

Project Developer Forum Ltd.

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Gold Standard timelines – formal response to the letter issued by the Project Developer Forum on February 19th, 2010.

Dear Mr. Enderlin,

The Gold Standard Foundation has taken due note of the concerns raised in the letter issued by the Project Developer Forum on February 19th, 2010 with regards to the timelines associated with the Gold Standard registration and issuance procedures.

Discussions have now taken place between the TAC and the Secretariat so as to identify, to the extent possible, appropriate means to address these concerns. Various options have been assessed so as to streamline procedures and alleviate bottlenecks for the benefit of all while taking into account operational constraints, and without compromising on the quality of the review process.

This letter provides a response to the various issues raised. We also seek to clarify the priority setting approach followed by the Gold Standard for the review of the project documentation submitted at various stages of the project cycle.

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The Project Development Forum has suggested the adoption of firm timelines for all of the various review processes, while currently this is only the case for the registration and issuance first round review periods¹. The suggestion has been evaluated and discussed at length and we have decided not to implement firm timelines for all review processes at present. The currently available resources simply do not allow the Gold Standard Foundation to commit to additional firm deadlines – they would not be met. Still, it is certainly in the interest of the Foundation to register/issue as quickly as possible, without compromising on environmental integrity. There is no strong case for introducing firm timelines for project proponents either², a suggestion in the submitted letter, as an economic incentive exists for them to address issues raised during the reviews in a timely manner.

The PD Forum is wise to bring up the point, because in the medium term we do aim to adopt firm timelines for all processes. It is in everyone's interest to make the timeline of Gold Standard project activities more predictable. This is expected to happen when the Gold Standard Foundation revenues will eventually increase together with the increasing amount of credits and labels issued by project activities under the 'fee per credit' fee structure. This being said, it should be stressed here that many of the timeline uncertainties lie within processes outside of the control of the Gold Standard Foundation, i.e. validation and verification steps by DOEs and preparation or revision of the project documentation by project proponents, without mentioning uncertainties associated with the management and implementation of any project activity.

The Gold Standard Foundation has however already taken action with the recent hiring of three new staff in the Technical Team which will eventually allow for greater allocation of resources to the Quality Assurance process and thus lead to reduced timelines for the finalization of the draft reviews performed at Quality Control level.

Also, The Gold Standard Foundation will commit to provide project proponents with non-binding, indicative timelines and a series of measures described below will be implemented in order to streamline the review processes.

Pre-feasibility assessment process:

In response to the concerns expressed with regards to the long timeline associated with the pre-feasibility assessment of retroactive project activities, The Gold Standard Foundation has decided to revise the 'fast-tracking' process currently available to 'GS experienced' pro-

¹ It should be noted here that the definition of the initial review period provided in the letter submitted is not accurate – the 6/8-week registration review period and the 2/3-week verification review period only formally starts on the date of submission by the project proponents if the submitted documentation is complete (completeness check), and in the case of GSv2 project activities under the fee per credit structure, upon payment of the registration fee.

² Other than the one already introduced in GSv2 as an upper limit – project activities cannot be pending for more than a year at the registration stage without addressing requests (see GS requirements VIII.f.3.1).

ject proponents only³ and to make it an available option for all submitted retroactive project activities (inc. those within PoAs) as long as the DOE contracted for validation complies with one of the following three criteria:

1. The DOE has submitted at least 10 validation reports to GS overall in the year prior to the start of validation of the project activity proposed for the 'fast-track' process, and at least 3 validation reports for project activities making use of the same methodology than the project submitted through the 'fast-track' process.
2. An auditor of the validation team taking care of the submitted project activity has either attended a GS DOE training workshop within the last 6 months prior to the start of validation of the project activity proposed for the 'fast-track' process.
3. An auditor of the validation team taking care of the submitted project activity has attended a GS DOE training webinar within the last 6 months.

All pre-feasibility assessments, whether 'fast-tracked' or not, will continue to be subject to the pre-feasibility assessment fee, as per the current rule. Although the 'fast-tracked' retroactive project activities will no longer be reviewed in detail at this stage of the project cycle, their associated fees will be used to support the following activities required to compensate for the fact that GS capacity building for project developers and DOEs will no longer occur via the delivery of detailed pre-feasibility assessments:

- GS will provide a check-list of items project proponents shall pay particular attention to allow for smoother and faster validation and registration processes and to increase chances of approval at the stage of registration review. A generic check-list will be used as a starting point but the goal is to develop over time more specific check-lists, by type of activity and possibly by region, building up a library as project activities are being submitted.
- More extensive DOE training will be planned for and conducted via webinars and workshops.
- A 2-hour consultation with the GS Regional Managers will be granted to project proponents early on in the project cycle to discuss the likely most sensitive issues associated with the submitted project activity; this will provide an informal, non exhaustive but worthwhile feedback at the very beginning of the project cycle.

For project proponents opting for the regular pre-feasibility assessment process, rules remain the same with the noticeable exception that validation will now officially be allowed to take place in parallel with the GS pre-feasibility assessment. This will be an option available at the risk of the project proponents, given that the Validation Report will still have to address all issues raised in the pre-feasibility assessment, even if this means a supplementary site-visit.

³ http://www.cdmgoldstandard.org/fileadmin/editors/files/6_GS_technical_docs/GSv2.1/GSv2_fasttrack.pdf

Registration process:

In order to address the delays met by GSv1 project activities at the registration review process, The Gold Standard Foundation has revised the formerly 6-week registration review period into an 8-week registration review period for GSv2 project activities, made of a 6-week period open for comments and a 2-week period for the synthesis of all comments and finalisation of the formal feedback.

