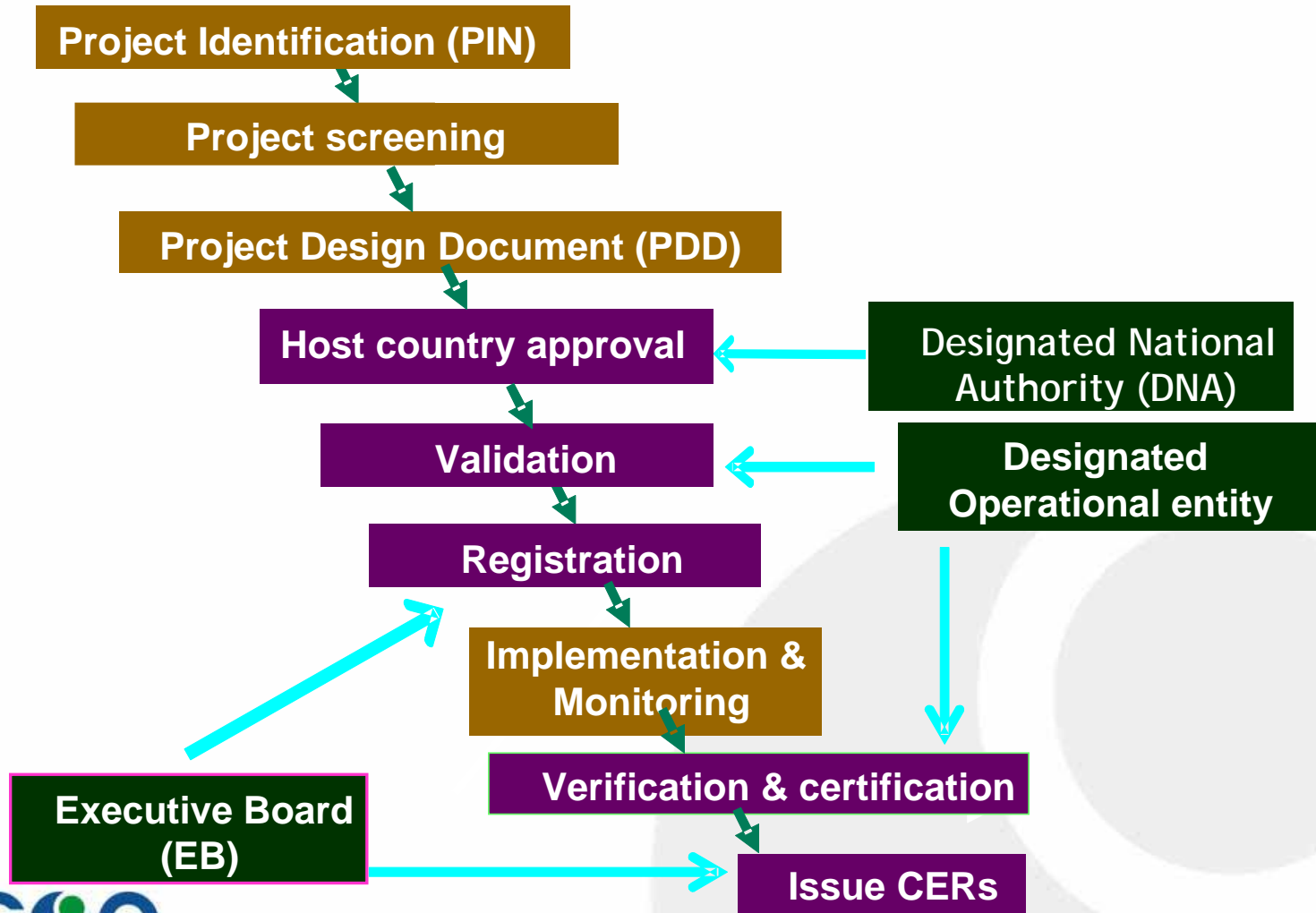
ECON Analysis

14 November 2007

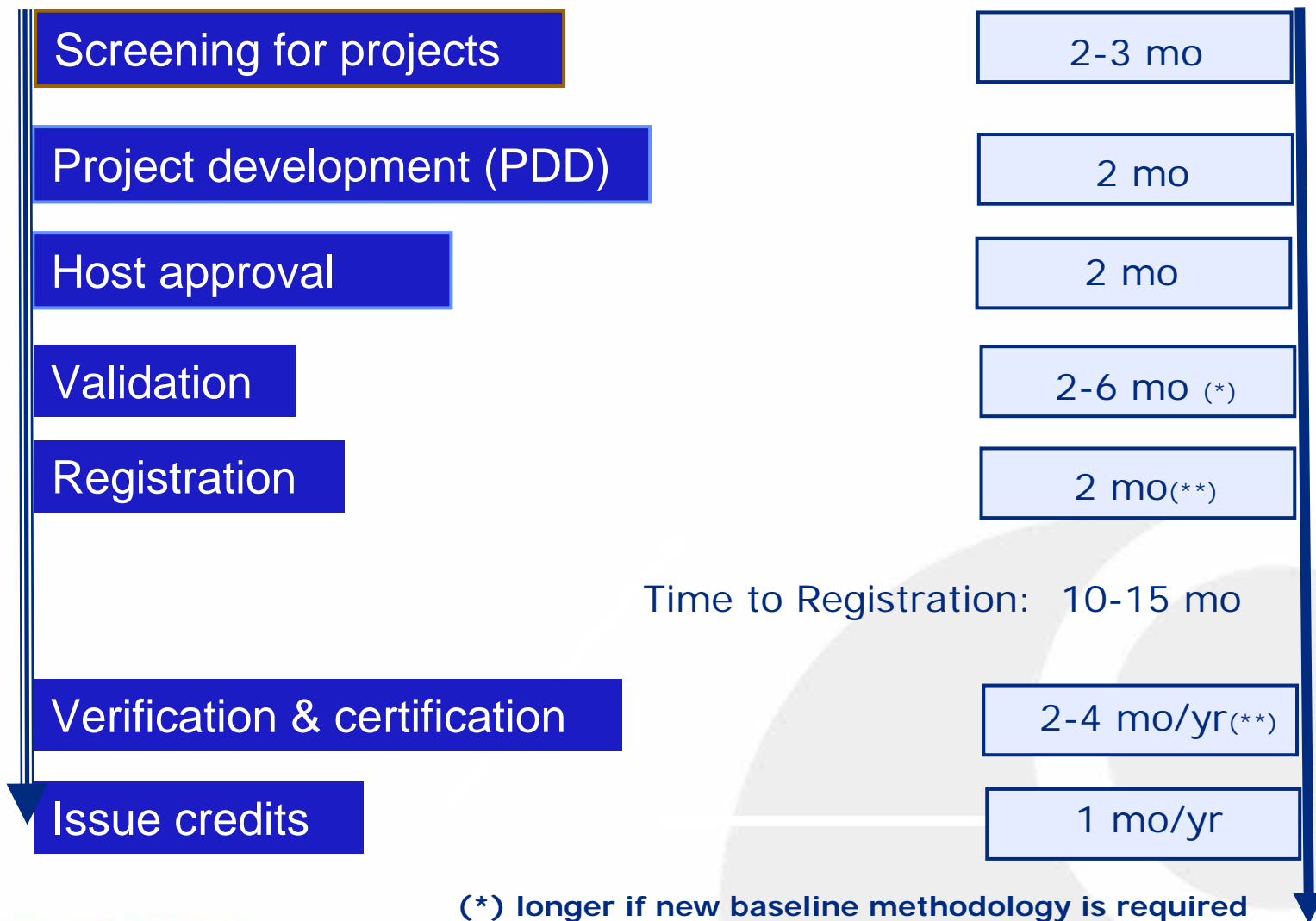
Outline

- CDM project cycle
- Validation procedures

CDM Project cycle – who is responsible for what?



How long does it take?



(*) longer if new baseline methodology is required

(**) longer if major stakeholder comments and UNFCCC body requests review

Host Country Approval

- Only step where host country government must be involved
- Role is to state whether project fits with sustainable development priorities
- Role is NOT to check the baseline or other technical issues
- Host country can lodge complaint at verification stage as well and prevent issuance of credits

Validation: What do DOEs check?

Designated Operational Entity must check that:

- the project is approved by the Designated National Authority;
- the parties to the project are eligible to participate in the CDM;
- the project activity is eligible under the CDM;
- comments by stakeholders have been considered;
- an environmental impact assessment has been conducted, and its results included;
- the project baseline complies with the principles established in the Kyoto Protocol (i.e. using an approved methodology appropriately);
- the project will result in a reduction of emissions against the baseline;
- monitoring and verification procedures are in place.

