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Date May 22, 2009
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Subject **Unsolicited Letter to CDM-EB on Materiality**

Dear Chairman de Jonge and members of the CDM Executive Board,

The Project Developer Forum (PD-Forum) is writing to again thank the board and its support structure for their hard work and subsequent release of the Validation and Verification Manual (VVM). This document has already proven to help increase efficiency in the overall CDM process and it is becoming a key tool for assisting all stakeholders to better perform their individual roles in the CDM process.

While the VVM is well written and touches on all aspects of the validation and verification process as outlined in the Decision 17/CP.7 of the Marrakesh Accords, it does not however, provide essential guidance related to the importance/significance of an amount, transaction, or discrepancy identified by the DOE, a concept known as materiality.

During the CDM 6th Joint Coordination Workshop the Chairman, CDM-EB, expressed the intention to include materiality and level of assurance in the VVM. Both concepts are crucial in any assurance scheme and are an integral part of any emissions trading scheme. The PD-Forum fully supports the re-consideration of this auditing concept and its inclusion in the next version of the VVM and we offer our assistance in this process.

Materiality is a widely accepted approach in accounting and verification auditing schemes. The concept of materiality enables the auditor to place increased attention to elements where even minor errors may result in significant deviations from the true value or desired result while at the same time apply reasonable and reproducible estimations to confirm those issues where even large deviations from the result have rather negligible impact on the total audit opinion/outcome.

In the attached document the PD-Forum summarized some aspects of the materiality concept and its potential application in the CDM. It could be used as a starting point for further discussion that is deemed to be necessary for resolving constraints for project participants, DOEs, and the Secretariat during validation and verification. Inclusion of materiality as such in the VVM will not ensure that it is actually applied. We would like to underline the general principle of materiality and the barriers that has prevented its application under the IETA VVM. A consistent application would require befitting responses on immaterial issues enabling small revisions / corrections in the course of the registration process.

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The Project Developer Forum membership includes over twenty organizations and is open to all entities specialised in the development and implementation of emission reduction projects under the CDM/JI framework. The founding members include: AES Climate Solutions, Camco, Climate Change Capital, EcoSecurities, First Climate, EEA Fund, Sindicatum Carbon Capital and Tricorona.

Thank you sincerely for your consideration, and we hope this input helps to stimulate discussion on possible amendments to the VVM in order to improve the efficiency of the CDM.

Kind regards,



Martin Enderlin,
Chairman

Attachment 1: Memo - Discussion Paper on the Application of Materiality in CDM