

# PROJECT REVIEW REPORT

<b>Project ID</b>	1758
<b>Project Name</b>	Dereli Hydroelectric Power Plant
<b>Program(s)</b>	VCS
<b>Verification Period</b>	10 January 2014 – 30 September 2020
<b>Project Proponent</b>	Aydem Yenilenebilir Enerji A.S.
<b>Methodology</b>	ACM0002, Grid-connected electricity generation from renewable sources, Version 16.0
<b>Sectoral Scope(s)</b>	Sectoral Scope 1: Energy industries (renewable/non-renewable sources)
<b>Validation/Verification Body (VVB)</b>	KBS Certification Services Pvt. Ltd.
<b>Assessment Criteria</b>	VCS Standard, v4.0, ACM0002, v16.0
<b>Date of First Issue</b>	4 January 2021
<b>Date of Final Issue</b>	9 March 2021

## Summary:

An accuracy review of the Dereli Hydroelectric Power Plant verification approval request has been conducted by Verra in accordance with Section 4.3 of the *Registration and Issuance Process, v4.0*.

The accuracy review has raised three assessment finding and one minor finding, 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 three assessment findings must be addressed to the satisfaction of Verra. The VVB need not address the minor findings during this review. Please note, however, that where Verra finds consistent minor findings by the VVB in future reviews, minor findings shall be escalated to assessment findings.

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

## 1. ASSESSMENT FINDINGS

### Finding 1

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 that the project has not issued carbon credits since the project's registration in 2014, Verra remains concerned about the additionality of such a project. As such, Verra requests the project proponent provide additional justification and elaboration on the circumstances which lead to the project's clear need for carbon finance to ensure the financial viability of the project, and why this mechanism has not been taken advantage of in the past 6 years.

### 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 financiers 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 24% over the period of 2014 to 2020 The realized production numbers have shown a drop in production that ranges between 14 % and 37 %. and the project IRR and the Equity IRR have dropped to 7.22% and to 8.76 % 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.bloomberquint.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/ifwuzktljdyvevetn85cmtqirykhrkg>

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

<https://app.box.com/s/st27qnbzws28we0ye064hwI3pvc6hz1b>

and an other version of it :

<https://app.box.com/s/uaxhsfl2zk5gdjeo6tauf5r3632739ci>

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:**

The project proponent has provided sufficient justification and evidence for the need of carbon finance and reasons behind the projects delayed start date, This finding is closed and no further action is required.

**Finding 2**

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 deviation.”

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* and *Partial Release 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/whiab93fzcwq9wa9xf2kovt5yozd77yp>

Please also note that As evidenced and explained above the original PP (described in the PDD) is

unable to sign the Accession Representation , v4.1 and Partial Release Representation, v4.1 because the original PP has changed and no longer exists.. As such the PP has provided a renewed Registration Representation.

**Verra Response:**

The project proponent has updated Section 3.2.2 of the monitoring report and the VVB has updated Section 3.3 of the verification report appropriately. The project proponent also submitted evidence of the change in project proponent from Karhes Elektrik Uretim A.S. to Bereket Enerji Uretim Sa. Ve Tic. A.S. to Aydem Yenilenebilir Enerji A.S. An updated registration representation has also been provided. This finding is now closed and no further action is required.

### Finding 3

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, v4.0* instructs the validation/verification body to include the information on whether the project has received or sought any other form of environmental credit and the project’s sustainable development contributions.

Section 4.1 of the verification report does not include any information about environmental credits, does not assess the project’s sustainable development contributions listed in Section 1.11 of the monitoring report.

The VVB is requested to assess the information and update the verification report accordingly.

**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 16 of section 4.1). For further clarification environmental/carbon credit has been mentioned instead of carbon credits.

Please see the revised section 4.1 of the verification report, information of sustainable development contributions has been added.

**Verra Response:**

Section 4.1 of the verification report has been updated to include information on whether the project has received or sought any other form of environmental credits, as well as an assessment of the project’s sustainable contributions. This finding is now closed and no further action is required.

## 2. MINOR FINDINGS

### Finding 1

The table provided in Section 5.4 of the monitoring report is formatted in a way that is difficult to read. The project proponent is requested to reformat the table appropriately.

**Verra Response:**

The table in Section 5.4 of the monitoring report has been updated. This finding is now closed and no

further action is required.

### 3. ASSESSMENT CONCLUSION

On 29 December 2020, Verra conducted an accuracy review of the verification approval request for project ID 1758, Dereli Hydroelectric Power Plant, the results of which can be found above. The project review report was sent to KBS Certification Services Pvt. Ltd. with one assessment findings and one minor finding.

On 9 March 2021, Verra closed all assessment findings and no further action was required.