



Annex 6

**DRAFT RECOMMENDATIONS ON OPTIONS FOR
BUILDING ON THE APPROACH EMBODIED IN JOINT IMPLEMENTATION**



**RECOMMENDATIONS ON OPTIONS FOR
BUILDING ON THE APPROACH EMBODIED IN JOINT IMPLEMENTATION**

I. EXECUTIVE SUMMARY

1. [to be completed after JISC 25]

II. INTRODUCTION

2. The Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (CMP), by its decision 4/CMP.6, took note of the view of the Joint Implementation Supervisory Committee (JISC) on the need for a future operation of joint implementation (JI) after the first commitment period of the Kyoto Protocol and decided to initiate, at its seventh session, the first review of the JI guidelines in accordance with decision 9/CMP.1.
3. By the same decision, the CMP requested the JISC to make recommendations to its seventh session on options for building on the approach embodied in JI, with a view to the CMP considering the recommendations as part of the first review of the JI guidelines. The recommendations of the JISC were to take into account, inter alia, the “report on experience with the verification procedure under the JISC and possible improvements to the future operation of JI”¹ and ongoing work being carried out by the Ad Hoc Working Group on Further Commitments for Annex I Parties under the Kyoto Protocol (AWG-KP).
4. As argued in the JI experience report, the overwhelming sense of the JISC is that JI is at a crossroads. There remains much untapped potential in the approach currently implemented through JI but the JISC considers that significant changes in the setup of the mechanism will be needed if it is to realize this potential and secure its relevance as a mitigation tool beyond 2012. The JISC therefore values this opportunity to elaborate further on the thinking contained in its JI experience report and contribute to the discussion on how the approach embodied in JI can be taken forward in the future.
5. The remaining sections of this annex set out key recommendations which the JISC believes should be considered in depth by Parties in the context of the review of the JI guidelines to be initiated at the seventh session of the CMP. Specific decision language which may be considered in this regard is provided in the appendix [to be added and completed after JISC 25].
6. The JISC is aware that significant issues remain to be resolved regarding the overall architecture of the international climate regime after 2012 and does not consider it to be the role of the JISC to enter into this debate. Instead, the JISC has endeavoured to consider practical approaches to the generation and promotion of offset credits within the generic context of national emission commitments. The JISC considers that such credits may be given recognition at either domestic or international levels and within many possible variants of a future international climate regime.

III. JOINT IMPLEMENTATION UNDER THE FIRST COMMITMENT PERIOD

A. Current role and approach

7. The origins of JI under the Kyoto Protocol lie in Article 4, paragraph 2(a), of the Convention, which states that Parties included in Annex I may implement policies and measures on the mitigation of climate change jointly with other Parties and may assist other Parties in contributing to the achievement of the objective of the Convention.

¹ The report, hereafter referred to as the JI experience report, is contained in annex I to the annual report of the JISC to the CMP (FCCC/KP/CMP/2010/9).



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8. This provision led to the launching of the pilot phase of “activities implemented jointly” (AIJ) at the first session of the Conference of the Parties (COP) under which Annex I Parties may implement projects in other countries that reduce emissions of greenhouse gases or enhance their removal through sinks. The Kyoto Protocol took this approach a step further by formalizing JI within the context of the Protocol’s quantified emission commitments and providing for the crediting of emission reductions and removals within the overall accounting of the Protocol.
9. The essence of JI is to provide a common basis for Parties with quantified emission targets to collaborate in the mitigation of climate change. This common basis comprises many factors, with the minimum being compatible accounting standards and procedures, leading in turn to the mutual recognition of emission reductions and removals against emission targets among these Parties.
10. The specific version of this approach under Article 6 of the Kyoto Protocol enables Annex I Parties (or legal entities authorized by them) to support projects that reduce or remove the emissions of other Annex I Parties, thereby allowing for greater cost-effectiveness in the overall mitigation actions taken by these Parties to meet their emission targets under the Protocol. The resulting offset credits, known as emission reduction units (ERUs)², may be used within the host Party or in another Annex I Party as a means of meeting either government emission commitments under the Kyoto Protocol or the emission obligations of private and public entities under domestic or regional emissions trading systems.
11. The use of JI is of different value to different actors. The host entity or Party stands to gain financial and technological support in its efforts to reduce emissions or enhance removals, while the investing entity or Party stands to gain offset credits at lower cost than those involved in achieving emission reductions or removals within their own activities or territories. In many cases, the mere presence of an economic opportunity to reduce or remove emissions is not sufficient. JI provides a programme, with clear rules of engagement, which serves to incentivize and channel mitigation action, in particular among private sector actors.
12. JI under the current guidelines is divided into two “tracks”. Commonly known as “JI Track 1”, the first method represents the basic model as originally envisaged for JI during the preparation of the JI guidelines. Under this track, the host Parties assume responsibility for the approval of projects, the verification of the resulting emission reduction and removals, and the issuance of ERUs.
13. In order to ensure the integrity within Kyoto’s overall accounting framework of the ERUs issued, host Parties need to meet a set of eligibility requirements relating to the accounting systems and processes that Parties are required to institute, at a national level, to measure their annual emissions and removals and demonstrate compliance with their emission commitments. Specifically, each Party must:
- (a) Be a Party to the Kyoto Protocol;
 - (b) Have calculated its assigned amount and had it recorded with the UNFCCC secretariat;
 - (c) Have in place a national system for the estimation of emissions and removals;
 - (d) Have in place a national registry;
 - (e) Have submitted the most recent inventory of emissions and removals that is required;

