



**CDM Project Activity Registration
and Validation Report Form**
*(By submitting this form, designated operational entity confirms
that the proposed CDM project activity meets all validation and
registration requirements and thereby requests its registration)*

Section 1: Request for registration

Name of the designated operational entity (DOE) submitting this form	Det Norske Veritas Certification Ltd. (DNV)
Title of the proposed CDM project activity (Section A.2 of the attached CDM-PDD) submitted for registration	Cote small-scale hydropower plant
Project participants (Name(s))	Government of Finland Compañía Nacional de Fuerza y Luz ("CNFL"), Costa Rica International Bank for Reconstruction and Development (IBRD) as the Trustee of the Prototype Carbon Fund (PCF)
Sector in which project activity falls	Renewable Energy Projects.
Is the proposed project activity a small-scale activity?	<u>Yes</u> (underline as applicable)

Section 2: Validation report

List of documents to be attached to this validation report (please check mark):	
<ul style="list-style-type: none"> <input checked="" type="checkbox"/> The CDM-PDD of the project activity <input checked="" type="checkbox"/> An explanation by the submitting designated operational entity of how it has taken due account of comments on validation requirements received, in accordance with the CDM modalities and procedures, from Parties, stakeholders and UNFCCC accredited non-governmental organizations; (Note: Included in Validation Report (DNV Report 2005-1366, rev. 01)) <input checked="" type="checkbox"/> The written approval of voluntary participation from the designated national authority of each Party involved, including confirmation by the host Party that the project activity assists it in achieving sustainable development: <ul style="list-style-type: none"> o LoA of Costa Rica o LoA of Finland <input checked="" type="checkbox"/> Other documents, including any validation protocol used in the validation <ul style="list-style-type: none"> o Validation Report (DNV Report 2005-1366, rev.01), including a validation protocol and a list of persons interviewed by the validation team during the validation process. <input checked="" type="checkbox"/> Information on when and how the above validation report is made publicly available. <input checked="" type="checkbox"/> Banking information on the payment of the non-reimbursable registration fee <input checked="" type="checkbox"/> A statement signed by all project participants stipulating the modalities of communicating with the Executive Board and the secretariat in particular with regard to instructions regarding allocations of CERs at issuance 	

Executive Summary and Introduction, including

- **Description of the proposed CDM project activity**
- **Scope of validation process (include all documentation that has been reviewed and name persons that have been interviewed as part of the validation, as applicable)**
- **DOE Validation team (list of all persons involved in the validation, describing functions assumed in the validation)**

This project is a small run of the river hydropower plant located in Costa Rica, between the counties of Tilarán and Guatuso in the provinces Guanacaste and Alajuela. The project's installed capacity is 6.786 MW and the projected annual average generation is 13.2 GWh.

The project is expected to displace 45 017 tCO₂e in the first 7-year crediting period, resulting in projected average annual emission reductions of 6 431 tCO₂e.

The validation scope is defined as an independent and objective review of the project design document (PDD). The PDD is reviewed against the criteria stated in Article 12 of the Kyoto Protocol, the CDM modalities and procedures as agreed in the Marrakech Accords and the relevant decisions by the CDM Executive Board. The validation team has, based on the recommendations in the Validation and Verification Manual, employed a risk-based approach, focusing on the identification of significant risks for project implementation and the generation of CERs.

The following documentation have been assessed:

/1/ World Bank's Carbon Finance Business Unit: *Cote small-scale hydropower plant, PDD*, Version received on 28 October 2005, version 02 dated 7 November 2005 and version 3 dated January 17, 2006.

/2/ Oficina Costarricense de Implementación Conjunta (OCIC), Ministerio de Ambiente y Energía (MINAE) (DNA of Costa Rica), *Letter of Approval*, 27 November 2002.

/3/ Ministry for Foreign Affairs of Finland (DNA of Finland), *Letter of Approval*, 19 October

/4/2005. Summary of environmental impact assessment, SETENA, April 2001

/5/ International Emission Trading Association (IETA) & the World Bank's Prototype Carbon Fund (PCF), *Validation and Verification Manual*. <http://www.vvmanual.info>

/6/ Appendix B of the simplified modalities and procedures for small-scale CDM project activities, *Indicative simplified baseline and monitoring methodologies for selected small-scale CDM project activity categories*. Version 06: 30 September 2005.

