

PDD documentation: avoiding common pitfalls

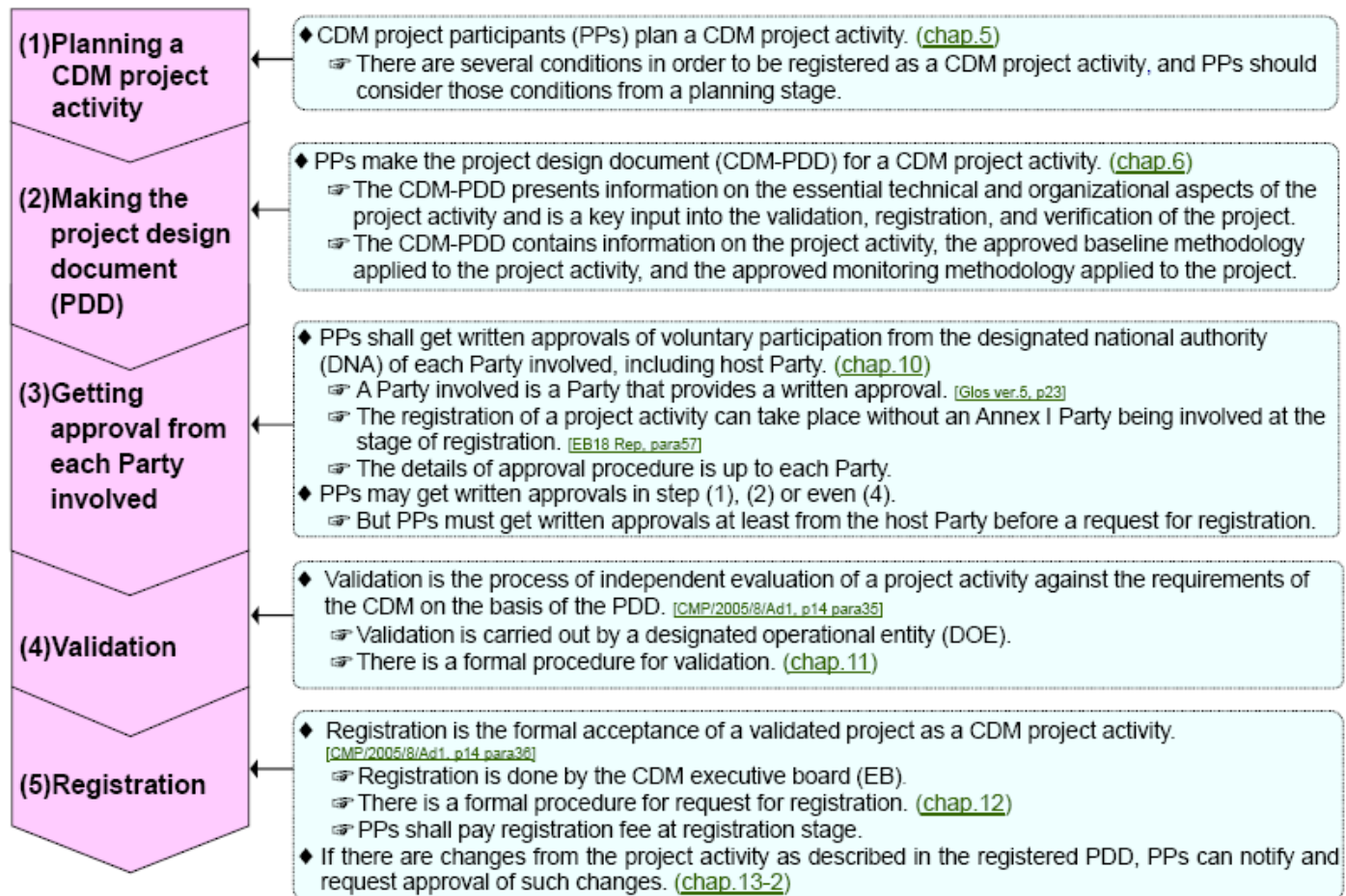
Dr. Oscar Coto

III National Workshop Belize

