

PROJECT REVIEW REPORT

Project ID	487
Project Name	210 MW Musi Hydro Power Plant, Bengkulu
Program(s)	VCS
Verification Period	01 October 2017 – 31 December 2020
Project Proponent	PT. PLN (Persero)
Methodology	ACM0002, Grid-connected electricity generation from renewable sources, v17.0
Sectoral Scope(s)	1. Renewable energy (renewable / non-renewable)
Validation/Verification Body (VVB)	TÜV NORD CERT GmbH

Assessment Criteria	VCS Standard, v4.1
Date of First Issue	23 January 2021
Date of Second Issue	20 September 2022
Date of Final Issue	28 November 2022

Summary:

An accuracy review of the 210 MW Musi Hydro Power Plant, Bengkulu verification approval request has been conducted by Verra in accordance with Section 4.3 of the *Registration and Issuance Process*.

The accuracy review has raised four assessment findings and one minor findings, detailed below. The VVB, in coordination with the project proponent, is hereby required to provide a response to the assessment findings presented in Section 1. The four assessment findings must be addressed to the satisfaction of Verra.

This project review report will be made publicly available. Confidential information may be provided as separate attachments.

1. ASSESSMENT FINDINGS

Finding 1

Section 3.4.3 of the *VCS Standard, v4.1* states that the project proponent shall use the *VCS Monitoring Report Template* and adhere to all instructional text within the template.

Section 1.11 of the *VCS Monitoring Report Template, v4.0* instructs the project proponent to include any provisions for monitoring and reporting contributions to sustainable development.

Section 1.11 of the monitoring report does not describe any provisions for monitoring or reporting sustainable development contributions.

The project proponent is requested to update section 1.11 of the monitoring report to describe any provisions for monitoring or reporting sustainable development contributions. The VVB is requested to assess the updates and to update the verification report, as needed.

Project Proponent Response:

The project actively monitors and report their sustainable development contribution which can be seen through several different reports i.e., EIA implementation & report of environmental quality monitoring are the provision to the environmental well-being aspect, Socialization and Implementation Report for the social well-being etc. Similar justification has been updated to section 1.11 of the MR. The supportive evidence has also been provided during the verification as well as in attached folder Att01.

VVB Response:

Section 1.11 of revised MR to describe the project owner monitors and report their sustainable development contribution.

The project contributes to the sustainable development as per the Government of Indonesia and the project owner; PT. PLN (Persero), monitors and report their sustainable development contribution as describe in the MR.

Section 4.1 of FVR has address the project contributes the sustainable development through the following aspects as describe in the MR:

- Contributes to the development of the region by increasing community development
- Generates direct and indirect employment for skilled and unskilled manpower during the construction phase as well as the operational stage
- Utilizes hydropower to generate electricity, otherwise would have been generated using fossil fuel to reduce GHG emissions

Verra Response:

Section 1.11 has not been updated in Version 4 of the monitoring report. The project proponent and the VVB are requested to ensure the updates made are included in the version of the report submitted to Verra.

Project Proponent Response:

The project actively monitors and report their sustainable development contribution which can be seen through several different reports i.e., EIA implementation & report of environmental quality monitoring are the provision to the environmental well-being aspect, Socialization and Implementation Report for the social well-being etc. Similar justification has been updated to section 1.11 of the MR. The supportive evidence has also been provided during the verification as well as in attached folder Att01.

VVB Response

MR has been appropriately revised and with supporting documents it can be confirmed that sustainability monitoring takes place regularly which is also host country's requirement.

Verra Response:

Section 1.11 of the verification report has been updated. This finding is closed, and no further action is required.

Finding 2

Section 4.1.14 of the *VCS Standard, v4.1* states that the validation/verification body shall use the *VCS Verification Report Template* and adhere to all instructional text within the template.

Section 4.1 of the *VCS Verification Report Template, v4.0* requires the VVB to describe the steps taken to assess whether the project has participated or been rejected under any other GHG programs since validation or previous verification, whether the project has received or sought any other form of environmental credit or has become eligible to do so since validation or previous verification, and whether the GHG emission reductions or removals generated by the project have become included in an emissions trading program or any other mechanism that includes GHG allowance trading.

