CDM case study

Misuse of the Requests for Review process results in serious delays for credit issuance

CDM reform categories:	1. Need for reforms of the CDM Governing Institutions
	2. Need for procedural improvements and provision of adequate resources
CDM reform sub-categories:	1.a Professionalise the CDM governing body(-ies)
	2.e Prevent the misuse of the Request for Review process
Examples:	Various events

- Recently, five project activities received a Request for Review at Issuance.

UNFCCC Ref	Times Verified	Total CERs Claimed in Most Recent RFI	Total Leakage Identified (CO2e)	Leakage as % of CERs Requested
0336	5	44,641	227	0.51%
0337	6	41,635	184	0.44%
0412	4	22,150	124	0.56%
0417	4	20,250	268	1.32%
0419	5	34,847	249	0.71%

- As noted above, the projects had been previously verified, one as many as 6 times. The reason for the RFR is described below :

   > "The PP/DOE shall clarify the list of electricity consumption equipments of all the sites, since the verification report states that only "For a sample of sites, the list of equipment considered in the calculation was cross-checked with the equipment installed at the site…"

- In all cases, the numbers and types of equipment installed on the sites since commissioning had not changed. Further, electrical consumption from the devices is based on 7 days a week, 24 hours a day, 365 days a year operation plus 10% for any possible line loss which is more than 50% more than in reality. Even with these conservative concepts the total amount of leakage involved is about **.64%** of the CERs requested.
- In the examples presented, equipment was permanently installed, leakage was calculated very conservatively, and projects have been verified numerous times. It is very frustrating that RFRs

would have been issued to inject another delay in an already long process.

- Apparently, the analyses keyed on the word "sample." To the PP's knowledge, all equipment was observed and accounted as described in the PDD, many times. Therefore one might deduct the word "sample" was used erroneously in the verification report template used by the DOE. Is this sufficient grounds to issue a RFR? Even if the equipment were observed via a sample, after having been viewed time and time again via previous audits. Does that constitute fraud, malfeasance or incompetence?

- Another item noted in a few of the same requests for review was related to calibration frequency.

  > "The DOE states that the portable gas analyser is being sent annually for manufacturer calibration while the PP indicated in the Monitoring Report that the frequency of manufacturer recalibration is every 6 months."

- Again, why would this type of issue warrant a request for review? The requirement is to calibrate at least once a year and the PP sends the equipment for recalibration every 6 months. In this case, the PP's position is more accurate and conservative. Certainly there is an inconsistency between the reports but it seems quite burdensome to submit a project to a RFR for what appears to be a minor typographical error.

- Neither of the issues identified above constitutes <u>fraud</u>, <u>malfeasance</u>, or <u>incompetence</u>, even in the loosest definition of the words. Nor was there an "on-the-ground" discrepancy or deviation.

Impact

- It appears the RFR process has evolved into the UNFCCC 's means to ensure quality control and not what it was originally intended, to identify truly serious issues and systemic breakdowns.

- Even though the impact of the report inconsistencies was nil, the PPs have to endure numerous weeks' delays to receive issuance and the DOEs will again have to address a simple issue via a complex process which results in overall frustration with the system, higher costs, and less time to perform actual audits.

Improvement recommendation:

- The Secretariat should establish an internal quality control process whereby inconsistencies identified while processing RFIs could be checked and resolved but not by using a system which was designed for the purpose of singling out serious breaches.

- Implement the concept of materiality to filter out minor issues from serious issues.