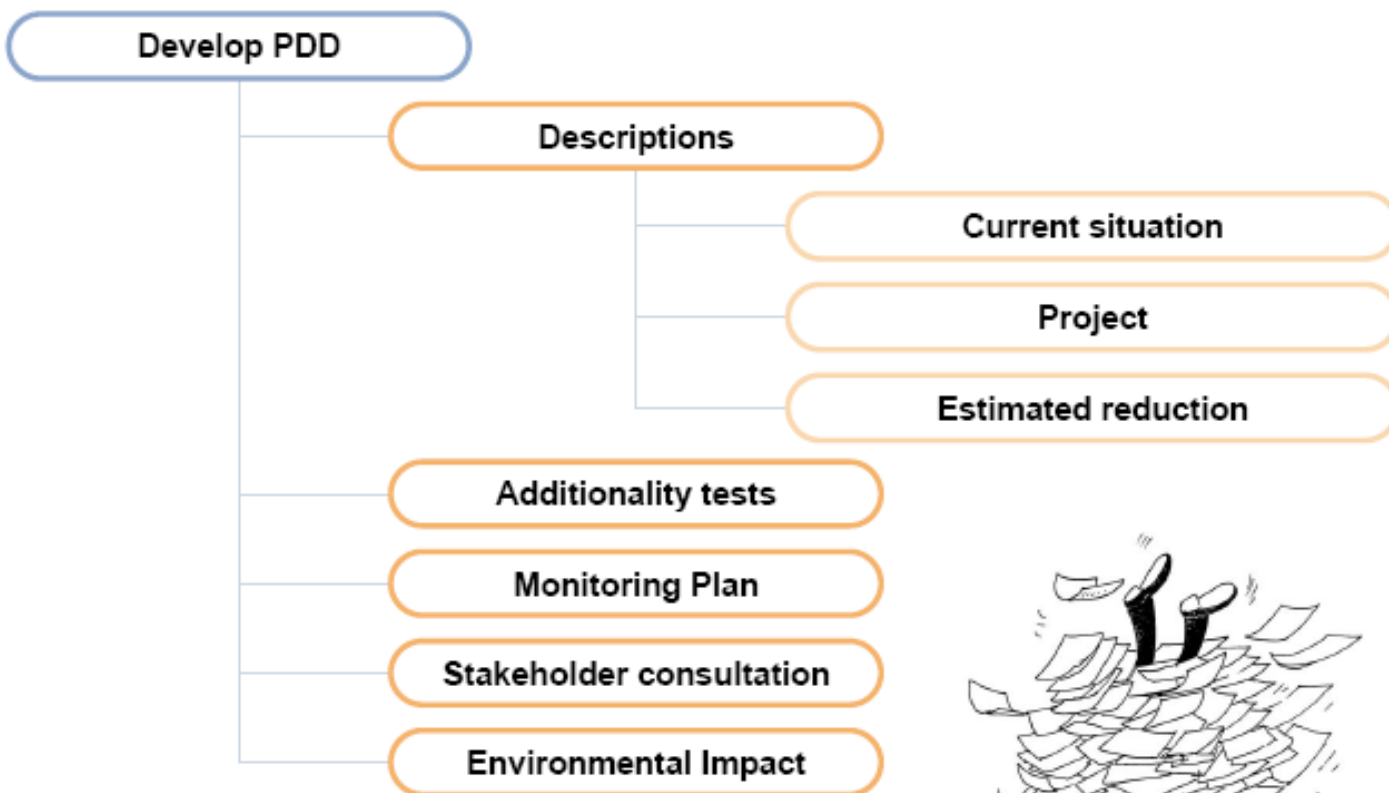
June 2012



CDM Project Cycle



The Project Design Document (PDD)



Remember... when doing a PDD!