Section 4.1 of the verification report does not describe the steps taken to assess the project's participation under another GHG program or emissions trading program, or any other forms of environmental credit, as listed above.

The VVB is requested to revise section 4.1 of the verification report so as to describe the steps taken to assess whether the project has participated or been rejected under any other GHG programs since validation or previous verification, whether the project has received or sought any other form of environmental credit or has become eligible to do so since validation or previous verification, and whether the GHG emission reductions or removals generated by the project have become included in an emissions trading program or any other mechanism that includes GHG allowance trading.

Project Proponent Response:

The project activity has been registered as the VCS project and is currently under its 2nd monitoring period under 2nd crediting period covering 01/10/2017 – 30/06/2021. To confirm on participation in any other GHG programs and other form of environmental credit during the previous issuance, the method of interview has been selected, as well as the submission of the executed issuance representative¹ were used. As specified in the executed issuance representation (Att05 Issuance Representation), following sections

- section 2.1 of the issuance representation, year 2010 (1st MP 1st CP) or
- section 2.2.4 of the issuance representation version 3.5 (3rd MP 1st CP & 1st MP 2nd CP) or
- section 2.2.4 of the issuance representation version 4.1 (current monitoring period),

Thus, it can be confirmed that the project has not participated, received nor sought any other GHG programs and other forms of environmental credit

VVB Response:

Section 3.1 Participation under Other GHG Programs of the verification report has describe the

¹ <https://registry.verra.org/app/projectDetail/VCS/487>

assessment of the project has not participate in other GHG programs that include emissions trading program or any other forms of environmental credit such as environmental credits including renewable energy certificates that includes GHG allowance trading.

The verification team has crosschecked at UNFCCC, Gold Standard and IREC. It could be confirmed the project is not listed in any of these registries and therefore there is no other environmental credit (for example renewable energy certificate) which has or will be produced by or obtained for the project.

In addition, the verification team has further confirmed that the project activity is not participating in Indonesia domestic scheme

Verra Response:

Section 3.1 of the verification report has been updated to confirm that the project is not participating in any other GHG program. This finding is closed, and no further action is required.

Finding 3

The Director General’s letter Directive S.798/MELHK-PHPL/KPHP/HPL.0/5/2021 of 11 May 2021 has direct implications to holders of Ecosystem Restoration Licenses and carbon sequestration and/or storage license, especially paragraph 3 (a-e) that states the following: “We hence request all holders of Ecosystem Restoration licenses and carbon sequestration and/or storage licenses holders to:

- a) Not to carry out new activities or agreements related to carbon trading, either through a mechanism with business actors or international organization
- b) Not to accept various offers of performance-based funding (credit) to reduce emissions
- c) Report transaction activities that are already running, ongoing, and planned; in writing, accompanied by contract documents with third parties and the number of carbon transactions and other relevant documents
- d) On-going transactions are required to be registered in the national registration system for climate change control, via [http: /srn.menlhk.go.id/](http://srn.menlhk.go.id/)
- e) Taking preparatory steps in an effort to adjust to the new regulations on carbon trading, including in consultation with the Minister of Environment and Forestry with the Carbon Working Team of the Ministry of Environment and Forestry, through the Directorate of Environmental Services and Non-timber Forest Products, the Directorate General of Sustainable Production Forest Management, until the official issuance of a presidential decree that regulates the economic value of carbon.”

Moreover, the recently signed Indonesian Presidential Decree includes “Implementation of Carbon Economic Value for The Achievement Of The Target National Determined Contributions and Greenhouse Gas Emissions Inventory in National Development:

- A. The Issue of Carbon Trading
 - Chapter 48 Clause 3a: Where Carbon trading that happens nationally or internationally must be registered under the SRN PPI (National Registry System)
 - Chapter 49 Clause 1: International Carbon Trading activity must not decrease the Indonesian NDC of 2030
 - Chapter 54 Clause 7: Carbon trading that occurs in a marketplace must be conducted in the Indonesian marketplace
- B. Performance-based funding mechanism
 - Chapter 55 Clause 4: Performance-based funding mechanism shall not transfer the ownership of ERR/VCUs
- C. National Registry System

- Chapter 69 Clause 1. PP must register all relevant data and information regarding the project to the SRN”.

