

## GUIDELINES ON THE ASSESSMENT OF INVESTMENT ANALYSIS

Version 1.1

“Developed from the UNFCCC CDM conception”.



April 2020

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Version I.I

### I- General aspects related to calculations and presentation

- (a) It is recommended that the investment analysis evaluation period is not restricted to the proposed accreditation period for the ZERO2NATURE project activity. The calculations related to the internal rate of return (IRR) and IRR on assets should preferably reflect the lifetime of the activity or, if a shorter interval is chosen, a conservative assessment of the assets belonging to the activity must be included at the end of the investigated period. In general, a minimum interval of 10 years and a maximum of 20 years is considered appropriate. The IRR calculations may include significant maintenance and/or recovery costs, if they are expected to occur during the assessed period. The project participants must justify and the certifiers validate the adequacy of the time interval evaluated, contextualizing the production cycle itself and not the accreditation period of the ZERO2NATURE project activity.
- (b) The objective of conducting the investment analysis is to determine the economic viability of the project activity without accounting for ZERO2NATURE incentives. The project activity is not restricted to the requested accreditation period.
- (c) The real value of the assets belonging to the project activity at the end of the evaluated period may be included as cash flow at the end of the last year. The real value can be calculated according to the local regulatory framework (if any) or international best practice. Actual value calculations should include the book value of the asset and a reasonable expectation of potential profit or loss on realization of the asset.
- (d) Net Present Value (NPV) and IRR are formulas developed to calculate the return on investment cost. In cases where capital investments have not been entirely devalued, this should be reflected as a cash contribution.

History of the document Version	Date	Nature of revision(s)
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I.0	September 24, 2013	Initial adoption.
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