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



- **What is your role as a project developer?**



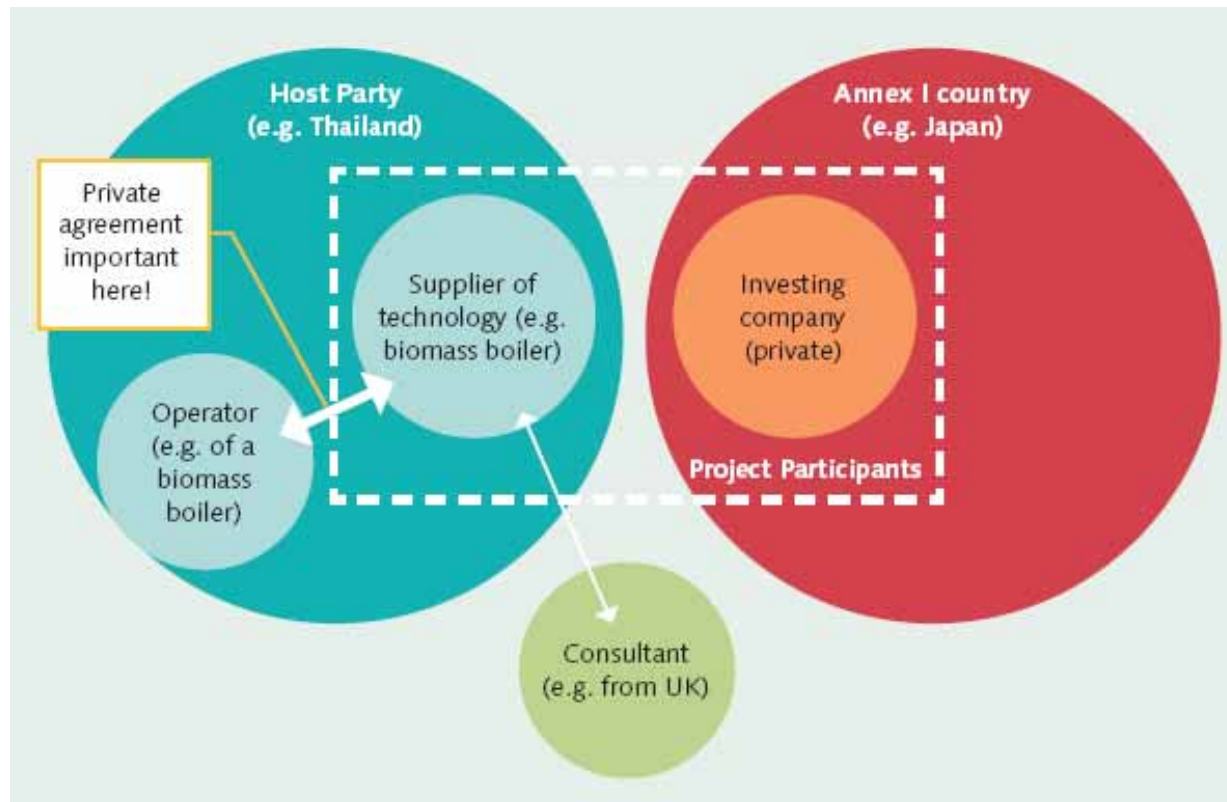
PDD common pitfalls



1. Small scale methodology selected for a large scale project



2. Project participants not clearly identified



**3. Evidence of EIA / and or /
required construction /operating /
approvals not provided**



4. Letter of approval insufficient or delayed



5. Insufficient description of technology

- Whether the project design engineering reflects current good practice, as per the Marrakech Accords.
- The technology elements that are included in the project boundary in terms of GHG emissions.
- Proper sequencing and appropriate use of clear process flow sheets will improve clarity, especially in industry-specific projects. The description should be adapted to sector specifics and can be included as an Appendix to the PDD.
- Project developers should carefully review the guidelines for completing the project design document. In PDD Template Version 7.0, the CDM EB has expanded the instruction on completing the section A.4.3. "Technology to be employed by the project activity."



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6. Non compliance with methodology applicability conditions

In general, all the applicability criteria indicated for a particular methodology should be specifically addressed and supported with a verifiable source of information.

Follow the structure and the wording of the methodology and, when justifying the applicability of the methodology to the specific project, substantiate this with as much evidence as possible. Contact the DOE if you are not sure which methodology to apply for a specific project. If it is unclear whether a particular methodology applies to a project, it is better to raise a clarification or revision to the EB prior to the commencement of validation.



