

**Annex 2****COMPILATION OF PUBLIC INPUTS ON THE DEVELOPMENT
OF A DETERMINATION AND VERIFICATION MANUAL****A. Background**

1. At its thirteenth meeting, the Joint Implementation Supervisory Committee (JISC) considered the necessity of developing a determination and verification manual (DVM) under joint implementation (JI), and decided to request the DOE/AIE coordination forum and interested stakeholders to provide input on what would be the exact nature and purpose of a DVM. For this purpose, the JISC requested the secretariat to launch a call for public input after its thirteenth meeting and compile the inputs from the call for consideration by the JISC at its fourteenth meeting. The JISC highlighted that in providing the input, the forum and stakeholders may identify the areas of the Validation and Verification Manual (VVM) adopted by the Executive Board of the clean development mechanism (CDM), that may be relevant to the development of a DVM, if the JISC agrees to do so.

2. The secretariat opened the call for public input initially from 5 December 2008 until 15 January 2009, then extended the deadline until 5 February 2009. As a result, seven submissions of inputs were received by the secretariat. All these submissions were made public on the UNFCCC JI website after the closure of the call.

B. Inputs summary

3. Points made by the inputs can be summarized as follows:

- (a) All inputs support the development of a DVM;
- (b) Five inputs expect that a DVM would facilitate the consistency/harmonization/standardization of determination and verification work among accredited independent entities (AIEs);
- (c) Three inputs expect that a DVM would increase the transparency of the AIEs' determination and verification process;
- (d) One input expects that a DVM could stimulate the development of innovative approaches and help AIEs adopt broader methodology perspectives;
- (e) One input stresses that a DVM should not be a set of binding provisions, and the compliance with the document should be on a voluntary basis;
- (f) Two inputs are against a very prescriptive DVM, while other two inputs maintain that a DVM should establish a detailed description of the determination and verification process;
- (g) Three inputs explicitly request not to use the VVM as the basis/starting point but to develop a DVM independently, while other two inputs suggest relevant elements of the VVM should be considered for inclusion in a DVM;



- (h) Four inputs stress that a DVM should reflect the uniqueness/specific features of JI (e.g. flexibility in the use of baseline setting and monitoring methodologies, role of AIEs in handling methodologies) when compared to the CDM, while one input further emphasizes that a DVM should ensure that simplified and innovative approaches are not overburdened by requirements that are not relevant to JI context. Other three inputs specifically suggest that a DVM should provide (detailed) guidance to AIEs on how to review baseline setting and monitoring methodologies in particular when they are not approved CDM methodologies;
- (i) Three inputs suggest relevant ISO standards (e.g. ISO 14064) may be taken into account in developing a DVM;
- (j) One input suggests that a DVM should remain an evolving document and needs timely updating (after initial adoption);
- (k) One input suggests that a DVM should provide clear definition and interpretation of key terms;
- (l) Three inputs (groups) offer their (resource) support in developing a DVM, by e.g. organizing a drafting group, or as a joint initiative between AIEs and project developers, or between AIEs and the JISC;
- (m) Two inputs explicitly expect an opportunity to provide more detailed comments on a draft DVM will be given, while other one input requests the JISC to organize a workshop to involve wider stakeholders in the DVM development process.

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Appendix A**RECEIVED INPUTS¹**

1. Received inputs can be listed by subject as follows:

(a) Nature and purpose (including the necessity of DVM)

- “...the development of a determination and verification manual (DVM) is a key element to ensure transparency and a standardization of the determination and verification of JI projects following the verification procedure under the JI Supervisory Committee (JISC).” [DNV]²
- “The development of a DVM, with proper consideration, consultation and review, would be highly beneficial to all parties involved in developing and implementing JI Track II projects. A pragmatic DVM would also assist in encouraging the overall successful participation in JI projects.” [IETA]³
- “The JIAG welcomes the initiative to harmonise determination and verification procedures among Independent Entities (“IEs”) to facilitate the development of an industry standard.” [JIAG]⁴
- “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.” [Mitsubishi UFJ Securities]
- “The Guide should provide insight into good practice of determination and verification procedures under JI and CDM and should regulate the respective services market. It should set quality levels and timelines for the performance of these services, and appropriate amounts of manpower input for the different steps required. It should build on experience collected by A6SC, CDM EB, and by DOEs and AIEs in different countries during the development of different project types and sizes.” [MVV decon]⁵
- “The DVM should provide transparency on JI and CDM practice for businesses which would be willing to participate in the implementation of or to perform projects under the Joint Implementation and Clean Development Mechanisms but which did not collect respective experience so far.” [MVV decon]

¹ Original submissions of inputs can be found on the UNFCCC JI website under <http://ji.unfccc.int/CallForInputs/PublicInputDetVerEx/index.html>.