² ERUs are issued by converting existing assigned amount units (AAUs) or removal units (RMUs).



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- (f) Have implemented the accounting of assigned amounts in accordance with the relevant provisions of the Kyoto Protocol and, on this basis, have submitted its most recently required supplementary information on its assigned amount.

14. This integration of JI within the accounting framework of the Kyoto Protocol means that, in effect, JI projects redistribute mitigation effort among Annex I Parties without impacting on the overall magnitude of the mitigation undertaken. A reduction of emissions in the host Party is compensated by the transfer of assigned amount, in the form of ERUs, to the investing Party. As a result, although the additionality of emission reductions and removals remains a core requirement of JI projects³, JI does not carry any risk of increasing the overall level of emissions allowed from Annex I Parties as a whole.

15. The second method, commonly known as “JI Track 2”, was originally conceived as a system of international oversight for projects in Annex I Parties that had not yet met all the eligibility requirements for JI. Track 2 sets out a verification procedure under the JISC for JI projects. Once emission reductions and removals are deemed final under the Track 2 process, ERUs may be issued and transferred by the host Party if it meets just three of the eligibility requirements: (a) being a Party to the Kyoto Protocol, (b) having had its assigned amount calculated and recorded and (d) having in place a national registry.

16. Despite meeting all the eligibility requirements for Track 1, some JI Parties have elected to make use of the Track 2 procedure for some or all of the projects they host. This allows such Parties and project participants to benefit from the international oversight and transparency provided by the Track 2 procedure, and reduces the risk of the Party not being able to issue and transfer ERUs in the event of its eligibility to participate in the JI track 1 procedure being suspended.

B. Current status of the mechanism

17. The pipeline of active JI projects under Track 2 currently numbers over 200, including one programme of activities (PoA), with more than 30 so far having been finally determined to meet the relevant requirements. If all projects in the pipeline were to be realized under Track 2, the number of ERUs generated may reach 350 million for the first commitment period. In addition, over 260 projects are currently registered under Track 1.

18. These numbers reflect strong recent growth in the quantity of projects coming on stream and are consistent with the expectation of an influx in projects towards the end of the commitment period. This is also reflected in ERUs, with the issuance of ERUs across both tracks totalling 15 million in the first five months of 2011 and 31 million in 2010, compared to 6 million in 2009 and 120,000 in 2008. Of these, 8.5 million ERUs were issued for projects registered under the Track 2 process.

Table 1
Issuance of emission reduction units

	<i>Track 1</i>	<i>Track 2</i>	<i>Total</i>
2008	120,000	-	120,000
2009	4,670,641	1,324,448	5,995,089
2010	28,033,010	2,921,570	30,954,580
2011*	11,177,156	4,211,393	15,388,549
Total	44,000,807	8,457,411	52,458,218

* As at 1 June 2011. Source: UNFCCC

³ Article 6, paragraph 1(b), of the Kyoto Protocol.