Monitoring

- Carried out during operation by project participants
 - Often what would be required anyway for best practice business management
 - recording data, reading meters, undertaking surveys etc
 - Use standard spreadsheets and report templates wherever possible
 - Store records to provide audit trail
- Monitoring must be according to the monitoring and verification protocol in the PDD
- Monitoring reports and DOE's assessment made public during request for issuance of CERs
- Tip : make it easy for the verifier to do their job

Verification & Certification

- Periodic confirmation of emissions reductions achieved & compliance with project criteria, to determine the credibility and accuracy of reported performance
- Process should be interactive, iterative and participatory
- Use of spot check of measurements & collection systems, audit trail, staff interviews
- Certification report submitted to EB, reviewed by Registration and Issuance Team (RIT)
- If no objections, it will issue CERs to the project owners or other nominated parties



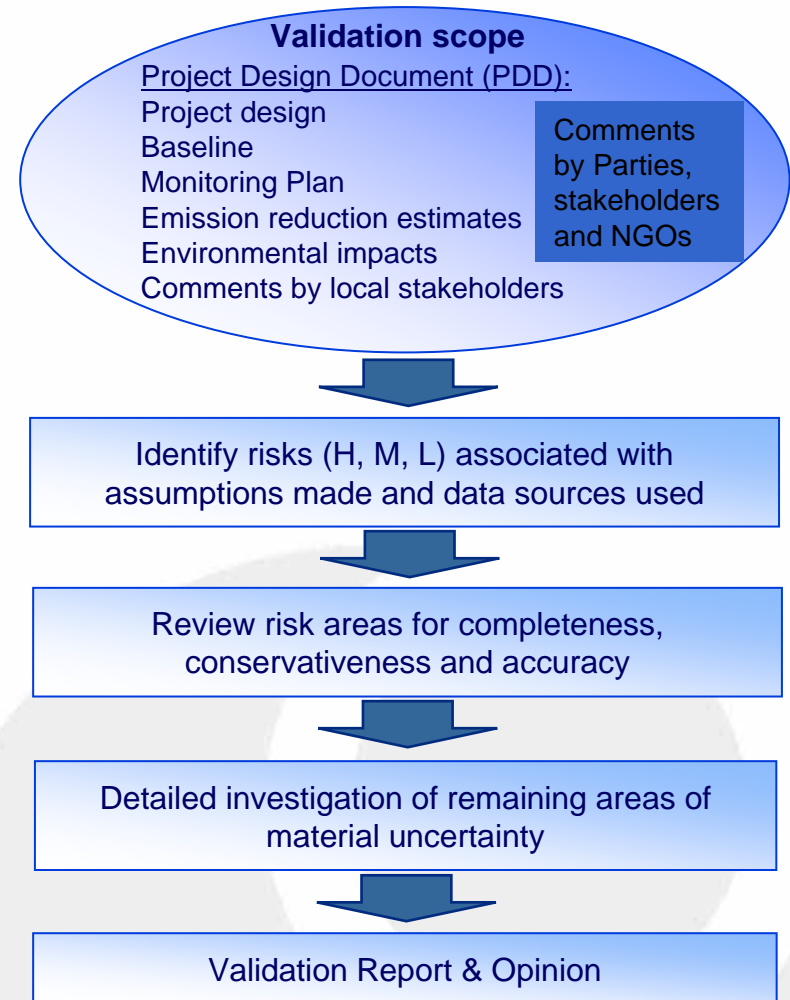
Validation

CDM Validation Objective

- Independent party assesses project design
 - Baseline
 - Monitoring plan
 - Compliance with UNFCCC and host part criteria
- provide assurance to stakeholders of the quality of the project and its intended generation of certified emission reductions (CERs).
- Based on KP, CDM M&P, Guidance from EB

Risk-Based Validation Approach

1. identify the key risks associated with assumptions/claims made and data sources used.
2. Review completeness, conservativeness and accuracy of the underlying evidence. Well substantiated claims or monitored data are of less risk and should thus be given less emphasis.
3. Remaining areas of uncertainty shall be investigated and further tested by the validator.
4. The results of this investigation shall then give the necessary input for the validation opinion.