² Det Norske Veritas Certification AS

³ International Emission Trading Association

⁴ Joint Implementation Action Group

⁵ MVV decon GmbH



- “We believe that a DVM, fully recognizing the nature and specific features of JI, would be a significant step forward in improving the procedures of determination and verification for JI Track 2 projects. By providing clearer guidance and higher predictability for all intended users (incl. project proponents, Designated Focal Points, Accredited Independent Entities (AIEs) and stakeholders), the DVM could stimulate development of innovative approaches and help AIEs in adopting broader methodology perspectives in comparison to their current experience.” [World Bank]⁶
 - “DVM should become a practical, clear tool for the intended users clarifying a consistent way of interpreting the existing set of guidance for determining and verifying projects under the JISC verification procedure, in accordance with the JI Guidelines.” [World Bank]
 - “...the DVM should remain an evolving document that should be timely updated to maintain its usefulness.” [World Bank]
- (b) Contents (including the areas of the VVM that may be relevant to the development of a DVM)
- “The DVM shall be the manual how to review the methodology in addition to the contents specified in the VVM under CDM. As far as I know, the accreditation process of the AIE does not emphasis much on this point. It means that many of the AIE staff may not be keen on assessing the methodology itself. Therefore, the DVM shall play an important role to cover this point to ensure the framework of JI track 2 as a credible one.” [Climate Experts]⁷
 - “The DVM should learn from the lessons learnt in the development of the World Bank’s and the International Emission Trading Association’s Validation and Verification Manual. The DVM should also consider the relevant elements of the Validation and Verification Manual recently adopted by the CDM Executive Board, which incorporates much of the lessons learnt with the validation and verification of CDM projects.” [DNV]
 - “ISO 14064 has now been finalized and is operational, which should provide a suitable framework from which the DVM could be developed.” [DNV]
 - “...the DVM will have to build on the uniqueness of JI projects as there are some fundamental differences in the way CDM and JI projects are validated and verified. Under the CDM, a project only has the option to use a predefined and pre-approved methodology where under JI this is not the case. Consequently, with an emphasis on the need to bring consistency into the work being done by validators and verifiers, the DVM should above all ensure that AIE consistently ask the same types of questions while performing their work in particular when assessing new baseline and monitoring methodologies being proposed for JI projects or when assessing deviations from approved CDM methodologies. Hence, it would be of value to have a DVM that more clearly describe how determination takes place for the different available options (fully following CDM methodology, partly following CDM methodology or applying own methodology).” [DNV]

⁶ The World Bank (Carbon Finance Unit)

⁷ Climate Experts, Ltd.



- “There is a clear need not to use the CDM VVManual as the starting point for the DVM. Uniqueness is necessary for the DVM due to the fact that there are some fundamental differences in the way CDM and JI projects are validated and verified. Under the CDM, a project only has the option to use a predefined and pre-approved methodology whereas under JI this is not the case. Consequently, with an emphasis on the need to bring consistency into the work being done by validators and verifiers, the DVM should require that they persistently ask the same types of questions while performing their work, whilst also allow them to work with pre-approved methodologies and non-approved methodologies. The flexibility of JI allows, to a greater extent than CDM, project developers to pioneer new areas and approaches for reducing emissions at lowest cost. A DVM should not seek to curtail the inherently flexible nature of JI.” [IETA]
- “ISO 14064 has now been finalized and is operational, which should provide a suitable framework from which the DVM could be developed. The way the standard requires validators & verifiers to ask project developers questions when assessing projects as well as integrate the concept of materiality and level of assurance might be of particular convenience.” [IETA]
- “...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.” “...the JIAG has strong doubts whether such guidance should be a binding set of provisions and requirements under the JISC. The JIAG therefore urges...keep compliance with its provisions on a voluntary basis.” [JIAG]
- “...JI is more case law oriented than the CDM...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.” [JIAG]
- “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.” [JIAG]
- “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.” [JIAG]
- “...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.” [Mitsubishi UFJ Securities]