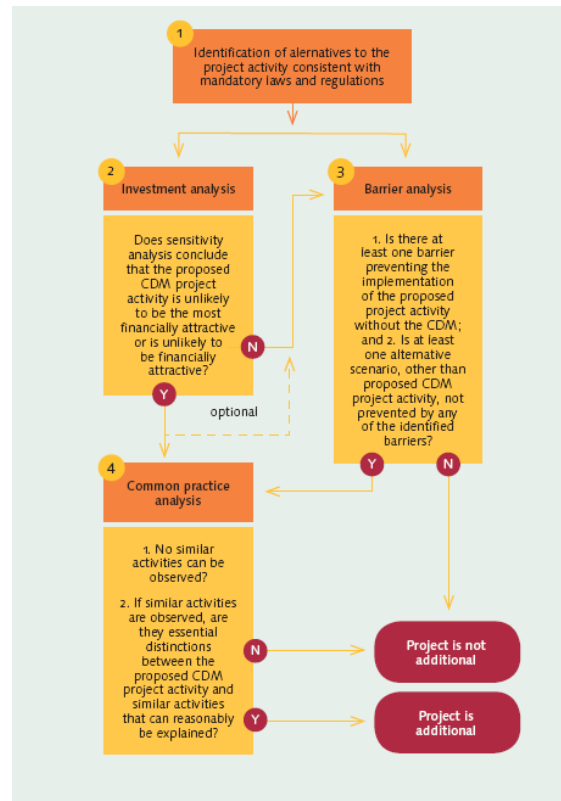
7. Insufficient explanation of baseline scenario

Closely follow the requirements given in the approved baseline methodology. Identification of baseline scenarios can be broadly categorized into three types:

1. For many approved methodologies, there is only one relevant baseline scenario other than the project and this is already identified (e.g., AM0018). The importance for projects applying these methodologies lies in proving that this business as usual (BAU) scenario identified is the only relevant and valid baseline.
2. In other approved methodologies, the choice of baseline scenarios is given in the methodology, e.g., ACM0006, ACM0012, AM0009 and AM0014. The importance for projects that apply these methodologies lies in identifying only the plausible scenarios. For example, for biomass projects applying ACM0006 (version 11.10), there are seven alternative scenarios for power generation, seven scenarios for heat generation, and eight possible scenarios for the use of biomass residues. Any combination of these could be the project baseline scenario, and the rest must be eliminated.
3. Other methodologies either refer directly to the additionality tool¹⁶ (e.g., AM0019, AM0020, AM0023), or they require the identification of relevant BAU scenarios with regard to a set of specific conditions, for example taking into account national regulations or prevailing practice. Examples of these are AM0007, AM0017, and AM0021.



8. Insufficient demonstration of project additionality



9. Baseline information not supported by evidence or references

Substantiate all claims and assumptions presented in the PDD with references to recognised information sources.

Discuss sources and assumptions in a transparent way. If the baseline calculation uses default factors, their use must be justified.

Explicitly state how conservative your sources and assumptions are.