The following persons were interviewed:

Giovanni Castillo Pacheco, Dirección Sectorial de Energía
 Fernando Alvarado Zumbado, Dirección Sectorial de Energía
 Ángela González Grau, Compañía Nacional de Fuerza y Luz, S.A.
 Vera Quesada Ramírez, Compañía Nacional de Fuerza y Luz, S.A.
 Gina Marcela Rojas Chacón, Compañía Nacional de Fuerza y Luz, S.A.
 Walter Delgado, Compañía Nacional de Fuerza y Luz, S.A.
 Oscar Eduardo Calvo Piedra, Compañía Nacional de Fuerza y Luz, S.A.
 Patricia Campos Mesén, SETENA
 Martha Chavez Quiroz, SETENA

The DOE validation team consisted of the following persons:

Mr. Einar Telnes DNV Certification Norway GHG lead auditor, energy expert

Mr. Alfonso Capuchino DNV Certification Mexico GHG auditor

Mr. Michael Lehmann DNV Certification Norway Technical reviewer

For further details, please refer to the "Introduction" and "References" Section of DNV's Validation Report (DNV Report 2005-1366 rev.01)

Description of methodology for carrying out validation

- **Review of CDM-PDD and additional documentation attached to it**
- **Assessment against CDM requirements (e.g. by use of a validation protocol)**
- **Report of findings by the DOE, e.g. by use of type of findings (e.g. corrective action requests, clarifications or observations). Please explain the way findings are "labelled" during validation.**
- **Include statements or assessments in the section "Conclusions, final comments and validation opinion" below.**

The validation of the project consisted of the following three phases:

- I a desk review of the project design document
- II follow-up interviews with project stakeholders
- III the resolution of outstanding issues and the issuance of the final validation report and opinion

The Project Design Document (PDD) submitted by World Bank's Carbon Finance Business Unit on 28 October 2005, the revised PDD in versions dated 7 November 2005 and January 17, 2006 and additional background documents related to the project design, the project baseline, the monitoring requirements, the Environmental Impact Assessment and the local stakeholder involvement were assessed during the validation.

In December 2005, DNV Certification Ltd. performed interviews with project stakeholders to confirm selected information and to resolve issues identified in the document review. Representatives of Instituto Costarricense de Electricidad (ICE), Compañía Nacional de Fuerza y Luz, S.A.(CNFL) and the Costa Rican DNA were interviewed.

In order to ensure transparency, a validation protocol has been customized for the project, according to the Validation and Verification Manual. The protocol shows, in a transparent manner, criteria (requirements), means of verification and the results from validation of the identified criteria.

Findings established during the validation can either be seen as a non- fulfilment of validation criteria or where a risk to the fulfilment of project objectives is identified. Such findings are termed Corrective Action Requests (CAR). The term Clarification may be used where additional information is needed to fully clarify an issue.

The Corrective Action Requests and requests for Clarification raised by DNV were resolved through communications with the project participants. To guarantee the transparency of the validation process, the concerns raised by DNV and the response provided by the project participants are documented in Table 3 of the Validation Protocol in Appendix A to the Validation Report (DNV Report 2005-1366 rev. 01).

For further details, please refer to the "Methodology" Section of DNV's Validation Report (DNV Report 2005-1366, rev. 01) and the IETA/PCF Validation and Verification Manual (www.vvmanual.info).

Explanation by the submitting designated operational entity of how it has taken due account of comments on validation requirements received, in accordance with the CDM modalities and procedures, from Parties, stakeholders and UNFCCC accredited non-governmental organizations;

- **Description of how and when the PDD was made publicly available**
- **Description of how comments were received and made publicly available**
- **Explanation of how due account has been taken of comments received**
- **Compilation of all comments received (Identify the submitter)**

The PDD (version 1 of October 28, 2005) was made publicly available on DNV's climate change website (www.dnv.com/certification/climatechange) and Parties, stakeholders and NGOs were through the CDM website invited to provide comments during a 30 days period from 31 October to 30 November, 2005. No comment was received during this period.

