

Annex 3**BACKGROUND PAPER ON THE EXPERIENCE WITH THE VERIFICATION
PROCEDURE UNDER THE JOINT IMPLEMENTATION SUPERVISORY
COMMITTEE****A. Mandate**

1. 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) defines 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), by its decision 10/CMP.1, established the JISC to supervise, inter alia, the verification of emission reductions generated by JI projects, in accordance with the JI guidelines.
3. At its fifth session, the CMP requested, in its decision 3/CMP.5, that the JISC reports to the CMP, at its sixth session, on its experience with the verification procedure under the JISC, with a view to making improvements for the future operation of JI, taking into account relevant decisions of the CMP at its fifth session.
4. The JISC, at its twenty-first meeting, requested the secretariat to prepare a background paper, in consultation with selected JISC members/alternate members, in which to define the scope and the structure of the report to the CMP, and to identify the possible areas of focus of the report. The JISC further requested the secretariat to launch a call for public inputs on experience with the verification procedure under the JISC and to use the results of the call in the JISC's report to the CMP.

B. Joint implementation background

5. The JI mechanism has attracted a considerable increase in interest since the entry into force of the Kyoto Protocol on 16 February 2005, and especially since the establishment of the JISC in December 2005, for the operation of JI Track 2. During its first year of activity, the JISC carried out a work programme focused on preparing for operationalization of the verification procedure under the JISC. The JISC agreed on, and adopted, by the end of 2006 a set of relevant documents for its work and the operation of the JI mechanism, as follows:
 - (a) Rules of procedure for JISC;
 - (b) JI PDD form, JI SSC (small scale) PDD form, JI LULUCF (land use, land use change and forestry) PDD, and a form for submission of bundled JI SSC projects;
 - (c) Guidelines for users of the three JI PDD forms (large, SSC, LULUCF);
 - (d) Procedures for appraisals of determinations under the verification procedure;
 - (e) Procedures for reviews under the verification procedure;
 - (f) Procedures on public availability of documents;
 - (g) Guidance on criteria for baseline setting and monitoring and provisions for small-scale projects;
 - (h) Principles, structure and level of fees to cover administrative costs of the JISC;

- (i) Procedure for accrediting independent entities by the JISC.
6. With the official launch of the verification procedure under JISC in October 2006, the JISC shifted its focus from the procedural work to the operation of the verification procedure. Since then it has handled project-related submissions and worked, including through its accreditation panel (JI-AP), on the accreditation of IEs. The JISC ensured also that the verification procedure was fully functioning in time for the start of the first commitment period of the Kyoto Protocol. Moreover, it has issued guidance and clarifications, where necessary, with regard to both the verification procedure and the accreditation procedure, taking into account the needs of the stakeholders concerned, where appropriate.
7. During the 2007-2010 period, the JISC considered ways to enhance the efficiency and improve operation of the verification procedure and adopted the following documents:
- (a) Procedures for the withdrawal of project participants after final determination under the verification procedure;
 - (b) Procedures for the withdrawal of submissions under the verification procedure;
 - (c) Revised procedures for reviews under the verification procedure, further facilitating the implementation of the steps for reviews;
 - (d) Revised guidance on criteria for baseline setting and monitoring, for clarifying the use of a JI specific approach and CDM approved methodologies;
 - (e) Revised guidelines for users of JI PDD forms (large, LULUCF), following the adoption of the revised guidance on criteria for baseline setting and monitoring;
 - (f) Revised provisions for JI SSC projects and revised guidelines for users of the JI SSC PDD form and form for submission of bundled JI SSC projects, following the amendment of the thresholds for SSC projects by the CMP, and the revision of the criteria for baseline setting and monitoring;
 - (g) Procedures for communication of the public with the JISC;
 - (h) Procedures for requests for clarification under the verification procedure;
 - (i) Glossary of joint implementation terms, revised to incorporate terms related to JI programmes of activities.
8. The JISC adopted in 2009 a procedure for JI programmes of activities (JI PoAs) under the verification procedure, providing a framework for implementing JI projects that can be replicated and aiming at achieving economies of scale for project participants. JI PoAs can be submitted under this procedure as of 1 December, 2009. In conjunction with adopting the procedure, the JISC also adopted forms (JI PoA-DD) and guidelines to support the implementation of the JI PoA.
9. The JISC adopted the determination and verification manual (DVM) at the end of 2009 to assist accredited independent entities (AIEs) in performing determinations and verifications in accordance with relevant provisions of the JI guidelines and other decisions of the CMP and the JISC. The adoption of the DVM resulted in the revision of the guidance on criteria for baseline setting and monitoring, the guidelines for users of JI PDD forms and the provisions for SSC projects.
10. In 2010, the JISC will focus its work on providing guidance regarding the concept of materiality in determinations and verifications and changes during project implementation from a determined project design and/or monitoring plan, and on responding to other requests from the CMP 5 (report on experiences, outreach activities, finance and budget projection up to 2012, etc.).

1. Project status and related issues

11. In respect of project related submissions, as of 1 May 2010, 226 PDDs have been submitted and made publicly available on the UNFCCC JI website in accordance with paragraph 32 of the JI guidelines. During the first commitment period of the Kyoto Protocol, all the active projects combined would achieve reductions of emissions by sources of approximately 325 million tonnes of CO₂ equivalent.

