



February 5, 2009

To Joint Implementation Supervisory Committee

Re: Call for Public Inputs on Determination and Verification Manual

Honorable Members of the Joint Implementation Supervisory Committee,

On behalf of Mitsubishi UFJ Securities Co., Ltd, I would like to thank you for the provided opportunity to submit our comments on the preparation of a Determination and Verification Manual (DVM) for JI Track 2 projects.

JI Track 2 process has officially started more than two years ago, and despite the large number of JI projects submitted for determination, just six of them have completed final determination under the JISC procedures. Reasons for that may vary, but it is our belief that one of the main impediments is the lack of clear guidance on the determination and verification procedures under JI Track 2. Due to this, there has been a trend to follow strictly the established CDM procedures, and avoid the active application of other options for baseline setting and monitoring, which are already allowed by the JISC guidelines in order to properly reflect project and country specific conditions. We think that the design and preparation of a JI Determination and Verification Manual is an important step forward in establishing JI Track 2 as a working flexible mechanism for emission reductions. Therefore, we would like to take this opportunity and make the following recommendations.

a) Baseline and Monitoring

As it has been demonstrated by the experience with existing JI projects, CDM methodologies cannot be completely applied in the case of many JI projects due to country or project specific reasons, established industrial practices, or simply because no such projects have been ever developed under the CDM. In this case, project developers should establish the baseline and design monitoring plans on a project specific basis and have them approved by the AIE as part of the determination process.



However, the existing rules for such cases lack clarity, which leads to higher uncertainty. Therefore, we are of the opinion that the Determination and Verification Manual should specifically address the issue of project determination when no CDM methodological approach is applied, by providing clear guidance and procedures. The JISC may also consider the establishment of a channel of communication between the JISC and AIE, mainly for cases when the AIE are dealing with new non-CDM project specific baseline and monitoring applications.

b) Prior Consideration of JI

The JI Guidelines stipulate that projects that have started after 2000 are eligible for JI. However, currently there is no clear guidance as to what kind of documentary proof needs to be presented in order to prove the prior consideration of JI. The JISC may also wish to decide whether prior consideration of JI should be confirmed on a national level, for example by the Designated Focal Point, or under a procedure designed by the JISC.

c) Additionality

Although the Guidance on criteria for baseline setting and monitoring contains an annex on additionality, JISC may consider providing more detailed guidance on the cases that are not covered by the existing CDM approaches. Special emphasis should be made on the way national polices should be treated in proving additionality of JI projects.

d) Emission reduction calculations and national inventories

Unlike CDM projects, JI projects are implemented in countries where the assigned amount is calculated and national inventories of GHG emissions are in place. In the assigned amount calculations and preparation of the subsequent inventories, certain assumptions were made regarding the carbon emission factor of different fossil fuels or their net calorific values, and these values are often not the same as the IPCC default values.

At the same time, many JI projects follow the prevailing CDM approach and use the IPCC default values in the absence of project specific values. This may cause discrepancy between the emission calculation methods under assigned amount accounting or the national inventories, and the PDD, thus in some cases preventing the emission reductions from JI projects to be properly reflected in the national inventories. JISC may consider providing guidance regarding the extent to which such



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discrepancies are acceptable under JI Track 2.

We hope that our comments were useful and will be considered in the preparation of the Determination and Verification Manual.

Sincerely yours,

Hajime Watanabe

Chairman

Clean Energy Finance Committee

Mitsubishi UFJ Securities Co., Ltd.