



Side Event Development of a
Validation and Verification Manual

PCF Experience with Validation and
Verification Services

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Background VVM working group

- World Bank / PCF experience with validation services, Preliminary Validation Manual
- Cooperation between PCF*plus* (funding) and IETA (logistics):
 - Expert workshop for AEs/DOEs (Dec 03, Brussels) on “Guidance for a single approach to the CDM validation and verification process”
 - Establishment of Working Group: all AE/DOEs and invited members (WB, Netherlands, ...)
 - Steering Committee: Marcu (IETA), WB (Heister), Telnes (DNV)
 - VVM drafting group: DNV (Telnes), TUV (Betzenbichler), KPMG (Jones)
 - Expert workshop (Tokyo, May 03) for Japanese AEs, presentation of concept and drafts of VVM

Validation and Verification Manual

- Consensus guidance document on the process of validation and verification,
- To be created, updated and “owned” by all AE/DOEs, with input from major stakeholders (project developers etc.),
- Promote “industry-wide” standard for high quality validation and verification services,
- Improve understanding of validation and verification processes and capacity to perform DOE functions

Concern: Quality of validation

- PCF objective: high quality of ERs
- Must be supported by validators / verifiers
- Move towards mass manufacturing of ERs
 - “Cutting corners”, “stretching the envelope”, “slippery slope”, “race to the bottom”, ...
 - Loss of “intellectual honesty” that prevailed in the experimental market
- → Need for enhanced quality control

Concern: Promoting the Market

- A key PCF objective
- Depends on access to validation / verification services
- WB PCF has used 4 firms, many more have now applied for accreditation as DOEs: a good sign
- What is appropriate for interaction of project sponsor/developer with validator / verifier?
- Need for local content / DOEs from developing world (costs, politically correct)

Concern: Role of DOEs

- A public role: as part of the CDM regulatory system, DOEs help create a sovereign asset
- Need to justify trust that international community places in private sector contribution to regulatory functions
- Key functions
 - maintain quality of ERs asset - keep system honest
 - assist with creation of new, approved methodologies (limited role)
- Which interaction with CDM regulatory bodies (Meth P, Acc P, EB, CoP)

Concerns: Standardization

- Needed:
 - A single approach to ensure comparable and high quality results across all projects and DOEs
- No standards yet: we realize significant differences in approaches and quality
- Validators / verifiers seem to apply their clients' approach as preliminary “standard”
- Very different levels of understanding and experience among AEs.

A single Standard / Process?

- Can we agree on a single standard / process that:
 - Guarantees quality: in the sense that all relevant questions have been addressed?
 - Ensures transparency and comparability of v/v results
 - Promotes fair/equal treatment of all projects
 - Enhances trust in DOEs' work
 - Facilitates the CDM Executive Board's work
 - Resists a “race to the bottom”
 - Creates condition of “fair” competition for all DOEs
 - Promotes “local content”, allows entry of new DOEs
- Can the VVM be a useful tool in support of these objectives?

PCF Experience

- PCF has so far
 - validated some 12 projects, verified 1 project, and submitted 3 new methodologies to the EB, using 4 different firms
- Good experience where firm has:
 - clear concept and organization of validation / verification service
 - good understanding of CDM / JI rules
 - relevant participation in CDM development process
 - PCF Preliminary Validation Manual was applied
- Constructive interaction / discussion between PCF and validators / verifiers has improved most projects significantly

Key qualification for DOEs

- Experience with
 - organization of auditing / validation / certification processes
 - identification of critical issues (risk based)
 - Focus on checking claims, completeness, methodology, logical consistency
 - dealing with technical issues
 - Technical experts as resource, not as validation expert
- Understanding that development of project baselines and monitoring concepts
 - is a highly creative process
 - which must yield conceptually rigorous results
 - and which is currently more like an art than a science

Key qualification for DOEs

- “Mindset” for validation
 - Not backwards looking / status quo
 - But anticipatory: what might reasonably happen without CDM / JI project and how can it be monitored
- Excellent knowledge of
 - CDM rules, industry/sector, host country conditions
- Conceptual & intellectual rigor
- Constructive interaction with client without compromising independence

What project developers need

- An efficient, predictable v/v service for CDM and JI projects
- Based on a comprehensive standard that
 - can serve as (part of) the terms of reference for contracts with DOEs
 - addresses all relevant validation and verification issues for all project types
- Use of “local content” (costs, political acceptability)
- Highly credible, knowledgeable, experienced and fair partners that help
 - Lower risks and raise quality of projects
 - Navigate administrative process (interaction with EB)

Over to You!

