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Subject **Call for public inputs on the issue of materiality in  
the CDM (FCCC/KP/CMP/2010/12/Add.2 para. 31)**

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Your contact:  
Werner Betzenbichler  
General Manager DIA  
Chair of the DOE/AIE Forum

Dear Sirs,

This input has been prepared by the Designated Operational Entities and Independent Entities Association (DIA)<sup>1</sup> and underwent further consolidation by inviting all members of the DOE/AIE Forum. It represents the views of the DOE/AIE Forum.

We appreciate the initiative of the CMP to request SBSTA to consider the issue of materiality with a view to recommending a draft decision on this matter for adoption by the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol at its seventh session.

We would like to direct your attention to the submission made by Hungary and the European Commission on behalf of the European Union and its Member States. We fully agree to the content of this submission which provides a suitable description of the concept of materiality, the scope of its application and the way it should be implemented. We would like to emphasize the given statements, that

- the concept has to include the recognition that assessment opinions shall be given at a reasonable level of assurance and not at an absolute level of assurance;
- the concept needs to be applied within the whole framework (guidance, methodologies, DOEs, reviewers);
- the concept should be applied for prescriptive and non-prescriptive requirements.

In addition to the EU's submission we would like to point out the following issues which should also be reflected in the SBSTA's recommendation:

- Materiality is a concept which is applied when assessing information. The main guidance document for DOEs in assessing information of both quantitative and qualitative nature is the Validation and Verification Manual (or Standard in future). Thus it is deemed necessary to include and provide unambiguous guidance on the application of the materiality within this document. This need for an update (if not already actioned) should be reflected as further guidance to the CDM-EB to be released at CMP7.
- Once the concept is introduced, the CDM Management Plan should include extensive measures (e.g. training, workshops) which are deemed necessary for ensuring a

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<sup>1</sup>The DIA is an independent, not-for-profit organization dedicated to the development and establishment of effective processes and criteria for and related to the determination and validation and verification of emission reduction and sequestration projects and to represent the members at relevant bodies of the United Nations Framework Convention on Climate Change (UNFCCC) and other Green-house Gas ("GHG") programmes that accept UNFCCC accredited bodies to carry out determination and validation or verification.

common understanding of all parties' needs i.e. panel members, secretariat staff, EB, DNAs and DOEs.

- DOEs would appreciate to work with the same thresholds in CDM and JI taking also into account recent activities spent to align the accreditation processes and the fact that SBSTA is committed to both market-based mechanisms, CDM and JI.
- The concept of conservativeness plays a major role in CDM in order to safeguard environmental integrity. It is noted that in general understanding this concept and the concept of materiality are quite frequently mixed. Thus, any guidance should also reflect the differences between the two concepts and should provide unambiguous cut-off points in assessment either set by the one or the other concept or by both (note: this might deliver simplifications and reduced transaction costs when implementing standardized baselines).
- Equivalent to the setting of relative thresholds in verification it would also be useful to set thresholds in the validation of information provided in an investment analysis. Such an assessment is considered as complex as the verification of emission reduction calculations and should follow the same principles.

The DOE/AIE Forum trusts that these proposals are helpful to further expand a credible and effective CDM. We are looking forward to further contributing on this matter.

Kind regards,



Werner Betzenbichler  
Chair of the DOE/AIE Forum