

A rating of Designated Operational Entities (DOEs) Accredited under the Clean Development Mechanism (CDM)

Scope, methodology and results

Report for WWF

Berlin, 27 May 2009

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1 Scope of the rating

The Clean Development Mechanism (CDM) under the Kyoto Protocol allows the crediting of emission reductions from greenhouse gas (GHG) abatement projects in developing countries. Designated Operational Entities (DOEs) are accredited third party entities that are responsible for evaluating proposed CDM project activities against requirements established by the COP/MOP and the CDM Executive Board (**validation**) and verifying that the monitored emission reductions have actually occurred (**verification**).

On behalf of WWF, Öko-Institut has developed a rating of DOEs. The objective of the rating is to assess to what extent DOEs are fulfilling the requirements and expectations of the CDM Executive Board (EB). Other aspects of the performance of DOEs, such as the costs and timing of their services, are not subject to the rating. The rating aims to provide more transparency to the market with regards to how DOEs are fulfilling the expectations of the CDM EB. A DOE with a higher rating has in the past fulfilled more frequently the expectations of the Board than a DOE with a lower rating.

The results of the rating target different stakeholders. One of the aims is to help project participants in selecting a DOE. A DOE with a high rating had in the past a better performance of getting a project approved by the CDM EB than a DOE with a lower rating. The rating also aims to encourage DOEs to work harder at meeting the expectations of the CDM EB, as a lower rating may present reputational risks. Finally, the rating aims to provide the international community with more transparency about the differences between DOEs in fulfilling the expectations of the CDM EB. This appears important in the light of concerns that have been raised about the performance of some DOEs.¹

This report describes the methodology used to rate the DOEs (chapter 2) and documents the results of this first rating (chapter 3). WWF intends to regularly update the rating (with relevant amendments made to improve the methodology).

¹ For example, the CDM Executive Board has undertaken spot checks at various DOEs which have revealed serious shortcomings, such as non-conformities of the DOEs with regard to “competencies to perform validation and verification functions” and “compliance with CDM requirements”. In November 2008, the accreditation of the DNV was suspended and reinstated in February 2009.

Table 1: Scoring used for EB decisions on registration requests

Decision route		Score
A	Automatic registration	1.0
B	Registration following a request for review and immediate corrections	0.6
C	Registration following a request for review and consideration of the project by the Board	0.9
D	Registration following a request for review and a corrective action request	0.6
E	Registration following a request for review, a corrective action request and a review	0.3
F	Rejection following a request for review, a corrective action request and a review	-1.0
G	Registration following a request for review, a corrective action request, a review and a second corrective action request	0.0
H	Rejection following a request for review, a corrective action request, a review and a second corrective action request	-1.0
I	Registration following a request for review and a review	0.6
J	Rejection following a request for review and a review	-1.0
K	Registration following a request for review, a review and a corrective action request	0.3
L	Rejection following a request for review, a review and a corrective action request	-1.0

2.4 Which projects were used for the rating?

The first rating was based on projects that requested registration between 1 April 2007 (when the UNFCCC secretariat started to systematically assess all requests for registration) and 31 March 2009 and that reached a final decision status of registration or rejection within this period. Projects that were withdrawn or for which a final decision by the Board is still pending were not included. To identify the projects and their status, we used the Excel Database by UNEP/RISOE and the information displayed at UNFCCC CDM Website.²

The first rating includes 900 projects that were submitted by 14 DOEs. However, a small number of projects submitted by a DOE may not be sufficiently representative to assess whether the DOE was living up to the expectations of the CDM EB. Therefore, only DOEs were included in the rating for which at least 40 projects have been completely processed in the period from 1 April 2007 to 31 March 2009. This included the following five DOEs: BVC, DNV, SGS, TÜV-Nord and TÜV-Süd.

² See <http://www.cdmpipeline.org/> and <http://cdm.unfccc.int/index.html>

2.5 How were the scores of the DOEs translated into a rating?

Based on the EB decisions, a score was calculated for each DOE. To facilitate a comparison of DOEs, the score was then translated in a rating. The rating scale goes from A to E, where A indicates a very good performance and E indicates a poor performance. F indicates that the DOE has either been suspended in the past 6 months or has a score that is below the qualification for an E rating. Within each rating category the performance is differentiated: A plus sign after the letter (e.g. B+) indicates that the DOE is at a higher end within the rating category and a minus sign after the letter (e.g. B-) indicates that the DOE is at the lower end within the rating category. Table 3 below illustrates how the score is translated into a rating. For each rating the table also provides an example of the level of performance that would qualify the DOE for the respective rating.

