
Shortcomings of the decision-making process and mistrust towards DOEs result in lengthy and unpredictable project approval and credits issuance

CDM reform category: 2. Need for procedural improvements and provision of adequate resources

CDM reform sub-category: a. Address the arbitrary nature of the decision making process

Examples: Various events

- The EB has engaged in a blame game where there is zero trust towards the private sector and no respect of the rule of law.
- The EB members themselves have a conflict of interest and most of them come insufficiently prepared to the meetings.
- The EB always claim environmental integrity but an analysis of the requests for reviews and review questions (which by the way are not public) shows a different picture: Almost all issues could easily be resolved provided the EB/Secretariat had more hands-on experience and expertise. Many questions are questions of clarifications or clearly show the lack of knowledge, e.g.: “why does the DOE confirm measurement of electricity if only ammeters are installed, who measure the current” (ask an electrician: current times voltage times time is electricity)
- The EB and secretariat learn in waves, by means of reading the answers to requests for review. As an example, in 2007 many projects got stalled because the Chinese benchmarks were questioned. Today, this issue is not raised anymore. Last year, it was about the Indian benchmark and nominal versus real NPV analyses, then about project versus equity IRR, this year it is magnification factors, about coefficient of effective power supply for hydro plants and Chinese wind and hydro tariff.
- The concept of materiality is used widely in auditing/certification services and means that non-material information i.e. information, if omitted or mis-stated, would not significantly misrepresent a GHG assertion, can be excluded from the assessment. Note, it does not mean that an error is not corrected, once discovered.)

Impact

- Because the EB still has not defined clear materiality levels, EB and Secretariat members – with too little practical experience – tend to raise every little question during a request for review.
 - Similarly, DOEs have to investigate even very minor issues, which drives the transaction costs sky-high and creates delays and frustrations amongst the experts.
 - The CDM currently is an arbitrary system, EB members and secretariat staff is not accountable to their own guidance. Every question is allowed, every delay justified, as soon as the EB/secretariat claims environmental integrity is at risk. In reality, environmental integrity is hardly ever at risk and the request for review is mis-used for the EB and Secretariat to get more time to learn.
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Improvement recommendation:

- Force the EB to comply with the rule of law and administrative principles such as accountability and transparency.
 - Concept of materiality to be implemented at once and as follows: Only aspects that have either a direct impact on a project's environmental integrity or affect a project's emission reductions by more than 5% shall be considered material. No need for requesting clarifications, deviations and monitoring plan revisions for other issues. Use the budget to professionalize the regulatory body i.e. 100% mandate for the whole EB and to hire sufficient secretariat staff and outside experts
 - Outsource administrative tasks such as completeness checks to private sector agents with a clear TOR with a clear focus on a more efficient training and hiring process than the UNFCCC
 - Training and experience and thus appropriate remuneration required for accreditation panel
 - Stop the blame game, name and shame DOEs that endanger environmental integrity, learn before requests for reviews are triggered.
 - Stop applying new guidance (from learning from requests for review) to projects already under completeness check.
 - Independent appeal mechanism to be set-up
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