- “The DVM should therefore refer to standards, requirements and schemes for environmental reporting which were developed by different organizations during the past years such as {ISO 14063, ISO 14064, ISO 14065, ISO 14066, ISO 14067...} in order to provide businesses with certainty that determination and verification procedures under the Kyoto Protocol’s Flexibility Mechanisms JI and CDM are in accordance with major reporting initiatives which have developed so far and that procedures applied during the determination and verification are standardized at a global level.” [MVV decon]
- “We believe that a DVM should fully take into account specific nature and institutional structure of JI...” “...a strong and useful Manual would need to be developed in full respect of specific JI features and keeping in mind the different sharing of responsibilities in the JI institutional setting.” [World Bank]
- “DVM should ensure full compliance with and priority, as appropriate, of *national guidelines and procedures for approving Article 6 projects, including the consideration of stakeholders’ comments, as well as monitoring and verification* (as per paragraph 20 (b) of the JI guidelines)” [World Bank]
- “Each option listed by the JISC Guidance in terms of baseline setting and monitoring, as well as of demonstration of additionality, should be equally available to the project proponents, free of any pre-judgement as to the quality or environmental integrity of any given approach. For instance, there should not be any formal requirement to justify the selection of a JI-specific approach (as per paragraph 20(b) of JISC Guidance) if it is appropriate for a specific project activity or if it is based on multi-project emission factor.” [World Bank]
- “DVM should ensure that simplified and innovative approaches, transparently and conservatively demonstrating that the emission reductions by the project activity are additional to those that would otherwise occur, are not overburdened by requirements that are not relevant to the JI context during the determination process.” [World Bank]
- “...a DVM should provide clear definition and interpretation of key terms (such as *appropriate, reasonable, transparent, relevant, conservative* etc.) and features of methodological approaches (such as *accuracy, compatibility, combination of multiple measures in complex projects, complex project boundary* etc.) ... Illustrative examples could improve clarify of a DVM, however the inclusion of prescriptive requirements (e.g. the nature of documented evidence) could restrict the applicability and usefulness of a DVM.” [World Bank]
- “A DVM should also attempt to establish a transparent detailed description of the process of determination and verification, e.g. explanations on the relationship and interactions between project proponents, designated focal points and AIEs, as well as between AIEs and the JISC. For instance, to improve transparency, it would be useful to establish clear guidelines for the AIEs, similar to the requirements for the project proponents, to explain their observations and decisions regarding intermediate and final outcomes of project determination and verification.” [World Bank]



- “...it may therefore be useful to start the preparation of a DVM independently, analyzing what elements of the VVM could be useful and relevant in the JI context and which JI specific and appropriate new elements or approaches need to be included, rather than trying to modify the VVM into a DVM for JI.”
[World Bank]
- (c) Modality of development
 - “DNV suggests a DVM is developed as a joint initiative by AIEs and the JISC (or selected JISC members nominated by the JISC to participate in the initiative). The process of developing JISC should also involve workshops involving further stakeholders in the JI, such as JI project developers.” [DNV]
 - “IETA looks forward to providing detailed input into this development process as we believe it will proceed.” [IETA]
 - “...we would like to seek ways in which we can provide support in the development of the DVM through our partners and members. IETA could form a group that would help draft a DVM. However, if you find this proposal attractive, we would appreciate if the JISC would nominate 1 or 2 JISC members to the drafting team so that they could provide guidance and general oversight. We feel that including JISC members in a possible DVM drafting team would allow for it to be more easily adopted once finalized. Once the first draft is ready, we also propose a workshop to be held with participation of all the JISC members and concerned stakeholders.” [IETA]
 - “...the JIAG therefore urges the IEs and project developers to jointly develop such a guidance document based on previous experiences...” “...the JIAG is willing to support the IEs with the development of such a document.” [JIAG]
 - “The World Bank Carbon Finance Unit would appreciate the opportunity to provide more detailed specific comments on a draft DVM as appropriate.”
[World Bank]
- (d) Other comments
 - “...we suggest the JISC to allow Project Participants to submit requests to the recently adopted clarification procedure” [JIAG]
 - “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.” [Mitsubishi UFJ Securities]
 - “...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.” [Mitsubishi UFJ Securities]



- “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 policies should be treated in proving additionality of JI projects.” [Mitsubishi UFJ Securities]
- “...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 discrepancies are acceptable under JI Track 2.” [Mitsubishi UFJ Securities]

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