At the time of submission of the Project Developers Forum letter, only one GSV2 project activity had been submitted for registration review by a member of the Project Developer Forum and the review period was still ongoing. The statement in the letter with regards to delays in 8-week registration reviews was therefore not based on facts and thus not accurate. This however does not mean The Gold Standard Foundation pretends that no more delays will ever occur, but the situation has definitely improved and is expected to further improve with the recent hiring of three more staff in the Technical Team for Quality Assurance activities.

Another concern expressed by the members of the Project Developer Forum is relative to the review rounds. Most project activities do indeed face review rounds but this comes from the fact that the quality of the DOEs' performance with regards to the validation against GS requirements simply does not meet expectations yet. Few are experienced with GS requirements and this calls for further capacity building, an activity which has been one of the GS priorities lately (webinars, workshops).

In the light of what has been discussed above with regards to firm timelines, setting firm timelines for review rounds would only lead to situations where doubts remain and thus to more rejections, in line with the GS principle of conservativeness. No firm timeline will thus be defined for review rounds but the GS staff will give notice on expected timelines based on available resources and capacity planning. The process by which we set priorities are described below in the section marked, "Priority Setting."

Issuance process:

The rationale here is the same than for the registration process, with the noticeable difference that issuance reviews take precedence over registration review, as per the approach described under the "Priority Setting" section of this letter.

Review process for the Local Stakeholder Consultation Reports:

Currently, the review of LSC reports implies at least two rounds of iterations, and sometimes more. Quality documentation must be provided because this is the stage where the project activity becomes public in the Gold Standard registry. However, in order to limit the number of iterations, The Gold Standard Foundation has decided to adopt a risk-based approach for the review of the LSC reports. The Gold Standard focuses on only essential issues during the LSC reviews. However, issues of less importance will be raised in the form of Forward Action Requests. As per the process followed for pre-feasibility assessments, FARs will have to be addressed in the finalised documentation and reported upon by DOEs

in a summary table included within the Validation Report. LSC reviews will eventually be made publicly available.

The minimum requirements for LSC reports to be approved and the project listed should be such that the Gold Standard Foundation can be convinced that project proponents have done their best to reach out to and gather inputs from a representative enough sample (quantitatively AND qualitatively) of stakeholders. The LSC review is a key element of the project cycle because it precedes being listed on the registry (i.e. being able to publicly associate with the Gold Standard brand). In order to pass the first LSC review, the GS requires demonstration of (at minimum) a clear list of stakeholders invited for comments (invitation letters and emails are provided), meeting attendance list with names and affiliation, reporting on all comments received and responses (plans to address concerns), completed DNHA and SD matrix scoring completed. On the other hand, it will be possible to address issues such as missing references within FARs as long as no issue is seen as critical enough to bar being listed.

Priority setting:

Reviews are initiated as per chronological order of payment of the relevant fees. Upon payment of the fee:

- reviews with firm timelines take precedence over reviews without firm timelines
- priority increases with increased status in the project cycle

Here are the different review processes in order of priority:

1. First round verification reviews prior to issuance: 2/3 weeks fixed timeline as per applicable GS version
2. First round registration reviews – 6/8 weeks fixed timeline as per applicable GS version
3. Second round verification reviews prior to issuance – no fixed timeline
4. Second round registration reviews – no fixed timeline
5. Internal verifications (micro-scale scheme only) – no fixed timeline
6. Internal validations (micro-scale scheme only) – no fixed timeline
7. Review of stakeholder consultation reports prior to listing – no fixed timeline
8. Pre-feasibility assessments prior to listing – no fixed timeline

Another issue of concern raised in the submitted letter refers to the respective roles of the Gold Standard Foundation and the DOEs. Experience demonstrates that DOE's are simply not quite yet where they need to be in terms of familiarity with GS rules & requirements – the quality of their Validation and Verification reports show significant variation between 'GS experienced' DOEs and other DOEs, and also within a given DOE. The high

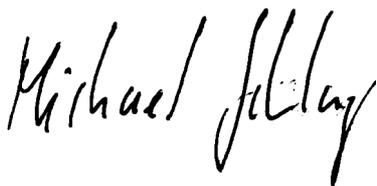
reputation of the Gold Standard in the voluntary market reported in recurrent surveys is most often explained in good part by the fact that The Gold Standard Foundation precisely has such a review process in place post-validation & verification.

In the voluntary market, The Gold Standard Foundation is ultimately responsible for the amount of credits delivered and thus one of its essential tasks is precisely to review DOE's performance and raise issues, if and whenever needed. This includes the possibility to raise issues any time before the project activity is formally registered, irrespective of rounds. This being said, there is a significant difference in the quality of the Validation/Verification reports delivered in the compliance and voluntary markets. The Gold Standard Foundation has therefore decided to adopt a differentiated approach for CDM project activities and voluntary project activities.

The assessment of the additionality of CDM project activities will be left to EB's responsibility and thus GS reviews will focus on other aspects instead, such as GS specific criteria with regards to eligibility, stakeholder consultation and sustainable development. Baseline and emission reductions in the context of CDM project activities will still require review by GS as practice has shown that GS requirements with regards to conservativeness are not implemented to a sufficient degree of satisfaction by all DOEs.

Finally, in order to harmonize project reviews and thus contribute to a reduction of timelines, an Harmonization Internal Working Group has been created which will work on identifying and clarifying what should be systematically checked by GS reviewers, what will be subject to spot-checks only, and what can be entirely left to DOEs.

Sincerely,



Michael Schlup
Director

Attachment: –

CC: Liam Salter, Chair GS TAC

Shelagh Withley, Camco International, GS TAC member and coordinator, informal technical working group

Matt Spannagle, UNDP, GS TAC member and PDForum Member