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19. Although early project developers were active in JI as early as 2000, the JISC commenced its work only with the entry into force of the Kyoto Protocol in 2005. Although some host countries began around this time with their national policies, a number of key countries have relatively recently put in place the institutions and procedures needed to significantly upscale the number of projects being developed and verified. The JISC considers that, with key elements of a broader foundation for JI in place, the mechanism now has potential for considerable further growth.

C. Treatment during the “true-up” period

20. An area of uncertainty often identified by JI stakeholders is how JI activities under the first commitment period would be “closed off” as part of the transition to a second commitment period under the Kyoto Protocol or any other form of new commitments for the period beyond 2012. In the understanding of the JISC, as emission reductions and removals occurring from 1 January 2008 to 31 December 2012 are to be issued as ERUs for the first commitment period, verification activities relevant to this first commitment period will need to continue in 2013 and perhaps thereafter.⁴ Such issuance is unrelated to any issues concerning the international climate regime beyond 2012.

21. It will however be in the interest of many Parties and entities to have ERUs relating to the first commitment period issued soon after the end of 2012, at the latest, if they are to be used for compliance purposes. ERUs may be used by Parties for compliance with their commitments under the first commitment period of the Kyoto Protocol up to the end of the “true-up period”, which is expected to extend until around mid-2015.⁵ However, entities with compliance obligations fall under rules for domestic or regional emissions trading systems, such as the EU emissions trading system, which may impose earlier deadlines for using ERUs relating to the first commitment period.

22. Annex I Parties may “carry over” ERUs from the first commitment period under the Kyoto Protocol for use in complying with emission targets for a second commitment period.⁶ However, each Annex I Party may carry over ERUs from the first commitment period only up to a limit of 2.5% of its original assigned amount for the first commitment period.⁷ Entities covered by emissions trading may be subject to other rules determining the extent and timing of banking into the next compliance period.

IV. RECOMMENDED EVOLUTION OF JOINT IMPLEMENTATION

A. Purpose and context

23. The JISC believes in the value of the offsetting approach for the “capped” environment of quantitative emission commitments, as embodied in JI, as a means of increasing the cost-effectiveness of mitigation and allowing for deeper cuts in emissions to be made. The specific value of JI, and in particular JI under the international oversight of the Track 2 procedure, rests in its ability to give integrity and value to the measurement and issuance of offset credits in a way that a single Party working in isolation is not able to achieve. The resulting credits can be readily accepted in countries other than the project host for the purpose of fulfilling emission targets – at a domestic or international level and under the Kyoto Protocol framework or any other international system of quantitative targets.

⁴ The serial numbers of these ERUs, although issued after 31 December 2012, will nevertheless indicate that they were issued for the first commitment period under the Kyoto Protocol.

⁵ The true-up period, which is formally known as the “additional period for fulfilling commitments”, is defined by decision 27/CMP.1, annex, article XIII, as extending to 100 days after the date agreed by the Parties for completing the reviews of Annex I Parties’ emission inventories for the 2012 calendar year.

⁶ This carry over applies only to ERUs that have been converted from AAUs on the basis of reductions in emissions. It does not apply to those converted from RMUs on the basis of emission removals.

⁷ Decision 13/CMP.1, annex, paragraph 15. Such carry-over results in the serial numbers of the ERUs being updated.



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24. The need for such universal acceptance of offset credits would be reinforced in an environment of greater fragmentation in the carbon market. Many trading systems are currently under consideration or being implemented and the challenges in linking these remain strong. In offering the acceptance of offset credits within the accounting regimes established for each trading system, a universal offset standard would offer greater access to lower-cost abatement opportunities, lower transaction costs and stronger engagement of the private sector. It would provide a form of indirect linking between trading systems that would contribute to effective cost-containment and the convergence of offset and allowance prices.

25. However, the JISC considers that JI needs to evolve further if it is to realize its potential and provide a more substantive mitigation tool for Parties. This evolution needs to occur on different levels. Firstly, changes to the implementation of JI can occur within the current JI guidelines, with a particular focus on building more growth into JI in the near to medium terms. Many such measures to re-orient the immediate work programme in this manner are being pursued by the JISC.⁸

26. Secondly, the review of the JI guidelines adopted by the CMP through its decision 9/CMP.1 provides a wider opportunity to further evolve the underlying model of JI as it is known today. The JI experience report noted a number of areas where such more far-reaching changes could be made. The remainder of this section IV. addresses such areas and presents specific recommendations.

