



Call for Public Inputs on Determination and Verification Manual

Joint Implementation Action Group

1. INTRODUCTION

The Joint Implementation Supervisory Board (“JISC”) has launched a call for public inputs on the exact nature and purpose of a Determination and Verification Manual (“DVM”). The Joint Implementation Action Group (“JIAG”) appreciates the opportunity to share its views on the initiative to develop a DVM for Joint Implementation (“JI”) projects. The JIAG is a consortium of Joint Implementation practitioners which are currently developing JI projects representing more than 100 millions of tonnes of greenhouse gas emission reductions. The views expressed in this paper are based on the unique JI experience of the JIAG members.

2. BACKGROUND

Joint Implementation is a project-based mechanism for emission trading set out in the Kyoto Protocol. In that sense it is similar to the Clean Development Mechanism (“CDM”). The CDM Executive Board has adopted a detailed Validation and Verification Manual (“VVM”) launched in November 2008. The CDM VMM contains a set of binding provisions and requirement for Designated Operational Entities guiding the processes of validation of CDM projects and the verification of emission reductions. However, when looking at the key differences between JI and CDM it becomes clear that binding and detailed provisions for verification are not necessarily suitable for JI.

a) Capped environment

Joint Implementation is different from the Clean Development Mechanism. Other than Certified Emission Reductions (“CERs”) which are created by the CDM Executive Board, Emission Reduction Units (“ERUs”) are converted Assigned Amount Units (“AAUs”).

CERs can be used to off-set emissions in Annex I countries and thus stretch their emission caps. With the conversion into ERUs the original AAUs are cancelled from the account of the project’s host country thus preserving the total carbon credit balance in the GHG capped system. This means that all emissions reductions transacted under JI are underwritten by a legally-binding sovereign obligation attached to the assigned amount of each Kyoto party. That is not the case for the CDM.

b) The case for flexibility and testing

Because of the stronger country responsibility and inherent environmental integrity, JI is more case law oriented than the CDM¹. Project Design Documents for CDM projects should be based on a methodology

¹ The CDM Validation and Verification Manual confirms in paragraph 29 that the “CDM is a rules-based mechanism”. JI on the other hand does not have separate procedures for the approval of methodologies, but rather

(Continued ...)

approved by the CDM Executive Board. The JISC on the other hand does not approve JI methodologies. This implies that there are no limitation with respect to the JI project types and every new JI project has the potential to bring forward new ways to calculate and monitor emission reductions. Under these conditions it will be difficult to develop a DVM, even when using the CDM VVM as a basis.

In addition, JI is a relatively young mechanism. The CDM VVM was launched when the CDM was in operation for four years after its first project was registered in November 2004 and the list of registered projects currently exceeds 1500. The first final determination of a JI project was in March 2007 and the number of projects passed final determination under Track 2 JI is limited to six. On the long run also the case law system of JI may develop into a set of standardised practices that can be summarised and defined in a DVM but that time has still to come. Currently the flexibility and ability to test new approaches and methodologies is beneficial to the overall functioning of JI.

The Kyoto flexible mechanisms have the ability to use market forces to identify and develop low-cost emissions reduction options. This is particularly true for JI. Since JI projects are not bound to a set of previously approved methodologies, it can pioneer new areas of emission reductions in a fast and effective way. A binding DVM may diminish JI's ability to be on the forefront of developing new emission reduction options.

A flexible and non-binding DVM has the advantage that it is more likely to be widely adopted under Track 1 as well as Track 2. A very prescriptive DVM will likely turn host countries off from adopting it, as it will not allow them to adapt the manual to national circumstances and their Track 1 procedures. A DVM that is only applicable to Track 2 projects is of less use than a Manual that is broadly supported under Track 1 as well.

The JIAG also sees an important role for the recently launched JISC clarification procedure. The procedure opens the door for applicant or accredited IEs to direct requests for clarification to the JISC on "issues of general relevance for the Track 2 procedure". All requests and the corresponding answers shall be published on the UNFCCC web-site. This procedure ² supports the development of case law. The clarification procedure can function as a resolution mechanism if also project participants are entitled to direct requests for clarification to the JISC.

3. RECOMMENDATIONS

The JIAG welcomes the initiative to harmonise determination and verification procedures among Independent Entities ("IEs") to facilitate the development of an industry standard. However, the JIAG has strong doubts whether such guidance should be a binding set of provisions and requirements under the JISC. The JIAG therefore urges the IEs and project developers to jointly develop such a guidance document based on previous experiences and keep compliance with its provisions on a voluntary basis. To that respect the JIAG is willing to support the IEs with the development of such a document.

At the same time we suggest the JISC to allow Project Participants to submit requests to the recently adopted clarification procedure.

(Continued ...)

approve projects including applied methodologies on a case-by-case basis. By approving projects only, the JISC adopted a "bottom-up" approach based on case law principles.

² 13th JISC meeting, Annex 11: Procedures for requests for clarification under the verification procedure under the Joint Implementation Supervisory Committee.

4. CONTACT DETAILS

This JIAG publication has been developed with the support of representatives from the following companies:

- Global Carbon (chair), Lennard de Klerk (deklerk@global-carbon.com)
- Climate Focus (secretariat), Charlotte Streck (c.streck@climatefocus.com), Jelmer Hoogzaad (j.hoogzaad@climatefocus.com)
- Core Carbon Group, Morten Prehn Sorensen (mprehn@corecarbongroup.com)
- MGM International, Jesse Uzzell (juzzell@mgminter.com)
- Camco International, Charles Purshouse (Charles.Purshouse@camcoglobal.com)
- Vertis Environmental Finance, James Atkins (james.atkins@vertisfinance.com)
- Carbon Trade & Finance, Ingo Ramming (ingo.ramming@carbontradefinance.com)
- Ecosecurities, Natalie Kushko (natalie.kushko@ecosecurities.com)