PROJECT REVIEW REPORT

Project ID	836
Project Name	Song Ong Hydropower Project
Program(s)	VCS
Verification Period	01 March 2012 – 28 February 2018
Project Proponent	Song Ong Hydropower Joint Stock Company
Methodology	AMS-I.D, v16
Sectoral Scope(s)	1. Energy industries (renewable/non-renewable)
Validation/Verification Body (VVB)	LGAI Technological Center, S.A. (Applus+ Certification)

Assessment Criteria	*VCS Standard, v4.0*
Date of First Issue	30 December 2020
Date of Final Issue	8 April 2021

Summary:

An accuracy review of the Song Ong Hydropower 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 six 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 six 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, v4.0* states that "the project proponent shall use the *VCS Monitoring Report Template*… and adhere to all instructional text within the template."

Section 1.9 of the *VCS Monitoring Report Template* instructs the project proponent to provide details on any GHG credits claimed under any other GHG program.

The CDM record for CDM Project 4117, Song Ong Hydropower Project shows that CERs were issued for the project.

Section 1.9 of the monitoring report does not include details on any GHG credits claimed under CDM or any other GHG program.

The project proponent is requested to updated Section 1.9 of the monitoring report to provide details on any GHG credits claimed under any other GHG program. The VVB is requested to assess the updates and update the verification report, as needed.

VVB Response: PP has clarified and provided statement in sec. 1.9 of the monitoring report that PP had claimed carbon credits for the duration of 01-March-2011 to 29-Feb- 2012 and in VCS intends to claim carbon credits from 01-March-2012 only which is confirmed as appropriate by VVB and no changes needed in FVR as duration in which carbon credits claimed under CDM already mentioned in sec. 3.1 of FVR.

Verra Response:

Section 1.9 of the monitoring report has been updated to include the details of GHG credits claimed under CDM. The information demonstrates that the project has not issued CERs or VCUs since the 01 March 2011 – 29 February 2012 monitoring period under CDM.

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 or CERs since 2012, 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 29 February 2012 end date of the previous monitoring period without carbon finance. The VVB is requested to assess the updates and update the verification report, as needed.

PP Response:

- As VERRA also recognizes the current registered status of this project and additionality demonstration. However, VERRA has apprehension regarding need of carbon finance for this project because project has not issued CERs or VCUs since the 01 March 2011 – 29 February 2012 monitoring period under CDM. PP provided the reason and rationale for seeking carbon finance along with supporting documents which assesses by VVB and summarized below:

1. Vietnam is recently transformed from world's poorest nations into a lower middle-income country[1]. The operational cost of running a power plant is itself a challenge. These are identified and mentioned by ADB and World Bank reports on Vietnam renewable power sectors:

   Asian Development Bank report on "GREEN FINANCE IN VIET NAM: BARRIERS AND SOLUTIONS"[2]

   - A large number of hindrances still exist, such as the low regulated price of electricity, which makes it difficult for RE projects to be profitable considering the uncertainty of the creditworthiness of Viet Nam Electricity (EVN)
   - The artificially low electricity price in the domestic market is one of the most unattractive criteria for the participation of the private sector in the RE industry in VietNam.

   World Bank report on "Financing Vietnam's Response to Climate Change: Building a Sustainable Future"[3]

   - According to the World Bank (2016), to ensure financial sustainability for EVN as well as creating an attractive energy price to attract investment, the energy price should increase by around 10% per year.

2. Decision of the Board of Directors reports dated 06-January-2014 stated that the annual 199.08 billion VND, which is 27% more than the estimate cost that i.e. 156.1 billion VND. The sensitivity analysis table 7 of the CDM registered PDD *Title: Song Ong Hydropower Project Version 2.5 Date: 02-November-2010* is observed.

Parameter	Estimated	Actual
Annual amount of electricity exported to the national grid	39,994 MWh	-1.11% less as mentioned in VCS MR section 5.4. Therefore no effect on additionality.
O&M costs	2.19 billion VND	Actual cost is around the estimated O&M as per the actual yearly O&M agreement. Therefore no effect on additionality.
Investment costs	156.10 billion VND	**Actual is 199.08 which is 27.54% higher than the estimate. This lower down the actual IRR of project. As per the registered PDD, a 10% increase in the investment cost from the estimate would result in lower of IRR to 9.70%. Therefore actual IRR is less than the estimated.**
Electricity price set by EVN	573.5 VND/kWh	This is fixed. Therefore no effect on additionality.

3. PP having tremendous loans from national bank (loans also for O&M), resulting in huge debt. Updated Bank Loan (VietinBank) document dated 31-December-2020 states that the accumulated debt and interest amount.
4. Financial Report of the company ending on 31-December-2019 stating total debt of the PP (Page 5).

[1] https://www.vn.undp.org/content/vietnam/en/home/countryinfo.html#:~:text=Viet%20Nam%20has%20won%20global,income%20status%20attained%20in%202010.

[2] https://www.adb.org/sites/default/files/publication/466171/adbi-wp886.pdf

[3] https://openknowledge.worldbank.org/handle/10986/22055

PP constantly trying for the Carbon finance. PP having ERPA (dated 10-April-2015) and verification contract with a consultancy firm but non-performance of firm in term of successful verification and issuance results in further delay of carbon finance realization. Consultants engaged for this project failed to deliver due to some reasons which leads to delay in verification process and subsequently issuance does not happened.

