# PROJECT REVIEW REPORT

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| Project ID | 1506 |
| Project Name | Cirakdami Hydro Electricity Power Plant |
| Program(s) | VCS Program |
| Verification Period | 28 June 2012 – 30 September 2020 |
| Project Proponent | Aydem Yenilenebilir Enerji A.S. |
| Methodology | ACM0002 "Consolidated baseline methodology for grid-connected electricity generation from renewable sources," v14.0 |
| Sectoral Scope(s) | 1. Energy industries (renewable/non-renewable) |
| Validation/Verification Body (VVB) | KBS Certification Services Pvt. Ltd. |

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| Assessment Criteria | *VCS Standard, v4.0* |
| Date of First Issue | 6 January 2020 |
| Date of Final Issue | 24 March 2021 |

**Summary:**

An accuracy review of the Cirakdami Hydro Electricity Power Plant 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 eight assessment findings and no 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 eight 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 3.18 of the *VCS Standard, v4.0* states that "projects may deviate from the validated project description… Such deviations shall be described and assessed by a validation/verification body during the next project verification."

Section 3.18.3 of the *VCS Standard, v4.0* states that the "deviation shall be assessed by a validation/verification body and the process, findings and conclusions shall be reported in the verification report."

Section 3.2.2 of the *VCS Monitoring Report Template, v4.0* instructs the project proponent to describe any project deviations applied during this monitoring period and explain the reasons for the deviation. Similarly, Section 3.3 of the *VCS Verification Report Template, v4.0* instructs the VVB to identify and assess any project description deviations.

While the project proponent has described the changes to the project proponent in Section 1.3 of the monitoring report, the project proponent is requested to update Section 3.2.2 of the monitoring report, and the VVB is requested to assess the new information in Section 3.3 of the verification report accordingly.

Furthermore, the project proponent is required to provide proof of the change in the project proponent, in the form of an *Accession Representation, v4.1*.

**VVB Response:**

Verification team would like to confirm that the change in PP is now described under the section 3.2.2 of the monitoring report and the reason for the same has been elaborated in the section 3.3 of the verification report. The proof of this change is as follows: .

https://app.box.com/s/4hvodsaczakc3kxtg0t6ru2kwhodrdeb

**Verra Response:**

The project proponent has provided proof of the name change of the project proponent, evidence that the legal entity has not changed, and a new registration representation. This finding is closed, and no further action is required.

**Finding 2**

With the development and release of the *VCS Standard, v4.0*, Verra articulated its position that certain project types in certain contexts have moved beyond their need to be supported by carbon financing. The rationale and logic behind this position was described in consultations held in May 2018 and in June 2019.

In this particular case, Verra acknowledges the current registered status of this project and the additionality demonstration in the project description. However, given how the project has not issued VCUs in the project lifetime, Verra remains concerned about the additionality of the project.

The project proponent is requested to provide additional justification and elaboration on the project's need for carbon finance and how the project has operated since the 28 June 2012 start date without carbon finance. The VVB is requested to assess the updates and update the verification report, as needed.

**VVB Response:**

Please note that the additionality of the project was defended based on the CDM rules and tools. However, one may think that the project didn't pursue the monitoring phase and didn't get a verification report and didn't try to issue the verified tonnes so the efforts and attempts related to carbon finance was decorative but not really needed. Yet this is really not the case. And we would like to set our case in two parts:

1- *The explanation on why the project owner did not act until 2019 when they have contracted Ekobil Ltd. for the verification process:* The VVB contract is already submitted to the registry and one can see the cost of Validation and verification in there. In addition to this the project proponent has also paid Ekobil a consultancy fee so that Ekobil could manage their project, and this was a significant cost for the project owner. On top of those the verification and issuance of the project needed further payments which were not efficient to be paid unless a potential buyer could be found or significant transactions indicating demand for VCUs show up. Selling VCUs to a buyer willing to pay higher than the cost of a VCU that would provide a good price and that would as well cover the amount of money that was spent and would be spent for the development, monitoring and issuance of the VCUs. Yet, during the time period from 2012 when the project was completed, until 2019 the prices of the VCUs were merely around 0.20 USD. Which was not enough to cover the cost of developing VCUs. So the project owner had to wait.