The project proponent is required to demonstrate how the project is in compliance with the directive and decree described above. The VVB is requested to clarify how they assessed the project’s compliance.

Project Proponent Response:

According to Article 44 Section 4 of the Indonesian Law No. 30. 2009 concerning electricity², every powerplant is required to have a certificate of operation. Since the project activity is a hydropower plant project it only requires the certificate of operation and does not require to be registered under Ecosystem Restoration licenses and carbon sequestration and/or storage licenses. As stated in the Director General’s letter Directive S.798/MELHK-PHPL/KPHP/HPL.0/5/2021 of 11 May 2021 would have an effect with the project that holds Ecosystem Restoration license and carbon sequestration and/or storage licenses, since the SIPAN project has not hold any of the stated licenses, the launched of this directive has **no implications** to the project activity.

Regarding the compliance with the Presidential Decree Number 98 2021³, dated 29/10/2021, includes the Implementation of Carbon Economic Value for The Achievement of The Target National Determined Contributions and Greenhouse Gas Emissions Inventory in National Development (Att02 Decree with translation⁴), states that:

A. The Issue of Carbon Trading

- Chapter 48 Clause 3a: Where Carbon trading that happens nationally or internationally must be registered under the SRN PPI (National Registry System)

Justification: The project owner has completed two steps out of four steps⁵ in completion of the general data form under the National Registry System (Att03 Musi Account Number) on 23rd December 2021 and received an account number of 10-PR-I-2022-8320.

- Chapter 49 Clause 1: International Carbon Trading activity must not decrease the Indonesian NDC of 2030
- Chapter 54 Clause 7: Carbon trading that occurs in a marketplace must be conducted in the Indonesian marketplace

Justification regarding the Chapter 49 Clause 1 & Chapter 52 clause 7: Referring to project owner confirmation the project is in progress of ensuring that the Presidential Decree has been followed (Att04 Project owner confirmation email). To confirm the alignment of the project activity to the decree, Chapter 85 and Chapter 86 Clause 1 Presidential Decree also reveal that the business actors would have one-year grace period for this adjustment from the promulgation date, in this case meaning SIPAN project still comply with the decree by having a grace period until 28/10/2022. Further detailed can be seen below.

B. Performance-based funding mechanism

- Chapter 55 Clause 4: Performance-based funding mechanism shall not transfer the ownership of ERR/VCUs

Justification: Referring to Chapter 85 below, the project is in progress of being adjusted towards this Presidential Decree.

C. National Registry System

² Indonesian Law No 30. Year 2009 concerning Electricity, available from: https://gatrik.esdm.go.id/assets/uploads/download_index/files/9ef73-03.uu-30-2009-tentang-ketenagalistrikan.pdf [accessed 31 January 2022]

³ Presidential Decree No. 98 Year 2021, available from: <https://peraturan.bpk.go.id/Home/Details/187122/perpres-no-98-tahun-2021> [accessed 31 January 2022]

⁴ Unofficial translated version of the Presidential Decree No. 98, available from: <https://umbra.law/2021/12/13/pr-on-carbon-pricing/> [accessed 31 January 2022]

⁵ Procedure to register project under SRN; http://srn.menlhk.go.id/index.php?r=home%2Ftata_cara [accessed 31 January 2022]

- Chapter 69 Clause 1. PP must register all relevant data and information regarding the project to the SRN”.

Justification: same as justified for point A & B, the project is in progress of being registered under the SRN PPI.

As referred in the justification, following chapters of the presidential decree are noted:

- Chapter 85: “The implementation of the National and Regional Action Plans related to GHG emission reduction that are still in effect should be adjusted towards this Presidential Decree **no later than 1 (one) year since the promulgation** of this Presidential Decree”
- Chapter 86 clause 1: “Business Actors who have carried out Carbon Trade or Performance Based Payments before the Promulgation of this Presidential Decree, is mandatory to register and report their Climate Change Mitigation Action and Carbon Units to the SRN PPI **at the latest 1 (one) year after this Presidential Decree is promulgated.**”

With the aforementioned chapters (85 & 86 clause 1) mention a grace period of one year, for business actors to follow the decree (within 28/10/2022). Hence, it can be said that the Musi Project is still in compliance with the decree.

