

EXPERIENCES WITH VALIDATION AND VERIFICATION REPORTS

Vinay Deodhar

Clean Energy and Carbon Finance Consultant,
Clean Tech Solutions

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Presentation Outline

- Introduction
- Evolution of Validation/Verification reports
- What do V/V reports reveal and hide
- Experiences with Validation reports
- Experiences with Verification reports

Introduction

- Experience of over 27 years in Chemical Industry, EPC contracting, Banking/finance, and consulting
- Past decade working in climate change project development, finance, promotion
- Member of the CDM RIT since 2006, AP since this year
- Reviewed over 300 validation and verification reports

Validation/Verification Reports

- Ultimate products of the DOEs
- Test of DOEs knowledge and working of its systems
- Open for evaluation by the Secretariat, RIT member and ultimately the EB
- Basis for evaluating performance under the policy framework to monitor performance of DOEs
 - Rate of rejection at the Completeness Check Indicator I_1
 - Rate of requests for review Indicator I_2
- Most of the request for reviews emerge from the V/V reports
- Therefore, it is highly important for the DOEs to produce high quality V/V reports

Evolution of validation/verification reports

- Pre IETA VVM
 - Very few accredited DOEs
 - Each following own formats, Separate validation protocol, findings, checklists
 - Difficulty in understanding how various CDM requirements were met
 - V/V reports not well organized and non-uniform
- Post IETA/WB VVM
 - More systematic approach adopted
 - Uniformity in reporting by most of the DOEs brought in
 - V/V reports became more uniform
 - However, still doubts on how CDM requirements were fully verified
- Post CDM EB approved VVM
 - Comprehensive manual in line with CDM M&P, Accreditation Standard and procedure
 - Reflects various decisions of the EB from time to time
 - Mandatory for the DOE's own management systems
 - V/V reports look at all the CDM requirements

What do V/V reports reveal/hide?

- Typical validation reports describe the approach, assessor team composition, project description, baseline methodology, additionality, monitoring plan
- Mostly repeat what's described in the PDD
- They do not describe DOE's view on the PP and its main business, motive for CDM design
- Many times do not provide independent analysis of regulatory regime in the host country
- Verification reports describe the physical project implementation according to PDD, monitoring and emission reduction calculations
- The V/V reports are standardized making it important for the internal reviewers to do a QA/QC check.

Experiences with Validation reports

- Project design – Need for correct, complete yet concise description of the project
- Need to highlight key points in the project, e.g. It's not only necessary to describe how many turbines of what capacity are there in a wind project, but also to describe the regulatory framework, incentives for wind power in the HC to put the project in proper context
- Methodology selection: validate correct selection and application of the baseline methodology

Validation experiences ...

- **Baseline scenario identification:**
 - Objective evaluation of alternatives identification, identified scenarios,
 - independent checking of any left out alternatives
- **Additionality:**
 - Correct determination of the starting date of the CDM project activity
 - Cross checking of serious prior consideration of CDM revenues in investment decision and real and continuing actions to achieve CDM status

Validation experiences ...

- *Additionality (contd.):*
 - Independent evaluation of input values of parameters for investment analysis
 - Appropriateness of the selected benchmark
 - Need to understand /interpret the EB guidance in different project contexts (e.g. choosing WACC as benchmark for pure debt funded projects or Bank PLR for full equity funded projects)
 - Sensitivity analysis: selection of parameters and appropriate range of their variation

Validation experiences ...

- *Additionality (contd.):*
 - Barrier analysis: Independent validation of claims of presence of barriers, e.g. through interviews with appropriate individuals
 - Small scale projects: Investment barriers may need careful checks
- In terms of EB 48 guidance to check implementation as per the project design in the PDD must check actual input values

Validation experiences ...

- Methodology application
 - Some small scale methodologies do not elaborate the procedure for calculation of emission reduction. DOE must, therefore, validate the procedures/equations defined by PP
 - Small scale methodologies do not describe the procedure for identification of baseline scenario. DOE must, therefore, validate the PP arguments
- Technical areas within sectoral scopes: DOE's understanding is not uniform. Therefore, competence requirements for TAs are not adequate some times. V/V reports must confirm competence of the assessment team.

Experiences with Verification reports

- Monitoring report format not yet standardized by the EB (under its consideration). This means each MR is tailor made by the PP
- Verification reports are more or less standardized and found in order
- Competence analysis of assessment team members allocated is important
- Verification reports many a times do not mention qualifications making it difficult to judge adequacy of the team

Verification Experiences

- Gaps noticed
 - First periodic verification – DOEs should confirm the actual values of the input parameters in addition to confirming physical implementation of the project according to the PDD
 - Undertaking analysis of latest EB guidance on specific methodologies and checking the MRs against these is essential
 - Independent verification of the emission reduction calculations is necessary.

Thank you

For further information:

Mr. Vinay Deodhar

Clean Tech Solutions

704 Goregaon Vijay CHS

Lokmanya Tilak Nagar Road No. 2

Off. M. G. Road Goregaon (West)

Mumbai 400062 India

Tel: +91 22 6528 5843 (O), 99304 91493 (Cell)

E-mail: vdeodhar@gmail.com

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