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**To** ji-info@unfccc.int  
**From** martin.enderlin@pd-forum.net  
**Date** 21 February 2010  
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**Subject** **Materiality discussion at JISC 20**

**CHAIRMAN**

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Dear Mr. Oderson,  
Honorable Members of the JISC,

We read the Annex I to the Annotated Agenda to JISC 20 with great interest and we would like to congratulate the UNFCCC Secretariat on producing a very high quality document. We are particularly interested to see that the JISC is intending to have an in-depth discussion on the application of the concepts of materiality and level of assurance to JI. We are pleased to see that the JISC recognises that these concepts are used regularly by Accredited Independent Entities (AIEs) even though there is no official guidance within JISC documentation. We apologise for not having responded before the deadline for official input to JISC 20, but we hope that you may be able to consider the brief summary of our views as laid out here.

We support the statement in the annex that AIEs, through their accreditation should be trusted to handle audit risks based on their professional judgment as auditors. Whilst we recognise that it is the role of AIEs, as professional certification companies, to suggest quantitative materiality thresholds, we support the proposal made by the DOE/AIE Forum to the CDM EB for dual materiality thresholds depending on the size of the emissions reductions: 5% for projects below 100,000 tCO<sub>2</sub>e emission reductions per year, and 1% for projects above 100,000 tCO<sub>2</sub>e emission reductions per year. The threshold percentage is in comparison to the total amount of annual emission reductions estimated or brought about by a project activity; thus, for example, all projects reducing 40,000 tCO<sub>2</sub>e per year would have the same absolute threshold of 2,000 tCO<sub>2</sub>e, while a project reducing 300,000 tCO<sub>2</sub>e per year would have an absolute threshold of 3,000 tCO<sub>2</sub>e.

We consider that in the medium term the most appropriate document to define the JI requirements for materiality thresholds would be the DVM. However in the short term an ordinary decision by the JISC would be sufficient to give AIEs the mandate to begin using the materiality thresholds.

As well as these quantitative thresholds, we also suggest that the concept of qualitative materiality be introduced to JI procedures when referring to the more descriptive elements of a PDD or monitoring plan. We propose that this could be a bottom-up approach to establish a materiality threshold for recurring. As an example, the procedures could clarify that a monitoring plan revision is not necessary for small and insignificant changes such as (i) change of emission factor calculation from ex-post to ex-ante, (ii) meter location, (iii) meter calibration, (iv) and meter accuracy change, as long as the new circumstances are still in line with relevant national regulations and the CDM methodology.

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This is also relevant when considering possible procedures for design changes to project after its initial determination, as also discussed in Annex 1 to JISC 20 agenda. Such changes are often outside the control of project participants, and are not foreseen or foreseeable at the time of developing the project or the submission for registration. A PDD is written during the design and feasibility stages and determination will normally occur before commissioning. Changes to meters, equipment, etc. sometimes occur as part of the construction and commissioning process and this should be recognised by any guidelines set out by the JISC. Although design changes are an inevitable part of project development, they are controllable and as such environmental integrity can still be safeguarded while adopting a more business-friendly approach, for example by means of a bottom-up positive list of design changes that can be scrutinized and “acknowledged” by the verifying AIE. We would like to emphasise a practical approach to handling changes of this nature.

We would be very happy to submit a more thorough response regarding these issues in time for the deadline before JISC 21, but we hope that you may be in a position to consider this brief summary at this time.

Kind regards,



Martin Enderlin  
Chair of the PD Forum