VVB Response:

The project proponent responses, justification and documents submitted, the verification team had verified following:

1. Refer Directive S.798/MELHK-PHPL/KPHP/HPL.0/5/2021 of 11 May 2021 on whether the project has an effect to the Ecosystem Restoration licenses and carbon sequestration and or storage licenses. The project activity does not had or hold the stated licenses. However, the project requires an annual certification of operation issued annually by the power generation authority after inspection.
2. Refer the carbon trading as per Chapter 48 Clause 3a, the project activity has submitted registration on 04/11/2021 as the 1st phase of the process. The registration details provided were verified as appropriate and according to the SRN PPI (National Registry System)
3. Refer Chapter 49 clause 1 and Chapter 54 Clause 57, the project owner had confirmed the project is align to decree, Chapter 85 and Chapter 86 Clause 1 Presidential Decree as describe above. The project has enter the 1st phase of the registration with the grace period of 1 year to complete the process until 28/10/2022 from the initial date of registration on 04/11/2021.

Section 1.9 and 1.10 of MR, the project proponent has describe the above.

In this aspect, the project activity is compliance to the decree mandatory period of grace period of 1 year to register and report their Climate Change Mitigation Action and Carbon Units to the SRN PPI as per the Presidential Decree.

The respective documents submitted by PP were reviewed and the registration website was visited to crosscheck on the registration.

Section 3.1 of the verification report is updated on the above.

Verra Response:

The responses by the project proponent and the VVB have provided sufficient clarity, in addition to the revision of the monitoring period dates. This finding is closed, and no further action is required.

Finding 4

Section 1.7 of the project description dated 30 October 2017 states that estimated annual emission reductions or removals are 953,128 tCO₂e for the second crediting period.

Section 5.4 of the monitoring report states that total emission reductions or removals achieved for the monitoring period is 3,241,023 tCO₂e.

The project proponent is requested to clarify how the achieved emission reductions or removals compare to the estimated emission reductions or removals for the monitoring period. The VVB is requested to assess the updates and to update the verification report, as needed.

Project Proponent Response:

The calculation of the estimated GHG emission reduction achieved for the monitoring period, has been added as well as the comparison and justification on the difference between estimated emission reduction and ex-post emission reduction has been included in section 5.4 of the updated MR.

VVB Response:

Section 5.4 of MR is updated according as per request to reflect the ex-ante values.

Section 4.5 of FVR updated to describe the comparison and justification for ex-ante and ex-post ERs achieved during the monitoring period

Verra Response:

Section 5.4 has not been updated in Version 4 of the monitoring report and Section 4.5 has not been updated in the most recent version of the verification report. The project proponent and the VVB are requested to ensure the updates made are included in the version of the report submitted to Verra.

Project Proponent Response:

Section 5.4 of MR has been updated according as per request to reflect the ex-ante values.

VVB Response:

Section 5.4 of MR version 04.2 has been updated and assessment is revised under section 4.5 of verification report version 2.0.

Verra Response:

Section 5.4 of the monitoring report and Section 4.5 of the verification report have been updated. This finding is closed, and no further action is required.

2. MINOR FINDINGS

Finding 1

The verification Report Template, v 4.0 requires the verification body to provide “Physical address, telephone, email, website”.

TÜV NORD CERT GmbH is requested provide a contact email and update the verification report accordingly.

VVB Response:

Email address added in cover page

Verra Response:

The email address has not been provided in the most recent version of the verification report submitted to Verra. The VVB must ensure the update has been made in the version of the report submitted to Verra for review.

VVB Response: Email address is now added in cover page

3. ASSESSMENT CONCLUSION

On 23 January 2022, Verra sent TÜV NORD CERT GmbH the project review report with four assessment findings and one minor finding.

On 7 July 2022, the project proponent and TÜV NORD CERT GmbH submitted documents for a revised monitoring period.

On 20 September 2022, Verra sent TÜV NORD CERT GmbH the second round of the project review report with two assessment findings and one minor finding still open.

On 28 November 2022, Verra closed all findings and approved the VCS verification approval review.