MANAGING RISK

Pitfalls in CDM Project Monitoring

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2006-11-13

DNV Services

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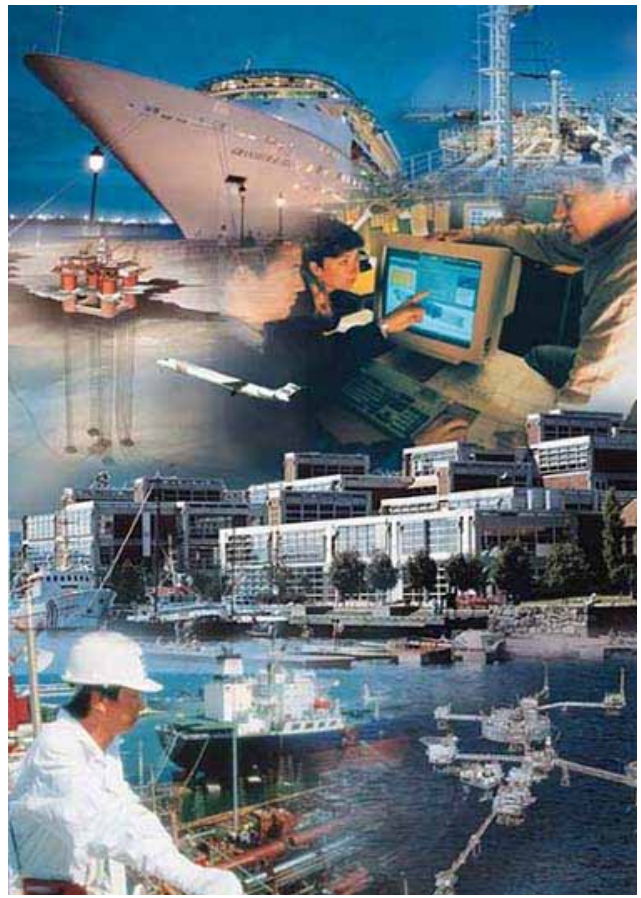
- Leading CDM validation/verification body
- 6500 employees, most with scientific/technical MScs or PhDs
- Chair of the DOE/AE Forum
- Totally independent organisation
- Over 100 trained CDM auditors
- More than 300 offices worldwide



Content

- Development of the guidebook:
  - process and methodology
  - Most important elements from a DOE's viewpoint
- Monitoring pitfalls: Verification experiences
- Next steps: Elements of an update of the pitfalls book

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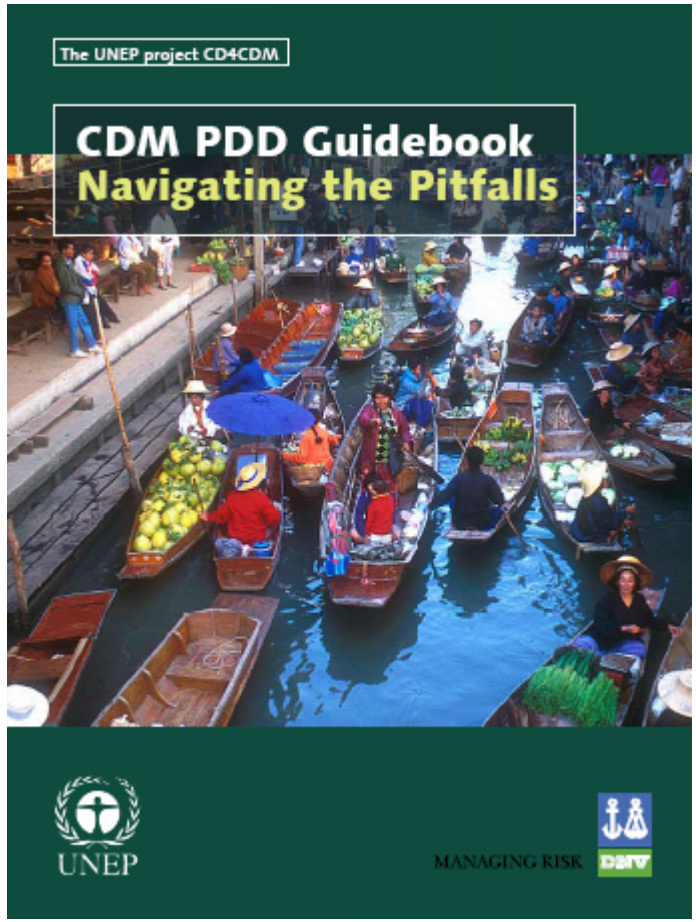
Development of the guidebook - process