B. Verification process

27. As described in section III. A. , the verification process under the current JI mechanism is split between procedures under the authority of host Parties (Track 1) and those under the authority of the JISC (Track 2). This has given rise to a number of concerns. The JISC is of the view that this two-track approach to JI is not sustainable and is hindering the success of the overall JI mechanism in a number of ways:

- (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;⁹
- (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.

⁸ Section VI of the JI experience report elaborates such measures, including (a) clarifying and elaborating on a number of issues in the guidance that it has issued, including the possible use of innovative methodological approaches such as standardized baselines and programmatic approaches, (b) further exploring the possibility of setting time limits on phases of the JI project cycle, (c) increasing cooperation with the designated focal points (DFPs) of Annex I Parties, in particular through the possible establishment of a DFP forum, (d) strengthening its outreach activities and collaboration with JI stakeholders, and (e) increasing the number and capacity of accredited independent entities (AIEs).

⁹ As a result of decision 4/CMP.6, the JISC has now introduced a fee for projects under the Track 1 procedure in order to compensate this effect and the issue of fees is again to be reviewed at the seventh session of the CMP.



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28. The original concern giving rise to the two tracks, namely that some Annex I Parties may not be in a position to meet all of the JI eligibility requirements, has proven to be unfounded.
29. The JISC **recommends** that the JI guidelines be revised to replace the current two-track approach with a single, unified verification process, such that JI projects are undertaken in accordance with a consolidated set of guidance that emphasizes the strengths of each of the current tracks, especially with regard to measures to ensure international oversight, transparency and consistency.
30. Several questions may need further exploration to elaborate this proposal:
- (a) What design of the project cycle should be recommended for inclusion within the single verification process? Should it differ from the current Track 2 process and, if so, how?
 - (b) 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?
 - (c) 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?

C. Governing body

31. The JISC **recommends** that, as part of the revised JI guidelines, the CMP establish a new governing body for the single verification process. This governing body should operate under the authority of , and be accountable to, the CMP and should focus on:
- (a) Setting minimum standards and procedures for the generation of offset credits in a capped environment, with the implementation of those standards and procedures occurring at the level of the host Party, as well as non-mandatory guidance to promote further harmonization of the implementation at national level;
 - (b) Providing oversight over the conformity of Parties' implementation of the minimum standards and procedures and requiring the rectification of any cases of non-conformity;
 - (c) Establishing an accreditation process to accredit auditors that would provide services to Parties in the implementation of JI;
 - (d) Ensuring the transparency of the JI mechanism, including its processes and decision-making, and actively promoting awareness of the JI mechanism;
 - (e) Reporting to the CMP on the implementation of JI and the overall conformity of JI activities with the established policy framework.
32. In this manner, the governing body would not be involved in the assessment of projects, except as part of its oversight responsibilities.
33. Although the governing body would be accountable to the CMP, it should act as a collaborative forum in which interested Parties can build a robust mechanism which both meets their needs and creates credible offset credits that hold their value in an increasingly competitive offset market. The JISC considers that participating Parties should consider it within their interests to maintain the integrity of the JI mechanism. It would nevertheless be important to ensure the full transparency of the mechanism and the effective reporting of the governing body to the CMP.



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34. The governing body should conduct its work in an executive and impartial manner. It should delegate responsibility to committees composed of external experts and to the UNFCCC secretariat as the primary source of support to the governing body and committees.

35. The JISC **recommends** that the governing body be kept to a manageable size, with at least half of the members being drawn from Parties active in hosting JI projects. Further membership should draw upon representatives of other Parties, including developing countries, and possibly business and environmental constituencies. It would be necessary to ensure that the membership of the governing body reflects experience and competence in policy and strategic issues relating to regulatory processes and encompasses perspectives from both the public and private sectors.

36. Several questions may need further exploration to elaborate this proposal:

- (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?
- (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?
- (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?
- (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?
- (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?
- (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”)?

D. National project approval

37. The JISC **recommends** that only the host Party of a project be required to give its national approval. This would streamline the process of implementing projects and recognize that the primary interest in approving projects lies with host Parties. This would involve a clarification of the definition of “Parties involved” in JI projects, as projects currently need to have national approval from the host Party and at least one other Annex I Party.