12. In total, 18 determinations regarding PDDs have been published on the UNFCCC JI website in accordance with paragraph 34 of the JI guidelines, of which:

- (a) Sixteen positive determinations regarding PDDs for projects were deemed final in accordance with paragraph 35 of the JI guidelines. During the first commitment period of the Kyoto Protocol, these projects would achieve reductions of emissions by sources of approximately 37 million tonnes of CO₂ equivalent;
- (b) One determination was rejected by the JISC;
- (c) One determination is open for requests for review.

13. In the same period, 11 verifications of emission reductions generated by determined projects have been published on the UNFCCC JI website in accordance with paragraph 38 of the JI guidelines and deemed final in accordance with paragraph 39 of the JI guidelines. The projects with final verifications accepted by the JISC have already generated emission reductions of 1.5 million tonnes of CO₂ equivalent.

14. The JISC has no responsibility in the operation of the JI Track 1 procedure. However, the web-based interface developed by the secretariat as requested by CMP 3 for establishing an overview of all JI projects is used by designated focal points (DFPs) of Parties for providing transparent access to project information, providing information to the international transaction log (ITL) on the establishment of JI projects and receiving project identifiers of the JI projects from the information system. Based on a request from CMP 5, the secretariat together with DFPs will improve the web-based interface to enhance the transparency regarding Track 1 projects and increase the information available on the UNFCCC JI website. As of 1 May 2010, 144 JI Track 1 projects have been published on the JI website and submitted to the ITL.

2. Accreditation

15. The JISC also established since 2006 a Joint Implementation Accreditation Panel (JI-AP), which focuses its work on the accreditation of applicant independent entities and issued guidance and clarification, where necessary, with regard to both the accreditation procedure. The start of the JI accreditation process was announced on the UNFCCC JI website on 26 October 2006 and from this date applications for JI accreditation were received by the secretariat.

16. Since the announcement of the start of the JI accreditation process, 16 applications for accreditation have been received from independent entities (Ies). All of these applications are from entities that also applied for accreditation under the clean development mechanism (CDM); 13 of these may act provisionally as AIEs under JI for at least one function (determination regarding a PDD or determination of reductions of emissions by sources or enhancements of removals by sinks) in at least one sectoral scope until the JISC takes a final accreditation decision on these entities.

17. The JI-AP has established JI assessment teams (JI-ATs) for 15 applications for accreditation. Based on the assessment work of the JI-ATs, the JI-AP has already issued an indicative letter (a letter indicating successful completion of the desk review and the on-site assessment) to 14 applicant IEs.

18. The JISC, based on the recommendations by the JI-AP, accredited the following four IEs:

- (a) TÜV SÜD Industrie Service GmbH;
- (b) SGS United Kingdom Ltd.;



- (c) Bureau Veritas Certification Holding SAS;
- (d) Det Norske Veritas AS (DNV).

19. To ensure that information on decisions by the JISC and the process leading thereto was well communicated, members and alternate members of the JISC and the secretariat convened and/or took part in a number of events at which processes were explained and results presented. The JISC took note of interests and concerns of stakeholders and, wherever feasible and appropriate, sought to address them through improved processes and procedures.

C. Scope of the report

20. The report on experience with the verification procedure under the JISC will provide information on the progress made towards the implementation of the JI mechanism since the establishment of the JISC. The report will provide recommendations and propose:

- (a) Possible changes to the JI mechanism to be considered immediately by the JISC;
- (b) Improvements of the present verification procedure to be considered by the CMP at its sixth and subsequent sessions; and
- (c) Possible modifications in the future operation of the JI mechanism to be considered by the CMP in the negotiations for any future agreement under the UNFCCC.

21. The report will highlight accomplishments and challenges faced by different stakeholders over the reporting period, as well as opportunities for improvements going forward. It will present information on the decisions and actions taken by the JISC and will summarize the status of JI-related matters handled by the JISC during this period. It will also address governance issues, especially measures undertaken to ensure the efficient, cost-effective and transparent functioning of the JISC, as well as resource requirements for the work on JI.

D. Possible areas of focus and structure of the report

22. The report will summarize the experience of stakeholders in implementing the JI mechanism, mainly focusing on the following aspects: participation requirements; involvement, actions and roles of different actors, including the JISC and its support structure, as well as Parties and DFPs, AIEs, project participants, and international and non-governmental organizations; JI project requirements and guidelines (baseline setting and monitoring, additionality, etc.); accreditation of independent entities; JI forms; management and governance of JI and the JISC.

23. The proposed structure of the report is presented below:

I. Introduction

- A. Mandate
- B. Scope of the report

II. JI Milestones and achievements

III. Experience

- A. Verification procedure under the JISC
- B. Accreditation of independent entities
- C. Roles of different stakeholders
- D. Project requirements, guidelines and forms
- E. Outreach, communication and cooperation between stakeholders

IV. Management and governance matters



- A. Management of the JI mechanism
- B. JISC management issues (participation, elections, membership)
- C. Resources, budget and expenditures

V. Perspectives

- A. Challenges and opportunities
- B. Long-term considerations and implications

VI. Recommendations and proposed changes

- A. Issues for consideration by the JISC
- B. Issues for consideration by the CMP

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