



## Joint Implementation Action Group

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Joint Implementation Supervisory Committee  
Attn. Mr. Chowdhury  
P.O. Box 260124  
D-53153 Bonn  
Germany

Subject: JIAG Input for Call for public inputs on draft recommendations to be forwarded to the CMP

22 July 2011

Dear Chair of the Joint Implementation Supervisory Committee (JISC),  
Dear members and alternate members of the JISC,

The Joint Implementation Action Group (JIAG) would like to thank the JISC for the progress made on the work plan defined for 2011.

The JIAG appreciates the opportunity to react on the Draft Recommendations on Options for Building on the Approach Embodied in Joint Implementation (“Draft Recommendations”).<sup>1</sup>

### Transitional Measures

First of all a clear and definitive signal should come from the CMP with respect to both the future operation of JI (in a new Commitment Period) and any transitional period. Therefore, JIAG supports the solutions proposed in Paragraph 52 of the Draft Recommendations on options for building on the approach embodied in joint implementation:

*The JISC recommends that the CMP, with regard to the continuation of activities under the Track 2 procedure in the immediate period beyond 2012:*

- (a) Clarify that these activities may continue, including the registration of projects and the verification of emission reductions and removals;*
- (b) Allow emission reductions and removals achieved by existing and new JI projects between 1 January 2013 and either the end of the “true-up” period or the establishment of assigned amount for a host Party for a second commitment period under the Kyoto Protocol, whichever is sooner, to be issued by host Parties as ERUs by converting AAUs or RMUs from the first commitment period.*

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<sup>1</sup> Annex 6 of the Report of the 25<sup>th</sup> JISC Meeting.

We also would recommend continuous promotion of JI as a model for project based mechanism for the capped environment, therefore stimulating demand for the emission reduction units in the post-2012 environment.

## Merging of JI Track 1 and Track 2

JIAG supports the proposal for a single, unified track in JI but only if the current flexibility of host countries under Track 1 to use JI as a policy instrument can be maintained. A unified track can draw on Track 2 in procedures and requirements but also provide speed and flexibility offered by Track 1. However such unification must be considered alongside a redistribution in responsibilities and roles of different actors in JI that will be discussed further.

The project cycle in this new unified track must include PDD preparation, determination, national approval, registration, monitoring, verification and issuance. Coordination with national approval procedures must be established (cycle steps, time etc.) in order to avoid situations where contradictions between national procedures and international rules prevent the project from moving forward. Projects need to have a baseline and a monitoring plan established and determined by an appropriate entity. Time needed for determination and verification should be minimised.

The JIAG also proposes that recommendations forwarded to the CMP reflect a more balanced discussion of Tracks 1 and 2. The discussion currently puts Track 2 in the center. Under Track 1 determination and verification requirements are defined by the host country. As a result, Track 1 JI projects have the flexibility to be used as a policy instrument where the sovereign AAU reserve can be used by Annex 1 governments to stimulate domestic mitigation action.

This makes the two mechanisms very different, each with its own quality. Where Track 1 provides flexibility to national governments, Track 2 sets an international standard for offsets (see also table 1).

*Table 1: Advantages and disadvantages of Track 1 and Track 2.*

	<b>Advantages</b>	<b>Disadvantages</b>
Track 2	1) A well-defined quality assurance procedure with accredited entities for determination provides a minimum quality standard; 2) The supervision of the determination and verification procedures by a UNFCCC body (the JISC) guarantees the environmental integrity of the ERUs issued and promotes their international recognition; 3) The JISC ensures consistency among JI projects in their methodology for project description, their approach for baseline setting an monitoring, and for determination and verification; the JISC's role as	1) The lead times are longer, on average two months for final determinations and at least one extra month for issuances; 2) Track 2 fees are higher than for Track 1; 3) Potential conflict of authority between JISC and a Host Country in case there is a different view on the JI specific approach used; importantly, the host countries retain full control over ERU issuance matters; 6) Accreditation of Independent Entities is a lengthy, difficult and not least costly process; this risks both monopolization and bottlenecks in the Track 2 determination/verification process.

	standard setter is accepted among virtually all Track 1 countries with benefits for the overall comparability and predictability of the JI regulatory; 4) Host Country suspensions by the Compliance Committee does not affect Track 2 projects.	
Track 1	1) Offers the flexibility of domestic policy instruments; projects can be tailored to national circumstances, needs and priorities of countries; 2) Broad variety in domestic approaches has the potential of innovating the overall mechanism; 3) Comprehensive one-stop governance that avoids the extra review steps for registration and issuance (international layer); this makes the process also usually shorter;	1) No mandatory international quality assurance on the mitigation action behind issued ERUs; risks for credit reputation.; 2) Issuance can be interrupted due to suspension of host country eligibility;

### **Governance of JI, Roles and Responsibilities of the different Actors**

Under the new operational model of JI and the unified Track for project based mechanism under the capped environment we recommend a major change in roles and responsibilities of the different actors. The focus of this change should be on avoiding involvement of the Governing Body in this new-JI (be it JISC or any other Governing Body) on a project level and shifting all project-level related activities to the accredited entities. See table 2 for an overview of the responsibilities under a new operational model of JI.