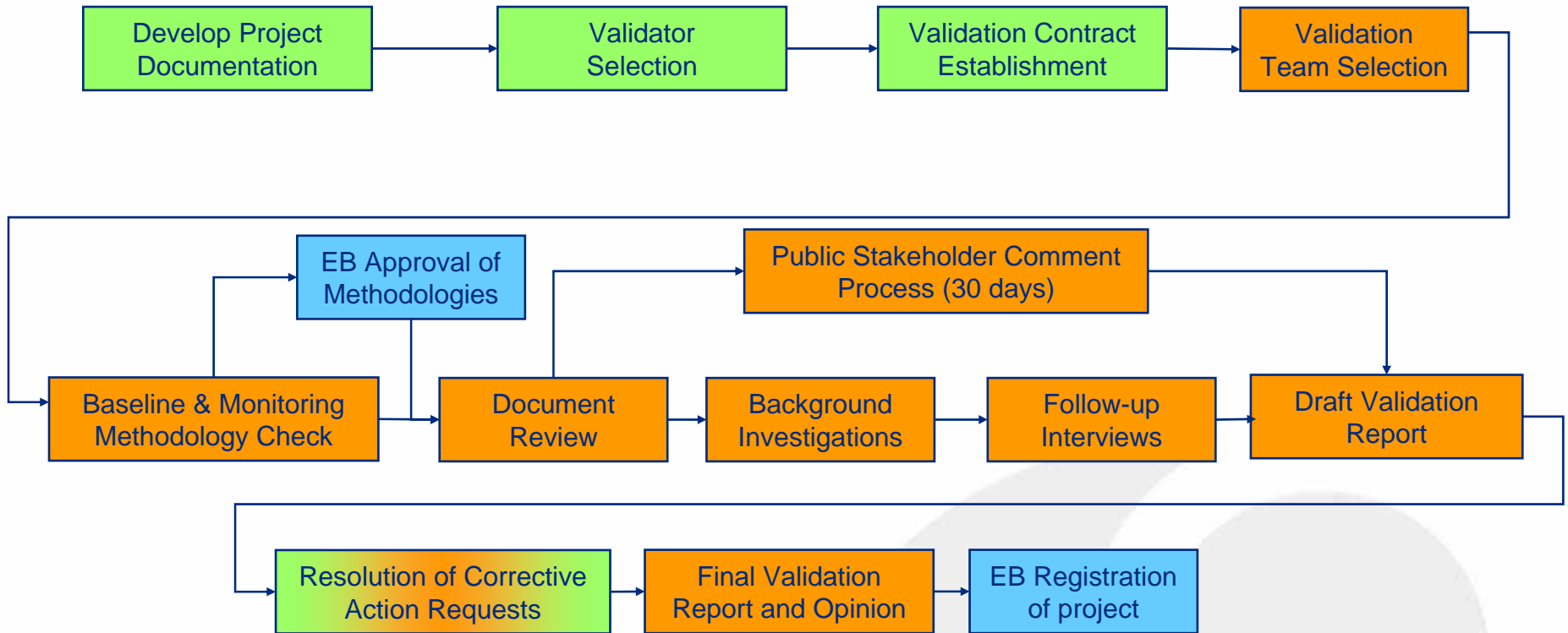
CDM Validation Criteria

- The validator shall test and when possible confirm that the project design meets the following criteria:
 - UNFCCC criteria: Kyoto Protocol Article 12 criteria, CDM M&P and the relevant decisions by the CDM EB, include, but are not limited to:
 - Participation Requirements
 - Project Design Document
 - Project Additionality
 - Sustainable Development and Approval by Parties Involved
 - Baseline Methodology and Project Baseline
 - Monitoring Methodology and Plan – Coverage of Emission Sources
 - Monitoring Practice and GHG Data Management
 - Host Party criteria: National approval as proof that project meets country specific priorities

Means of Verification

- Document Review
 - Review of data and information to confirm the correctness of presented information
 - Cross-checks between information provided in the project design documentation and information from independent background investigations
- Follow-up Interviews with relevant stakeholders
 - On site, Via telephone, Via email
- Cross-check of information provided by interviewed personnel, i.e. by source check or other interviews
- Comparison with projects or technology that have similar or comparable characteristics
- Test of the correctness of critical formulas and calculations
- Witness and comparisons of similar projects in the host country
- Comparison between baseline factors and project performance factors to confirm comparability and consistency in the use of the MP

The Validation Process



Clarifications and Corrective Action Requests

- A **Corrective Action Request** (CAR) is issued where:
 - mistakes have been made in assumptions or the project documentation which directly will influence on project results;
 - the requirements deemed relevant for validation of a project with certain characteristics have not been met; or
 - there is a risk that the project would not be registered by the UNFCCC or that emission reductions cannot be verified and certified.
- A **Clarification Request** (CL) is issued where information is insufficient, unclear or not transparent enough to establish whether a requirement is met.

