

Pitfall 2: Project participants not identified clearly

Sometimes there is confusion on the definition of a project participant, and it is not clear whether the project participants are, or will be, authorised by the respective Party involved.

In the CDM Guidelines, a project participant is defined as follows:

“In accordance with the use of the term project participant in the CDM modalities and procedures, a project participant is:

- *a Party involved, or*
- *a private and/or public entity authorized by a Party involved to participate in a CDM project activity.”*

In accordance with Appendix D of the CDM modalities and procedures, the decision on the distribution of CERs from a CDM project activity shall exclusively be taken by project participants. Typically, consultants, DNAs and local municipalities do not have a share in the distribution of CERs.

Good practice:

The question of who is a project participant needs thorough consideration. There have been examples where the project operator has not been included as a project participant or even informed about the project being proposed as a CDM project. As an example, for a landfill gas project in Mexico, the project operator was not informed regarding the project being proposed as a CDM activity. Though the operator was not officially a project participant, the objection raised by the operator had an impact on the validation process and implementation of the project activity as the operator then threatened to stop the operation and, hence, generation of CERs, unless they are included as a project participant. As a learning point, it is not mandatory to include the operator as a project participant, however, it is wise to ensure that private agreements are in place to guarantee the generation of CERs.

Often it is not clearly described whether all organisations mentioned in section A.3 of the PDD are project participants. Only actual project participants should be listed in section A.3 and Annex I of the PDD.

All private or public entity project participants will need to be authorized by a Party, i.e. a country that is signatory to the Kyoto Protocol. Authorization does not necessarily need to be provided by the country where the private or public entity is located but can also be provided by the DNA of another country participating in the project. Good practice is to explicitly mention the project participant in the Letter of Approval, or to address the LoA to the project participant.

The registration of a project activity can take place without an Annex I Party being involved at the stage of registration. However, before an Annex I Party acquires CERs for such a project activity from an account within the CDM registry, the DNA shall submit a letter of

approval to the EB in order to ensure that the CDM Registry administrator forward CERs from the CDM registry to the Annex I national registry.

It should be taken into account that the name of the project participants and the name of the project itself in all the documents submitted for registration shall be exactly the same. This is the case of the names in the PDD, modalities of communication statement, Letters of Approvals. The experience shows, that more attention to this point should be paid when those documents are translated to English from their original language.

As per EB 30 report, the EB decided that where a project participant listed in the PDD published at validation is not included in the PDD submitted for registration, the DOE shall provide a letter from the withdrawn project participant confirming its voluntary withdrawal from the proposed project activity, and address this issue in its validation report.

CDM PDD Guidebook: Navigating the Pitfalls. 2nd ed. UNEP Risøe Centre, Roskilde, Denmark. 2008 p22, 23