Verra Response:

The information presented is sufficient to close the finding. No further action is required.

Finding 2

Section 1.9 of the monitoring report states that a "declaration has been provided stating that PP will not claim carbon credits under both mechanisms for same crediting period."

Section 1.6 of the monitoring report and Section 4.1 of the verification report state that the project crediting period is 24 March 2009 – 23 March 2019.

The CDM record for CDM Project 4117, Song Ong Hydropower Project shows that CERs were issued for the project for the monitoring period of 01 March 2011 – 29 February 2012.

The project proponent is requested to clarify in Section 1.9 of the monitoring report if carbon credits have been issued under any other GHG program under the current VCS crediting period and under the current VCS monitoring period. The VVB is requested to assess the updates and update the verification report, as needed.

VVB Response: PP has reframed the statement as "*declaration has been ...... same ~~crediting~~ monitoring period*." In **Section 1.9 of MR. VVB confirmed the correction as appropriate**

Verra Response:

Section 1.9 of the monitoring report has been updated to clarify that the project proponent will not claim carbon credits under both programs for the same monitoring period. This finding is 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 does not include any information on events that may impact the GHG emission reductions or removals or monitoring.

The appendix "Major Breakdown Details" of the monitoring report includes information on tripping data and forced shutdowns.

The project proponent is requested to clarify if major breakdowns may have impacted the GHG emission reductions or removals or monitoring and 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: PP confirmed and also provided additional statement in sec. 3.1 of MR, that no major breakdowns occurred in monitoring period which could impact the GHG emission reductions or removals or monitoring procedure. Details of breakdown and routine maintenance provided by PP in Appendix 1 of MR. VVB checked and also confirmed during remote audit that these breakdowns did not have any impact on project design parameters and monitoring practices.

Verra Response:

Section 3.1 of the monitoring report has been updated to state that there have been several breakdowns which have had slight impacts on the GHG emission reductions. The project proponent is requested to update Section 3.1 of the monitoring report to further clarify how the breakdowns have impacted the GHG emission reductions. The VVB is requested to assess the updates and update the verification report, as needed.

VVB response:

PP confirmed in sec. 3.1 of MR that scheduled maintenance and breakdown did not have any impact on project design and monitoring procedures and GHG emission reduction achieved in current monitoring period is less than the estimated ex ante value which is justified and conservative

Verra Response:

This finding is closed, and no further action is required.

Finding 4

Section 2.3 of the verification report states that a remote audit was conducted for the project activity rather than a site visit due to the impacts of the COVID-19 pandemic.

The Summary and Sections 4.1, 4.2.1 and 4.5 of the verification report state the findings and confirmations found during the verification site visit.

The VVB is requested to clarify if a site visit occurred as part of the verification of the project, and to update the verification report accordingly.

VVB Response:

VVB confirmed that no physical site visit conducted due to COVID -19 pandemic, discussion with PP and other stakeholders conducted remotely through skype. Typo error corrected in sec. 4.1, 4.2.1, 4.5 and other relevant sections in FVR

Verra Response:

The verification report has been updated to clarify that a remote audit was conducted in place of a site visit due to the COVID-19 pandemic. This finding is 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 4.4 of the *VCS Verification Report Template* instructs the VVB to provide an overall conclusion regarding whether GHG emission reductions and removals have been quantified correctly. Section 4.4 of the verification report does not include an overall conclusion regarding whether GHG emission reductions and removals have been quantified correctly. The VVB is requested to update Section 4.4 of the verification report to include overall conclusion regarding whether GHG emission reductions and removals have been quantified correctly.
VVB Response: Concluding remarks have been added in sec. 4.4 of FVR
Verra Response: Section 4.4 of the verification report has been updated to include an overall conclusion confirming that GHG emission reductions and removals have been quantified correctly. This finding is 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 4.5 of the *VCS Verification Report Template* instructs the VVB to provide an overall conclusion with respect to the sufficiency of quantity, and appropriateness of quality, of the evidence used to determine the GHG reductions and removals. Section 4.5 of the verification report does not include an overall conclusion with respect to the sufficiency of quantity, and appropriateness of quality, of the evidence used to determine the GHG reductions and removals. The VVB is requested to update Section 4.5 of the verification report to include overall conclusion with respect to the sufficiency of quantity, and appropriateness of quality, of the evidence used to determine the GHG reductions and removals.
VVB Response: Concluding remarks in line with sec. 4.1.1.4 of VCS standard, ver. 4.0 have been added in sec. 4.5 of FVR.
Verra Response: Section 4.5 of the verification report has been updated to include an overall conclusion the sufficiency of quantity, and appropriateness of quality, of the evidence used to determine the GHG reductions and removals. This finding is closed, and no further action is required.

2. MINOR FINDINGS

No minor findings were raised.

3. ASSESSMENT CONCLUSION

On 30 December 2020, Verra sent LGAI Technological Center, S.A. (Applus+ Certification) the project review report with six assessment findings and no minor findings.

On 14 January 2021, LGAI Technological Center, S.A. (Applus+ Certification) returned the project review report with responses to the findings. The edits and updates were sufficient to close Assessment Findings 2, 4, 5 and 6. However, further responses are required to close Assessment Findings 1 and 3.

On 12 March 2021, LGAI Technological Center, S.A. (Applus+ Certification) returned the project review report with responses to Findings 1 and 3. The responses were sufficient to close all findings.

On 8 April 2021, Verra closed the review and approved the project's verification approval request.