

**Call for public inputs on the
“Draft standard on the use of the concept of materiality and level of
assurance in the Clean Development Mechanism”**

- 15 October 2010 -

CDM Watch welcomes the opportunity to provide its views to the CDM Executive Board on the draft standard on the use of the concept of materiality and level of assurance in the Clean Development Mechanism.

CDM Watch is very concerned about the direction the CDM has taken over the past few years related to the issuance of credits that do not represent real emission reductions. In the case of the CDM, it is important to bear in mind that it is an offsetting mechanism. This means that the emission reductions credited under the CDM entitle the buyers of the CERs to increase their domestic emissions correspondingly. The CDM in itself does not directly reduce global GHG emissions but helps to achieve a given emission reduction target at a lower cost.

Our views as follows are presented in light of the risks the CDM poses to environmental integrity if CERs are issued as a result of wrong figures or statements given in the PDD and assessed documents and address the threshold of the application of materiality:

In principle, DOEs should be held responsible for all CER which may be inappropriately issued and no difference should be made on whether the error concerns 1 or 1000 ton CO₂e as even minor errors may result in significant deviations.

However, if a threshold for materiality were to be established, information related to a CDM project should be considered material if its omission might lead, at an aggregated level, to a total overestimation of the emission reduction achieved by a CDM project equal or higher than:

- 0.2 % of the emission reduction for projects achieving a total emission reduction of more than 500,000 tonnes of CO₂ equivalent per year;
- 1% of the emission reduction for large-scale projects achieving a total emission reduction of 500,000 tonnes of CO₂ equivalent per year or less;
- 3% of the emission reduction for small-scale projects.

While a harmonisation with existing standards is desired, it should be noted that thresholds for the application of materiality in the CDM must be as stringent as possible. The higher the thresholds, the higher the likelihood that excess CERs are being issued. While there is a theoretical possibility that underestimations compensate for possible overestimations the likelihood that emission reductions are underestimated in practice is not very likely.

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