Please refer to the "Comments by Parties, stakeholders and NGOs" Section of DNV's Validation Report (DNV Report 2005-1366, rev.01) and the above mentioned CDM website.

Conclusions, final comments and validation opinion

- **Provide conclusions on each requirement under paragraph 37 of the CDM modalities and procedures, describing how these requirements have been meet. This shall include assessments and findings (e.g. corrective action requests, clarifications or observations) in relation to each requirement, including a confirmation that all issues raised have been addressed to the satisfaction of the DOE.**
- **Final comments and validation opinion**

Det Norske Veritas Certification Ltd. (DNV) has made a validation of the "Cote small-scale hydropower plant" project in Costa Rica, on the basis of UNFCCC criteria for the CDM, as well as criteria given to provide for consistent project operations, monitoring and reporting. UNFCCC criteria refer to Article 12 of the Kyoto Protocol, the CDM rules and modalities and the subsequent decisions by the CDM Executive Board regarding small-scale CDM projects.

The assessment of the project design documentation and the subsequent follow-up interviews have provided DNV with sufficient evidence to determine the fulfilment of stated criteria.

The project consists of the construction of a hydro plant in the Guanacaste and Alujela provinces, which will provide electricity to the national grid.

The project participants are Compañía Nacional de Fuerza y Luz of Costa Rica, the International Bank for Reconstruction and Development as trustee of the Prototype Carbon Fund and the Ministry for Foreign Affairs of Finland, which authorises the participation of the IBRD, Both Parties involved, i.e. Costa Rica as the host Party and Finland as the Annex I Party, meet the requirements to participate in the CDM. Letters of Approval have been received by the DNAs of Costa Rica and Finland. Finland has confirmed that no ODA funding is involved in the project.

The project correctly applies the approved simplified baseline and monitoring methodology AMS-I.D. The determination of the baseline is well elaborated, transparent and sufficiently supported with facts. Moreover, an analysis of the presented barriers demonstrates that the project is not a likely baseline scenario. With regards to the grid emission factor calculation, approach a) of AMS-I.D. has been chosen, i.e. the combined margin approach. The grid CO₂ coefficient of 0.48835 tCO₂/MWh is determined ex-ante in accordance with AMS-I.D based on generation and fuel consumption data provided by ICE and is fixed for the first crediting period.

By displacing fossil based grid electricity by hydropower, the project results in the reduction of CO₂ emissions that are real, measurable and give long-term benefits and that are additional to what would have occurred in the absence of the project.

The GHG emission calculations are documented in a complete and transparent manner. The algorithm and methodologies for accounting GHG emissions are appropriate and emission factors are deemed to be of sufficient accuracy.

Detailed responsibilities and authorities for project management, monitoring and reporting and QA/QC procedures have been developed.

In summary, it is DNV's opinion that the "Cote small-scale hydropower plant", as described in the revised project design documentation of January 2006, meets all relevant UNFCCC requirements for the CDM and correctly applies the simplified approved baseline and monitoring methodology AMS-I.D. Hence, DNV requests the registration of the "Cote small-scale hydropower plant" as a CDM project activity.

For further details, please refer to DNV's Validation Report (DNV Report 2005-1366, rev.01)

The DOE declares herewith that in undertaking the validation of this proposed CDM project activity it has no financial interest related to the proposed CDM project activity and that undertaking such a validation does not constitute a conflict of interest which is incompatible with the role of a DOE under the CDM.

By submitting this validation report, the DOE confirms that all validation requirements are met.

Einar Telnes

Name of authorized officer signing for the DOE

Date and signature for the DOE

19 January 2006,



Section below to be filled by UNFCCC secretariat

Date when the form is received at UNFCCC secretariat

Date at which the registration fee has been received

Date at which registration shall be deemed final

Date of request for review, if applicable

Date and number of registration

Date

Number