Validation Protocol

- A generic protocol for validation facilitates cost-effective and comprehensive validation of CDM projects.
 - documented backbone of a transparent validation process.
- The protocol may also be used during the validation process to assist the validator to keep track of:
 - issues to be further verified/ checked,
 - issues to be clarified by the project parties,
 - issues to be corrected by the project parties
- Keep the original comments in the draft validation protocol as well as the final comments made after subsequent discussions with the project proponent.

Validation Protocol (1)

Table 1 Mandatory Requirements for Clean Development Mechanism (CDM) Activities

Requirement	Reference	Conclusion	Cross Reference to Checklist (Table 2)
The requirements the project must meet.	Reference to the legislation or agreement where the requirement is found.	This is either acceptable based on evidence provided (OK), or a Corrective Action Request (CAR) of risk or non-compliance with stated requirements.	To ensure a transparent process, this refers to the relevant checklist questions in Table 2 to show how the specific requirement is validated.

Validation Protocol (2)

Table 2 Requirements Checklist

CHECKLIST QUESTION	Ref.	MoV	COMMENTS	Draft Conclusions	Final Conclusions
<p>Requirements in Table 1 linked to specific checklist questions.</p> <p>Checklist organised in sections, following the CDM-PDD structure. Each section is then further sub-divided. The lowest level constitutes a checklist question</p>	<p>Reference to documents.</p>	<p>The means of verification explains how conformance with the checklist question is investigated, i.e. through document review (DR) or interview (I).</p>	<p>The section is used to elaborate and discuss the checklist question and/or the conformance to the question and to explain the conclusions reached.</p>	<p>This is either acceptable based on evidence provided (OK), or a Corrective Action Request (CAR) or a Clarification Request (CL) Whenever a CAR or CL is issued, table 3 shall be used to describe how the findings have been resolved and concluded.</p>	<p>The final conclusion of the validation shall be documented as either OK , CAR or CL. This is based on the resolution of outstanding issues as elaborated in Table 3.</p>

Validation protocol (3)

Table 3 Resolution of Corrective Action and Clarification Requests

Draft report clarifications and corrective action requests by validation team	Ref. to checklist question in table 2	Summary of project owner response	Validation team conclusion
<p>If the conclusions from the draft validation are either a Corrective Action Request or a Clarification Request, these shall be listed in this section.</p>	<p>Reference to the checklist question number in Table 2 where the CAR or CL is explained.</p>	<p>The responses given from the project proponent or other project participants during the communications with the validation team shall be summarised in this section.</p>	<p>This section shall summarise the Validation Team responses and final conclusions. The conclusions shall also be included in Table 2, in the section called “Conclusions Final”.</p>

Resolution of Corrective Action Requests

- Requests can be resolved or "closed out" by
 - modifying the project design (amendments to the project monitoring plan, or adjustments of the selected project baseline)
 - rectifying and updating the project design documentation
- If this is not done in the final stages of the validation, it may cause the project not be recommended for UNFCCC registration
- Conversely, a validation with no (remaining) corrective action requests could still end up not producing the expected emission reductions.
- Corrective action requests may lead to changes in the project documentation
- All changes shall be approved by the project proponent before submitted to the validator

Final Validation Report

- Reflects responses to corrective action and clarification requests, discussions and revisions of project documents
- Gives the final conclusions on the project's conformance with relevant UNFCCC requirements
- Includes a **validation opinion**, which either forms the basis for UNFCCC registration of the project or explains the reason for non-acceptance if the project is judged not to fulfil validation requirements
- Indicates the implications of any remaining corrective action requests not resolved during the validation

Validation Opinion

- This opinion shall include:
 - Summary of the validation methodology and process and the applied validation criteria
 - Statement on project components/issues not covered in the validation engagement
 - Summary of the validation conclusions
 - Statement on the likelihood of emission projections
 - Liability statement with regards to the validity of the validation opinion

Validation opinion (2)

- **Unqualified validation opinion:** project complies with all UNFCCC and host Party requirements, and all corrective action requests presented in the draft validation report were satisfactorily resolved
- **Qualified validation opinion:** meets all UNFCCC and host Party requirements, but does not meet criteria given to provide for consistent project operations, monitoring and reporting
 - Project developer must rectify prior to project commencement,
 - Initial verification or first periodic verification checks whether qualifications stated in the validation opinion have been sufficiently addressed
- **Denial of validation:** when the validator is unable to obtain sufficient and appropriate evidence that could confirm that UNFCCC or host Party requirement are met, or where evidence show that such requirement are not met