

**Annex 1****DRAFT STANDARD FOR APPLYING THE CONCEPT OF MATERIALITY IN VERIFICATIONS****Note by the secretariat**

1. At its twentieth meeting, the Joint Implementation Supervisory Committee (JISC) took note of the information and analysis prepared by the UNFCCC secretariat regarding priority areas and agreed on two areas for further work by the JISC in 2010: applying the concept of materiality in determinations and verifications; and changes during project implementation from a determined project design and/or monitoring plan. At the same meeting, the JISC also requested the secretariat to conduct a call for public inputs on the two areas.
2. The JISC considered the public inputs and requested, at its twenty-first meeting, five members/alternate members of the JISC, Mr. Geletukha, Mr Kudo, Mr. Leguet, Mr. Oderson and Mr. Seidel, with the support of the secretariat, to prepare a first draft text regarding materiality for the JISC's consideration at its next meeting, with a view to also discussing this first draft during the roundtable consultations be held in June 2010.
3. A draft standard for applying the concept of materiality in independent entities' verification of reductions of anthropogenic emissions by sources or enhancements of anthropogenic removals by sinks is attached below.
4. The secretariat recommends that upon finalizing this standard, the Glossary of JI terms is updated with appropriate definitions regarding materiality and the level of assurance and that the determination and verification manual is updated to reflect this procedure as well as to provide recommendations on how the concept of materiality should be factored into determinations in accordance with paragraph 33 of the JI guidelines.



Joint Implementation Supervisory Committee

STANDARD FOR APPLYING THE CONCEPT OF MATERIALITY IN VERIFICATIONS

Version 01

A. Background

1. Paragraphs 30–45 of the annex to decision 9/CMP.1 on guidelines for the implementation of Article 6 of the Kyoto Protocol (hereinafter referred to as JI guidelines) define the verification procedure under the Joint Implementation Supervisory Committee (JISC).
2. The Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (CMP) requested in its decision 3/CMP.5 that the JISC conducts an assessment of the implications of possible inclusion of the concepts of materiality and level of assurance in joint implementation (JI) for the process of determinations referred to in paragraphs 33 and 37 of the JI guidelines. Supported by this mandate and considering inputs received from JI stakeholders, during 2009 in the development of the determination and verification manual (DVM), the JISC decided, in its twentieth meeting, to develop further guidance regarding the concept of materiality.
3. This document contains general standards regarding materiality for accredited independent entities (AIEs) in performing determinations in accordance with paragraph 37 of the JI guidelines (verification).

B. Applying the concept of materiality in independent entities' verification of emission reductions by sources or enhancement of removals by sinks

4. In preparing the verification of a project's reductions of anthropogenic emissions by sources or enhancements of anthropogenic removals by sinks, the AIE shall assess whether the monitoring report prepared by the project participant and all its supporting data and other information provide sufficient support for the verification. The AIE shall consider materiality in its assessment and shall apply the following materiality thresholds:
 - (a) A materiality threshold of five percent shall be applied for projects with annual average emission reductions by sources (or enhancement of removals by sinks) amounting to less than [100,000] [300,000] tonnes per year;
 - (b) A materiality threshold of [one] [two] percent shall be applied for projects with annual average emission reductions by sources (or enhancement of removals by sinks) amounting to [100,000], [300,000] tonnes per year or more;
5. When submitting a verification for consideration by the JISC, the AIE shall include in its verification opinion a statement confirming that the reductions of anthropogenic emissions by sources or enhancements of anthropogenic removals by sinks reported by project participant are accurate and free of material errors, omissions, or misstatements. [All identified errors, omissions or misstatements shall be reported regardless of their materiality.] Using the materiality thresholds defined in paragraph 4, above, the verification opinion shall be based on a reasonable level of assurance.
6. The AIE shall issue a positive verification opinion only if it can confirm that the monitoring report, data collected, and other evidence supporting the reductions of anthropogenic emissions by sources, or enhancements of anthropogenic removals by sinks reported by the project participants are consistent with paragraphs 4 and 5 above.