- The Guidebook was supported by the CD4CDM (Capacity Development for CDM) project, implemented by the UNEP RISOE Centre
- Gathering practical experience and research from DNV
  - DNV has validated over half of all CDM projects coming through to the validation stage.
  - Accredited for all industrial scopes under the CDM



Development of the guidebook - methodology

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- Analysis of about 150 PDDs and validation reports with regards to Corrective Action Requests
- Synthesis of 20 most common pitfalls with regards to the extent of delays as well as frequency
- Review by our international experts in Brazil, Poland, China and India

Steps in the validation process

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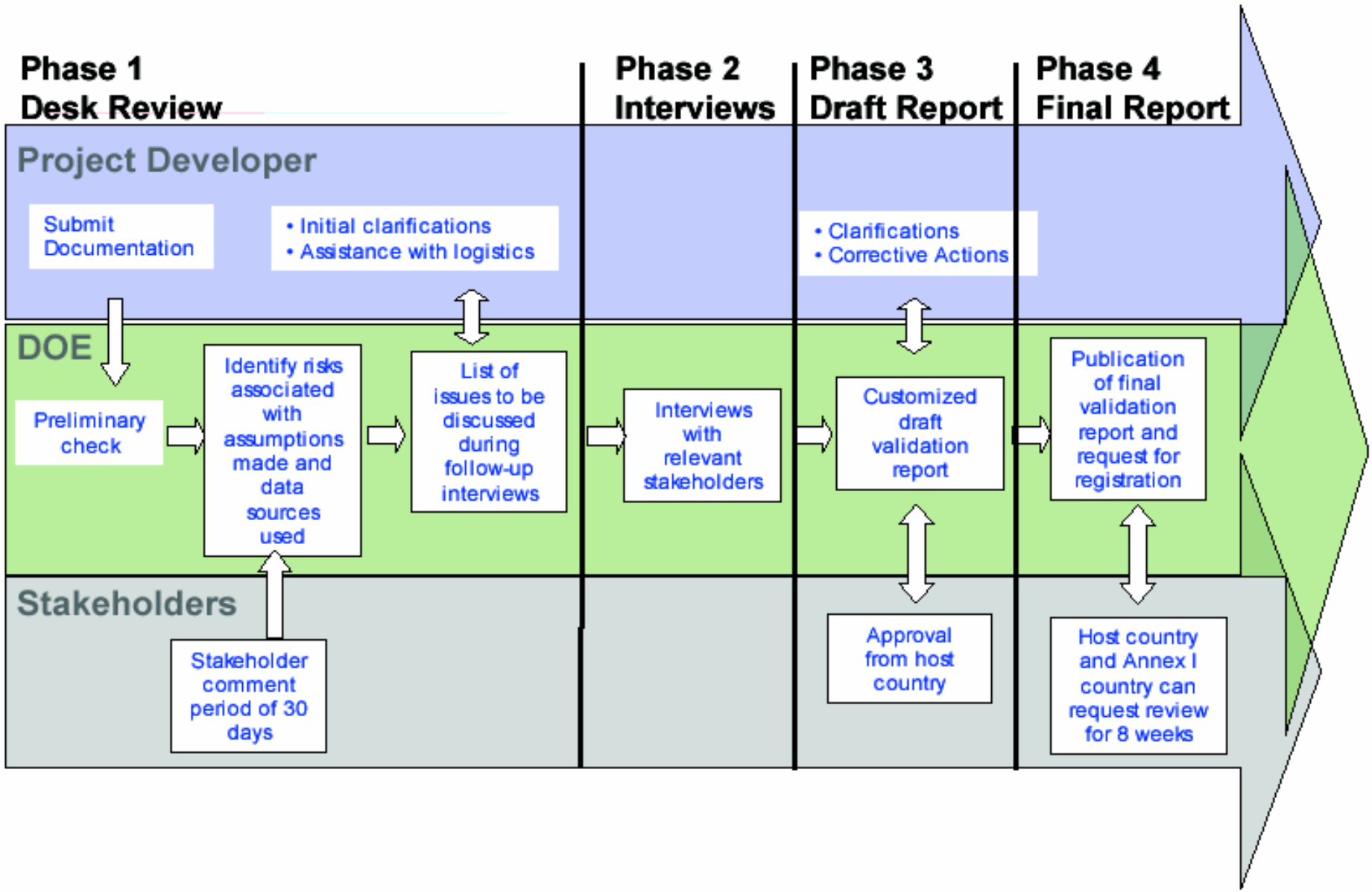