Table 2: Rating categories

Rating	Score range	Example of the level of performance qualifying for the rating
A	≥ 0.94	95% automatic registration 3% registered after corrections 1% registered after a review and corrections 1% rejected
B	0.85 – 0.94	80% automatic registration 16% registered after corrections 2% registered after a review and corrections 2% rejected
C	0.73 – 0.85	65% automatic registration 20% registered after corrections 12% registered after a review and corrections 3% rejected
D	0.61 – 0.73	50% automatic registration 25% registered after corrections 20% registered after a review and corrections 5% rejected
E	0.50 – 0.61	35% automatic registration 40% registered after corrections 15% registered after a review and corrections 10% rejected
F	< 0.50	20% automatic registration 40% registered after corrections 20% registered after a review and corrections 20% rejected

3 Results of the rating

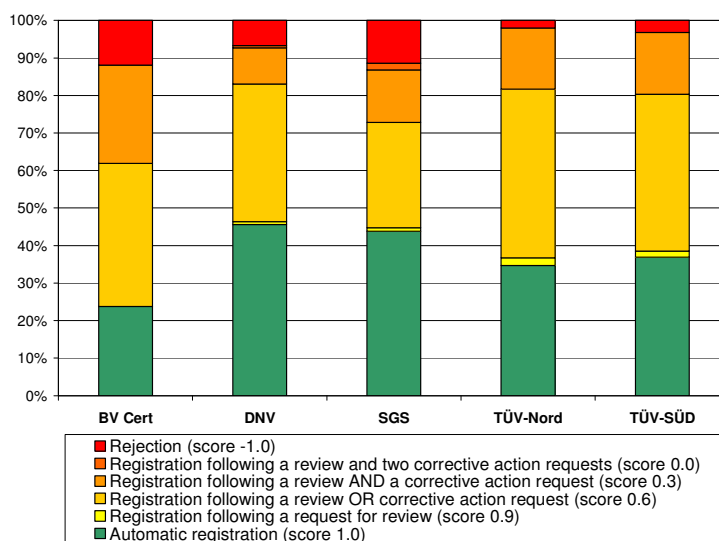
The results of the rating are illustrated in Table 3. Generally, the rating for all DOEs is relatively low due to the high number of projects being rejected, reviewed or requested for corrective action by the Board. TÜV-Nord and TÜV-Süd have the best performance with a D rating. They achieved 0.66 and 0.65 points respectively. BVC has a score of only 0.43 points and receives an F rating. The reason for BVC’s poor performance is their high share of projects being rejected or requested for corrective action to be taken. SGS attained 0.54 points and an E rating and is therefore in the middle ground between BVC and the TÜVs. The accreditation of DNV was recently suspended. For this reason, DNV has an F rating. Without suspension, DNV would be close to the TÜVs and receive a D- rating.

Table 3: Rating results

DOE	BVC	DNV	SGS	TÜV-Nord	TÜV-SÜD
Average score	0.43	0.64	0.54	0.66	0.65
Suspension of accreditation		x			
RATING	F	F	E	D	D

The relatively higher ranking of the TÜVs can mainly be attributed to their higher registration success. Both DOEs have a relatively low share of projects being rejected (2% for TÜV-Nord and 3% for TÜV-Süd) compared to other DOEs (11% for SGS and 12% for BVC). For all DOEs, the share of projects that are automatically registered is below 50%; however, BVC has a significantly lower rate (24%) of automatically registered projects compared to other DOEs (35%-46%). BVC also has a high share of projects for which a review was requested and for which corrections were required. The detailed results of the evaluation are shown in Figure 2 below.

Figure 2: EB decisions on requests for registration per DOE



Annex

Decision route		BVC	DNV	SGS	TÜV-Nord	TÜV-SÜD
A	Automatic registration	10	169	50	17	92
B	Registration following a request for review and immediate corrections	5	43	12	6	34
C	Registration following a request for review and consideration of the project by the Board	0	3	1	1	4
D	Registration following a request for review and a corrective action request	10	91	19	16	69
E	Registration following a request for review, a corrective action request and a review	0	0	0	0	0
F	Rejection following a request for review, a corrective action request and a review	0	0	1	0	0
G	Registration following a request for review, a corrective action request, a review and a second corrective action request	0	2	2	0	0
H	Rejection following a request for review, a corrective action request, a review and a second corrective action request	0	0	0	0	0
I	Registration following a request for review and a review	1	2	1	0	1
J	Rejection following a request for review and a review	4	17	10	1	6
K	Registration following a request for review, a review and a corrective action request	11	36	16	8	41
L	Rejection following a request for review, a review and a corrective action request	1	8	2	0	2
TOTAL		42	371	114	49	249