10. Poor quality of the PDD

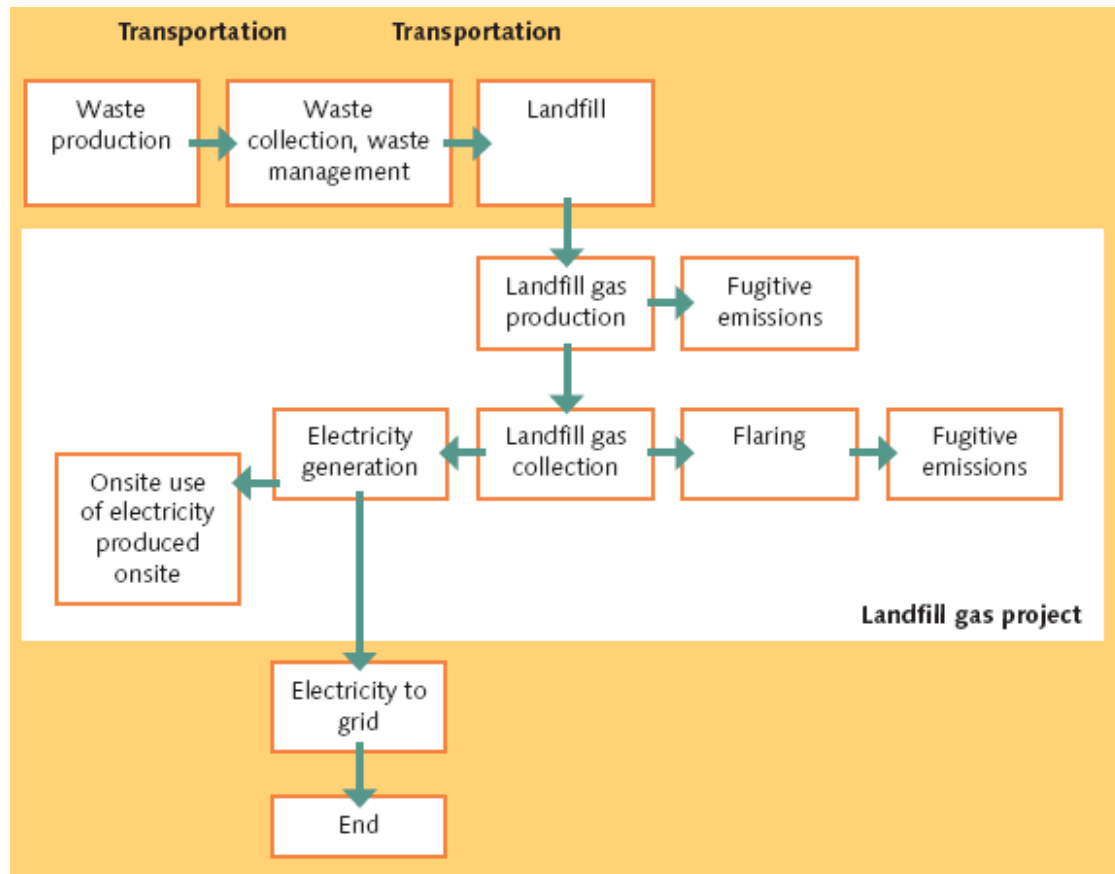
- Incorrect/no version number of methodology used in PDD.
- Incorrect version of the PDD template.
- Monitoring plan directly copied from the methodology and not project-specific.
- Detailed worksheet of emission reduction calculations not provided for validation.
- Use of IPCC default values when local values are available.
- Insufficient discussion of technology used and details of equipment installed as part of the project not included in the PDD.
- Discussion on common practice barriers is too generic. No survey or study is conducted to substantiate the common practice claims.
- Inconsistency among data used in the calculation and given in the PDD.



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11. Project boundaries not drawn appropriately



12. Project and / or starting date unclear

- Lack proof of the actual start date of the project activity or the chosen start date is not correct.
- Have several parts of the project being commissioned at different dates.
- Fail to demonstrate that the CDM incentives were taken into account before the final decision was made to proceed with the project activity.



13. Insufficient information on measurement methods and sources of data for monitoring

- Clearly state the source of data.
- Clearly state the measurement methods.
- Clearly state the recording frequency.



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14. Monitoring and project management procedures not defined

- The authority and responsibility for project management.
- The authority and responsibility for registration, monitoring, measurement and reporting.
- Procedures for training of monitoring personnel.
- Procedures for emergency preparedness for cases in which emergencies can cause unintended emissions.
- Procedures for calibration of monitoring equipment.
- Procedures for maintenance of monitoring equipment and installations.
- Procedures for monitoring, measurements and reporting.
- Procedures for day-to-day records handling (including what records are to be kept, the storage area for records and how to process performance documentation).
- Procedures for internal review of reported results/data, including a system for corrective actions as needed, in order to provide for more accurate future monitoring and reporting.



15. Deviations from monitoring methodology not explained



16. Deviations from selected calculations on the methodology not justified

- Follow the methodology as closely as possible.
- Make sure you use the correct equation from the methodology and indicate how this is intended to be applied to the specific project.
- Provide detailed applications of equations in an Excel file, including the formulae applied to enable tracking the calculations.