2- *The Financial difficulties the project has faced and keep facing and the proof of the need for carbon money:* Seeing the hopes brought to the climate negotiations by the Paris agreement since year 2015 the project company was positive about finding a buyer that would pay enough to cover the expenses made to pursue and obtain the carbon certificates. However, in 2016 host country being hit by the Coup D'etat attempt made things even worse. As can be seen from the attached public news all the renewable energy sector had hardship paying the project loans and called the financers to the table to restructure the debt around 2017. This is not only due to increased TL/USD exchange rate but also due to the drought the country is facing since the last decade. The production numbers have fallen under the value expected and sited in the validated PDD. The decline in production numbers were in average 33% over the period of 2012 to 2020 excluding the period when the project had a severe malfunction impacting its 2nd and 3rd year of its operational life. When the project got normal comparing the realized production numbers the drop in production ranges between 25 % and 40 %. and the project IRR and the Equity IRR have dropped to -0.28 % and to 0.74% respectively. Taking into consideration that these numbers are way below the conservatively determined benchmark of 12.75%, the need for the carbon money is obvious and these numbers are re affirming the additionality and the need for the carbon money.

The following articles depict the hardship Turkish Renewable energy Industry is facing :

https://www.bloomberg.com/news/articles/2017-03-09/turkish-energy-producers-said-to-consider-refinancing-loans

https://www.bloombergquint.com/technology/turkish-energy-producers-said-to-consider-refinancing-loans

Although not named in these articles the project owner has also gone a loan restructuring, and this obviously added an increased financial burden (an effect that we have not calculated at the financial evaluation) over the project finances that the title holder company has also declared a negative balance in around 2018, see the attached balance sheet:

https://app.box.com/s/ifwuizktljdymevetn85cmtqirykhrkg

Please also use the following link to access to the validated Financial Analysis:

https://app.box.com/s/nttvuacxt2qxhhzwlsl7so6wmdcnvz1x and an other version of it :

https://app.box.com/s/6cqsydqrne52ckdop5lp53qbn3o0zfg9

that we have used to show the decrease in IRR. As such the project is in hardship and desperately needs any extra value it can raise via Carbon finance.

**Verra Response:**

An explanation on additionality has been provided. This finding is now closed, and no further action is required.

**Finding 3**

Section 3.4.3 of the *VCS Standard, v4.0* states that "the project proponent shall use the *VCS Monitoring Report Template*… and adhere to all instructional text within the template."

Section 3.1 of the *VCS Monitoring Report Template* instructs the project proponent to include any information on events that may impact the GHG emission reductions or removals or monitoring.

Section 3.1 of the monitoring report discusses vibration and valve problems. However, it does not include information on how those events impacted GHG emission reductions or removals.

Section 5.4 of the monitoring report shows negative emissions for 2015.

The project proponent is requested to update Section 3.1 of the monitoring report to include information on events that may impact the GHG emission reductions or removals or monitoring. The VVB is requested to assess the updates and update the verification report, as needed.

**VVB Response:**

Verification team confirms that PP has now incorporated in the information in section 3.1 of the revised MR and the assessment of the information is addressed in the section 4.1 of the verification report.

**Verra Response:**

Section 3,1 of the monitoring report and Section 4.1 of the verification report have been updated to include information on equipment maintenance that impacted GHG emission reductions. This finding is now closed, and no further response is required.

**Finding 4**

The monitoring report mentions appendixes throughout the document, including in Sections 2.1, 4.2, and 4.3. The mentioned appendixes appear to include information on such topics as parameter values and no net harm.

There are no appendices attached to the monitoring report.

The project proponent is requested to attach all appendices mentioned in the monitoring report to the monitoring report. The VVB is requested to assess the updates and update the verification report, as needed.

