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Joint implementation Supervisory Committee
Attn.Mr.Chowdhury
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Re: SEC Biomass input on JISC call for public inputs on the draft recommendations to the CMP

Kyiv, August 2, 2011

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

With this letter we would like to share with you our opinions and proposals for the announced call for public inputs, in particular to the Annex 6 (JISC 25) – Draft recommendations on options for building on the approach embodied in joint implementation.

Yours sincerely,

Dr. Georgiy Geletukha,
Director of SEC “Biomass”

Annexes

Annex 1: SEC Biomass input for call on inputs on the draft recommendations to the CMP

Below we provide answers and proposals to the questions raised by JISC in the Annex 6 (JISC 25) “Recommendations on options for building on the approach embodied in Joint implementation”.

Question: “What aspects would be usefully incorporated in revised JI guidelines to strengthen a “scheme-based” approach based on the national implementation of JI?”

Answer:

We propose to allow the host countries with the eligible Track 1 approve at the governmental level so called “green list of technologies for JI projects” or “JI projects priority directions list”, which will simplify the procedure of additionality justification for JI projects in priority directions (using the technology from the list of “green technologies”).

Question: “Should the JI guidelines be amended to facilitate net overall reductions in emissions (instead of offsets leading to increases in emissions elsewhere of the same amount) and how could this be achieved through revisions to the JI guidelines?”

Answer:

In our opinion, present statement goes against the general principle of JI, as the principle foresees that a Party, whose GHG emissions exceed its obligations according to KP, may gain required emission allowances via implementing JI project (aimed at GHG emission reduction) at the territory of any other Annex I country.

Chapter B. Verification process

Regarding the proposal on unified track we would like to share the following considerations. The key goal of the Annex 6 to 25th JISC Meeting agenda “Draft recommendations on options for building on the approach embodied in Joint Implementation” is introduction of unified JI track – single verification process in order to solve the following problems JI currently faces (Para 27):

- “(a) The national processes under Track 1 differ from host Party to host Party, increasing the burden on national policy-makers and the knowledge barriers and transaction costs for project developers and participants involved in multiple countries;
- (b) The national processes under Track 1 vary in the transparency of their procedures and decision-making and are frequently subject to calls for more transparency;
- (c) The sustainability of the JISC financial model is undermined through its regulatory documents and accreditation processes subsidizing some national processes and through Track 2 projects migrating to Track 1, potentially to avoid the payment of Track 2 fees;
- (d) The Track 2 procedure may be seen by some host Parties as being too cumbersome and insufficiently tailored to their specific circumstances;
- (e) The splitting of JI into two tracks, and into multiple national processes under Track 1, has the effect of dissipating the momentum present in JI as it makes it more difficult for any one process to develop economies of scale”.

At the same time, it is rather complicated to assess the proposed unified track and identify whether it is more similar either to current Track 1 or Track 2. Analyzing “Draft recommendations on options for building on the approach embodied in Joint Implementation”, comparative table was developed as follows:

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Aspect	Track 1	Track 2	Unified Track
Development of project according to	National guidelines or CDM methodology or JI specific approach	CDM methodology or JI specific approach	National procedures/ new governing body sets min standards and procedures for generation of offset credits
PDD is assessed	By independent entity accredited by JISC or by national AIE	Independent entity accredited by JISC	Auditors accredited by new governing body/ DOEs accredited under CDM procedure
Verification of emission reduction is performed by	By independent entity accredited by JISC or by national AIE	Independent entity accredited by JISC	Auditors accredited by new governing body/ DOEs accredited under CDM procedure
Assessment and approval of projects	DFPs	JISC	DFPs - national project approval (new governing body holds only “oversight responsibilities”)
Accreditation of IE	By DFps or by JISC	By JISC	By new governing body
Issuance of ERUs is performed	By DFps: on the basis of registered contract with Buyer via electronic transaction from the account of Project owner in National Registry to the Buyer’s account in the National Registry of foreign country		By DFps
Description of project cycle	Clear	Clear	Unclear
Number of Letter of approval	2 – by Host country and by Buyer’s country	2 – by Host country and by Buyer’s country	1 – by Host country
Transparency	Only final documentation is disclosed	Full transparency	Unclear

The most important issues to be identified for the new proposed unified track are the following:

- To which extent procedure is to be regulated by the new governing body?
- What is exactly meant under the “minimum standards and procedures” foreseen to be set by new governing body?
- Which responsibilities and competences are Host countries to have in the course of JI operation?
- What shall be design of project cycle?

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Unless abovementioned issues will be fully clarified and defined, it is not advisable to recommend the CMP to switch from two-track procedure under JI to one unified track (clarifications presented in the Draft recommendations are not sufficient).