Key pitfalls – Frequency more than 20%

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Delay more than 1 week	Delay more than 1 month
• Lack of logic and consistency in PDD • Deviations from selected calculation methodology not justified sufficiently or incorrect formulas applied • Compliance with local legal requirements not covered sufficiently • Insufficient information on the stakeholder consultation process	• Evidence of EIA and/or required construction/operating permits/approvals not provided • Letter of Approval insufficient or delayed

Content - Conclusion

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    communication communication communication
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The MRV Process According to the Marrakech Accords

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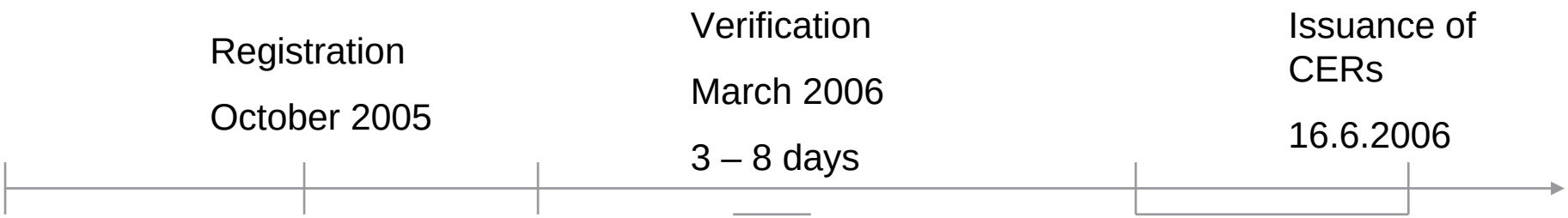

Start of project activity

1.1.2004

End of first monitoring period

31.12.2005

Publication:

-Monitoring report

-Verification report (incl. Certification statement)

1.6.2006

The Actual Verification Work

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VERIFICATION FINDINGS

1 Consistency with monitoring methodology

2 Factors used for project emission reduction calculations

3 Remaining Issues, CARs, FARs from Previous Validation or Verification

4 Completeness of Monitoring

5 Accuracy of Emission Reduction Calculations

6 Management System and Quality Assurance

CERTIFICATION STATEMENT

Table 1 Data Management Systems

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Expectations	Score	Comments
Defined organisational structure, responsibilities and competencies		Insufficient internal review procedures
Conformance with monitoring plan		Insufficient evidence of conformity
Application of GHG determination methods		✓
Identification and maintenance of key process parameters		Insufficient training
GHG Calculations		Errors in data transfer

Table 2 Detailed Audit Testing of Risk Areas and Random Testing

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Areas of residual risk	Additional verification testing performed	Conclusions and FARs
Manual data transfer	Check monitoring procedures	
Accuracy of Measurement Instruments	Check calibration records	
Calculations	Re-calculate	
Emergency handling	Check procedures and calculations	

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Elements of an update of the pitfalls book

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- Verification
- Assessment of reasons for deviation requests and requests for review
- Experiences from Programmatic CDM projects (whenever that comes…)
- Pitfalls for each methodology:
  - CO_2 coefficient calculations for electricity baselines
  - Relevant legislative requirements and E+/E-
  - Additionality assessment
  - Minimum requirements with regards to accuracy, transparency, conservativeness
  - Sources of information for each country

Thank you!

www.dnv.com

DNV Verification. So you can be sure.

Climate Change Services

Best Verification / Certification Agency GHG Emission, Global

Environmental Finance,
December 2004 - January 2005

Best verifier, CDM & JI projects

Best verifier, EUETS

Environmental Finance,

December 2005-January 2006