*Table 2: JIAG recommendations on how responsibilities can be allocated in the new operational model of JI.*

<b>Actors</b>	<b>Features &amp; Responsibilities</b>
Governing Body (remodeled JISC or other)	<ol style="list-style-type: none"> <li>1) Consists of Parties, Project Developers and AIEs etc. Representatives of business and other non-Party stakeholders must be included.</li> <li>2) Accreditation process.</li> <li>3) AIE supervision including an appeal procedure for determination/verifications ruling by AIEs (initiated by Host Countries and/or Project Developers).</li> <li>4) Development of standards and principles in baseline setting, monitoring etc.</li> <li>5) Keeping the JI-registry and supervising issuance.</li> <li>6) Maintaining capacity for appeals and review of the individual project cases</li> </ol>
AIEs	<ol style="list-style-type: none"> <li>1) Determination of projects</li> <li>2) Registration of projects (positive determination equals</li> </ol>

	registration) 3) Verifications of reductions (positive verification equals issuance)
Host Countries	1) Project approval in one stage according to the harmonized national approval procedure
Advisory Body	1) Development of standardized baselines and methodological approaches

### **Additionality and National Circumstances**

JIAG would like to point out that the concept of additionality in the JI framework needs to pay due regard to the fact that the mechanism operates under a capped environment. Thus, while other than under the Clean Development Mechanism (CDM) no increase in tradable units occurs, JI is first and foremost a national policy instrument to facilitate low-carbon innovation and to generate emission reductions according to national priorities. Accordingly, the JI regulatory should focus on establishing stringent standards for project baselines (standardized projections of the most plausible scenario in the absence of the project in question), while leaving it to national decision-makers to define—through policy lists or other—what kind of projects they consider to be additional in the domestic overall policy framework.

### **Issuance**

JI practitioners experience issuance as one of the bottlenecks in the JI process, creating most delays and uncertainties. At the moment issuance under JI is performed by host countries and is thereby subject to political uncertainties. The JIAG believes that issuance should be an automatic process linked to the verification by the AIE. As a solution, host countries upon project approval should be requested to transfer estimated amount of credits to a special JI-registry administered and maintained by the Governing Body. Submission of the final verification report by the AIE should automatically trigger issuance. This will require more responsibility from AIEs in performing verifications and determinations, therefore, more efforts are expected by the Governing Body to ensure AIE compliance.

### **National Approval Procedure**

Host countries must maintain the flexibility to approve projects based on policies and political considerations. National approval procedures should be aligned with the UN procedure. The Governing Body should develop best practice guidance on national approval procedures (e.g. number of stages, required documents, processing times etc.) and try to promote harmonization of national procedures. No other Party approval than from the host party should be required. In this context, JIAG understands the bi-country approval as stipulated by Article 6 (1) of the Kyoto Protocol (KP) to refer to trans-border transfers, as opposed to in-country generations, only and that the buyer country approval may be implicit in authorizations made under Article 6 (3) KP.

### **Accreditation Procedures**

AIEs should assume full responsibility for their determination and verification activities on individual project level. A new accreditation standard should ensure that the number of AIEs

and their performance is ensured. Regular, effective and practical spot-checks and performance reviews are means to establish this. The Governing Body may establish an individual certification programme for JI GHG Verifiers and require that the staff of AIEs has received appropriate supervised training and certification.

### **Types of activities under the new operational model of JI**

The flexibility provided by different possible type of activities under JI should be maintained. Therefore we see it appropriate to have provisions for: small-scale projects, small-scale project bundles, large-scale projects, programmes of activities and sectoral measures. Based on practical experience provisions for programmes of activities should be enhanced to allow more streamlined realization of PoAs. As for the possible inclusion of sectoral measures under JI provisions for such measures must ensure that they do not affect the performance of other or existing JI projects in that sector.

### **Net overall reductions in emissions (instead of offsets)**

JI has been conceived and developed as a project based mechanism under the capped environment. By setting a stringent cap net overall reductions can be achieved. The purpose of JI is to reduce the cost of compliance of the overall cap, not to achieve net overall reductions. Of course a Host Country can always decide not to release the full amount of ERUs as is currently being done in France. However again the best way to achieve net overall reductions is to set a stringent cap where JI helps to achieve these net overall reductions in emissions under the cap in the most economically efficient way.

We trust you will find these suggestions useful and look forward to continue our support for JI in 2011.

Yours sincerely,

Lennard de Klerk  
JIAG Chair

**Annexes**  
**Annex I: JIAG Members**

## Annex I: JIAG Members

JIAG members		
	Company	Nominated representative
1	Global Carbon (chair)	Mr. Lennard de Klerk
2	Climate Focus (secretariat)	Mr. Jelmer Hoogzaad, Mr. Moritz von Unger
3	Vertis Environmental Finance	Mr. James Atkins
4	Carbon Trade & Finance	Mr. Ingo Ramming
5	FutureCamp	Mr. Roland Geres, Mr. Thomas Mühlpöckner
6	GreenStream Network	Ms. Riikka Sipponen