The following arguments shall be mentioned as pros for Track 1 maintenance:

- Though Track 2 had been established earlier than Track 1, dynamics of Track 1 development is more positive than development of projects under Track 2. Thus project owners are currently more interested in projects under Track 1. And if so, what is the reason for closing down a successful mechanism?
- It is possible that after 2012 Kazakhstan, South Korea, and Belarus will become Annex I countries, and then it will be logical to keep Track 2 for these countries (as this Track is supervised by international body – JISC), while Ukraine and other countries implementing JI projects for rather long time will be able to keep Track 1 and ability to consider and approve projects independently (taking into account their explicit experience in this issue).

Below we provide answers on the other questions from Annex 6 (JISC 25).

Question: “Should specific provisions on issues such as standardized baselines or the demonstration of additionality be included in a CMP decision on revised JI guidelines, or are such issues more appropriately addressed at the level of the JISC or a new governing body?”

Answer:

We think that general issues of standardized baselines shall be included in a CMP decision, whereas for JI T2 projects standardized baseline can be developed at the international level, and for JI T1 projects Host country may develop, approve and use its own national standardized baselines or use the internationally approved baselines (subject to JI project owner/developer decision).

Question: “How can the single verification process be tailored to increase the likelihood of it being utilized as a basis for providing domestic offsets within domestic emissions trading systems?”

Answer:

According to our understanding, there is no basis for implementation of such scheme, since the JI mechanism and domestic emissions trading systems are principally different mechanisms of its nature. JI shall be isolated from domestic emission trading schemes.

Para 36 chapter C. Governing body

Questions:

“(a) Should members of the governing body act in their individual capacities or as representatives of their constituencies?”

“(b) Should representatives of the business and environmental constituencies, possibly including representatives of certification bodies, be included directly on the governing body. What should be the role of such constituencies?”

Answer:

We propose that:

- at least 2/3 of the governing body members being drawn from Parties active in hosting JI projects.

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- 1 place in governing body shall be given to the representative of the project developers (JI AG)
- 1 place shall be given to the representative of AIE/DOE forum.

The distribution of places in governmental body shall be organized as follows:

- 50% - places shall be allocated to the representatives from Parties of Kyoto Protocol
- 50% - shall be allocated for independent experts on the open tender basis.

All members shall have equal rights and responsibilities in decision making process.

According to our opinion such composition will ensure effective working process and objective decision making.

Question: (c) How could firewalls be established to ensure the “separation of powers” between the function of setting standards/procedures and the function of providing impartial oversight over the conformity of national JI implementation with those standards/procedures?

Answer:

If the membership in the governing body will be organized as described above, than this issue will be solved bearing in mind that at least 50% of members are independent experts, including representatives from 2 currently active communication channels with JISC (project developers communication channel and AIE/DOE forum).

Question: (d) The minimum standards and procedures established by the governing body would presumably cover the accreditation of certification companies to certify projects and emissions reductions/removals.

Should the governing body also perform the accreditation functions on behalf of all Parties participating in JI or should the JISC recommend to the CMP that JI and CDM operate under a unified accreditation process?

Answer:

We think it is better to recommend to the CMP that JI and CDM will have the unified accreditation process for DOE/AIE.

At the same time the option for eligible JI Track 1 countries on possibility of establishment of the accreditation process for national AIE shall be open and the this issue shall be regulated by country at the national level.

Question: (e) Should the governing body assume responsibility for the issuance of the offset credits? This may constitute an effective form of ensuring oversight over the conformity of implementation with the minimum standards and procedures?

Answer:

We think that responsibility for the issuance of the offset credits shall be taken by Host countries, since the AAUs is the state property of the Host country.

Question: (f) If the registration process is implemented at a national level, should an appeals mechanism be established for JI, other than the oversight provided by the governing body. If so, could it build upon appeals processes for other offset credit systems at the international level, for example that currently under consideration for the CDM?

Answer:

If the registration process is implemented at a national level, than project participants can/may/shall use the general national appeal procedure according to the legislation of their own country.

Regarding the appeal procedure for JI T2 projects we do not see reasons for establishment of such procedure.

Question: (g) Should the current vocabulary of JI be aligned with other project-based mechanisms in order to increase the understandability and accessibility of terms (e.g. determination.)?

Answer:

Yes, we think it is good idea to harmonize JI vocabulary with other project-based mechanisms.

Para 47 Chapter F. Financial resources

Question: If the registration process is implemented at a national level, would an annual fee on Parties involved in JI be a more appropriate fund-raising mechanism?

Answer:

If the registration process is implemented at the national level, then according to our understanding, the fee shall be paid only once when project receives the ITL number. We do not recommend applying the annual fee; we find more appropriate to apply flat fee once at the stage of project receiving the number in ITL. This corresponds with the current procedure for JI Track 1 projects.

Chapter V. Transitional issues

We support the true-up proposal as described in the paragraph 52.