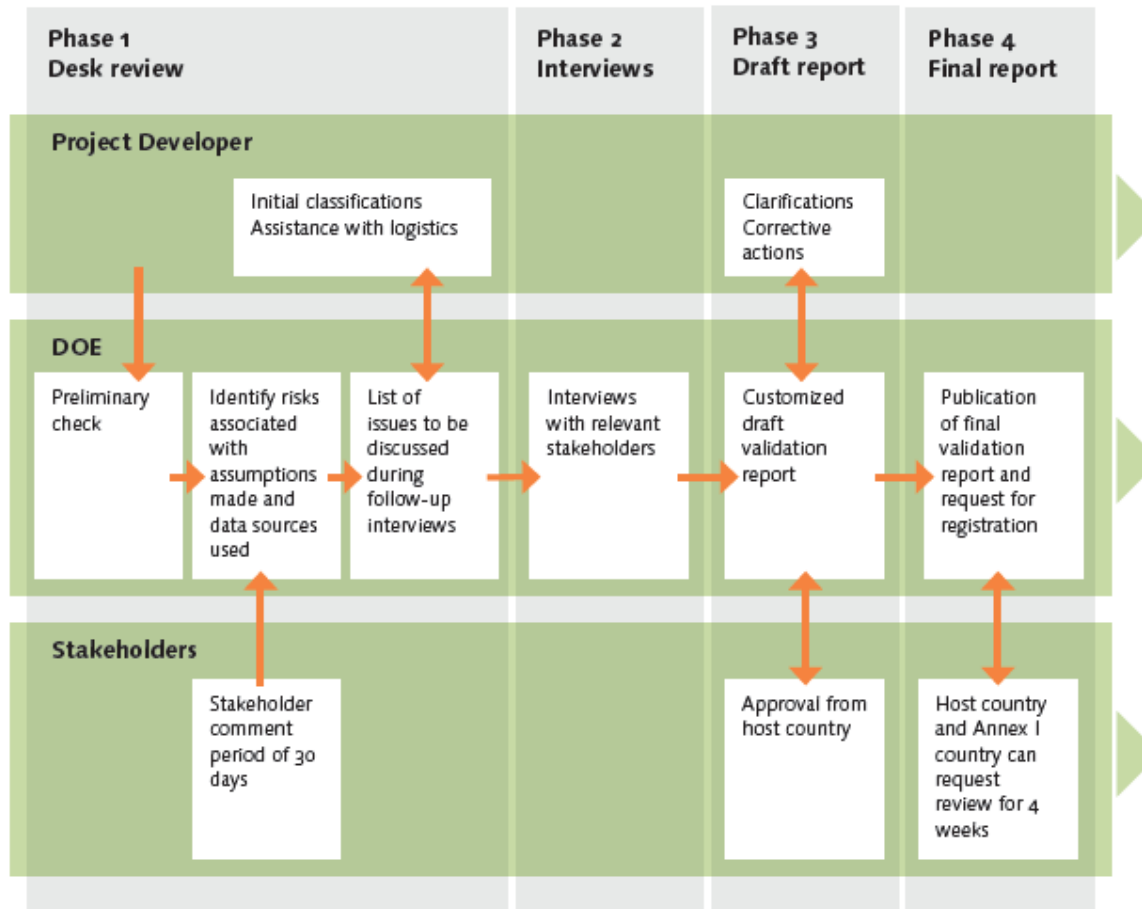


17. Insufficient explanation of the stakeholder consultation process

- State the relevant legal requirements, if any, in the host country with regard to which stakeholders to contact and by what means (e.g., through letters, newspapers, meetings).
- State how the project complies with these requirements.
- Provide a list of all the stakeholders contacted and justify why they are relevant.
- Include a summary of the stakeholder comments and a summary of how these comments have been taken into account. The contact details of the stakeholders should be provided to the DOE so that a sample stakeholder can be contacted by the DOE for verification.



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.



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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.
- 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.

As part of the PDD development, a local stakeholder consultation needs to be carried out too!



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



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.