**VVB Response:**

The verification team confirms that the appendices are now attached in the MR. (Please see

Appendix1,2,3)

**Verra Response:**

Appendices are now attached to the monitoring report. This finding is now closed, and no further action is required.

## Finding 5

Section 4.1.14 of the VCS Standard, v4.0 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* instructs the VVB to assess whether the project has received or sought any other form of environmental credit.

Section 4.1 of the verification report does not include an assessment on whether the project has received or sought any other form of environmental credit.

The VVB is requested to update Section 4.1 of the verification report to include an assessment on whether the project as received or sought any other form of environmental credit.

**VVB Response:**

Verification team would like to confirm that the information on whether the project has received or sought any other form of environmental credit is available under the headline "Ownerships and other programs" (page 17 of section 4.1). For further clarification environmental/carbon credit has been mentioned instead of carbon credits.

**Verra Response:**

Section 4.1 of the verification report confirms that the project will not claim any other form of environmental credit. This finding is now closed, and no further action is required.

## Finding 6

Section 4.1.14 of the VCS Standard, v4.0 states that the validation/verification body shall use the *VCS Verification Report Template*… and adhere to all instructional text within the template.

Section 4.4 of the *VCS Verification Report Template* instructs the VVB to describe the steps taken to assess whether manual transposition errors between data sets have occurred.

Section 4.4 of the verification report does not include an assessment on whether manual transposition errors between data sets have occurred.

The VVB is requested to update Section 4.4 of the verification report to include an assessment on whether manual transposition errors between data sets have occurred.

**VVB Response:**

Section 4.4 of the verification report has been revised and confirmation that there were no manual transposition errors between data sets has been added. Please see the revised verification report.

**Verra Response:**

Section 4.4 of the verification report has been updated to confirm that there were no manual transposition errors between the data sets. This finding is now closed, and no further action is required.

## Finding 7

Section 4.1.14 of the VCS Standard, v4.0 states that the validation/verification body shall use the *VCS Verification Report Template*… and adhere to all instructional text within the template.

Section 4.5 of the *VCS Verification Report Template* instructs the VVB to include details of how the information flow from data generation and aggregation, to recording, calculation and final transposition into the monitoring report was assessed.

Section 4.5 of the verification report does not include of how the information flow from data generation and aggregation, to recording, calculation and final transposition into the monitoring report was assessed.

The VVB is requested to update Section 4.5 of the verification report to include the details of how the information flow from data generation and aggregation, to recording, calculation and final transposition into the monitoring report was assessed.

**VVB Response:**

Please see section 4.5 of the revised verification report, the details have been provided.

**Verra Response:**

Section 4.5 of the verification report has been updated to address the information flow of the data. This finding is now closed, and no further action is required.

## Finding 8

Section 3.4.3 of the *VCS Standard, v4.0* states that "the project proponent shall use the *VCS Monitoring Report Template*… and adhere to all instructional text within the template."

Section 4.1 of the *VCS Monitoring Report Template* instructs the project proponent to include the value applied to the data and parameters available at validation.

Section 4.1 of the monitoring report does not include the values of the data and parameters available at validation.

The project proponent is requested to update Section 4.1 of the monitoring report to include the values of the data and parameters available at validation. The VVB is requested to assess the updates and update the verification report, as needed.

**VVB Response:**

Verification team would like to confirm that the values of data available at validation were earlier sourced from tables in the Appendix of the registered PDD. However, for more clarity, the tables have now been added to the Appendix 1,2,3 of the MR.

**Verra Response:**

The monitoring report has been updated to include the values of the data and parameters. This finding is now closed, and no further action is required.

## 2. MINOR FINDINGS

No minor findings were raised.

## 3. ASSESSMENT CONCLUSION

On 6 January 2020, Verra sent KBS Certification Services Pvt. Ltd. The project review report with eight assessment findings and no minor findings.

On 24 March 2021, Verra closed the review and no further action was required.