38. The JISC **recommends** that the procedures defined and implemented for the national approval of projects be harmonized. Host Parties need to determine themselves the specific requirements of projects that proceed on their territories. Nevertheless, in line with the



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harmonization aims of moving to a single verification process, bringing greater harmonization into the national procedures for gaining such approval would reduce knowledge barriers, increase consistency and provide a basis for reducing the time required to be granted approval.

39. The JISC **recommends** that, upon the acceptance of a project within the JI system, host Parties set aside a quantity of credits for subsequent distribution to project participants. This may help to accelerate the issuance process once verification has been completed, and reduce the risk taken by project participants with respect to the host Party's fulfilment of any necessary eligibility requirements and its ability to issue and transfer ERUs. Such measures could include the creation of a dedicated registry account for JI, either in a Party's national registry or in a separate JI registry.

E. Eligibility requirements

40. The current eligibility requirements for the Kyoto mechanisms perform an important function in ensuring that participating Parties have implemented agreed systems and processes relating to:

- (a) The accounting of greenhouse gas emissions by sources and removals by sinks and the reporting of required information to the UNFCCC. These actions are to be conducted in accordance with decisions pursuant to Article 5, paragraph 1, and Article 7 of the Kyoto Protocol, and are reviewed under decisions pursuant to its Article 8. These systems and processes may also be referred to as measurement, reporting and verification (MRV);
- (b) The accounting of compliance quantities, or "assigned amounts" in Kyoto terminology, including registry transactions to enact the issuance, transfer and acquisition of ERUs.

41. Whether such eligibility requirements would be appropriate in the post-2012 period will depend on the nature of the international climate regime to be agreed. Any guidance provided by the CMP in relation to the MRV of emission reductions and removals at the level of JI projects and PoAs, as well as any relevant guidance provided by the governing body, would need to be compatible with wider provisions relating to the MRV of emissions and removals at the national level. Similarly, any CMP guidance provided in relation to the issuance of offset credits under JI would need to be compatible with any wider modalities on the accounting of compliance quantities. In these cases, there may be a need for Parties to meet specific requirements before being deemed eligible to participate in JI.

42. It should also be noted that there is presently no requirement that the fulfilment of the current eligibility requirements by a Party should be reassessed in the context of a second commitment period. Therefore, in the event that a second commitment period is agreed that mirrors the approach taken to the first commitment period, it may be necessary to make the eligibility of Annex I Parties contingent on a demonstration that they meet eligibility requirements that are specific to this second commitment period. For example, it may be necessary that a Party ratify the amendments to the Kyoto Protocol pertaining to its commitment for the second commitment period, that its assigned amount for this commitment period be calculated and recorded in accordance with the relevant guidance, and that any new guidance for national systems, national registries or reporting be adhered to.

43. The JISC **recommends** that the CMP consider the possible need for eligibility requirements for participation in JI in light of further clarity emerging on the future international climate regime beyond 2012.



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F. Financial resources

44. The JI experience report discussed at length the historical and expected future financial situation of the JISC and its work under the Track 2 process, which has proven vulnerable in the past to unpredictable fluctuations in both fees and contributions from Parties. The JISC was initially funded through voluntary contributions of Parties, which continue to some extent, and a combination of flat fees on accreditation cases and variable fees on the verification of emission reductions and removals.¹⁰ Income has generally not been sufficiently stable to allow the appropriate implementation of planned activities.

45. The JISC considers that a truly sustainable and acceptable approach to financing must lie in ensuring the development of JI to a necessary scale such that it can provide fee-based income that is sufficient, and sufficiently predictable, to meet the needs of the system. It is therefore important to consider financial issues in the context of any revisions to the JI guidelines if JI is to become self financing in the future.

46. The JISC **recommends** that a mixture of fees on accreditation, registration and verification cases should be established to fully fund the work of the governing body, its committees and support structure in a sustainable and predictable manner. Given the higher volume of projects that could be expected to result from the recommended revision of the JI guidelines, the JISC considers it to be possible to optimize the fee levels in a manner which is sufficient for the needs of the work while not being onerous for individual projects.

47. Several questions may need further exploration to elaborate this proposal:

- (a) 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?

V. TRANSITIONAL ISSUES

48. It would be important to ensure a smooth transition for JI projects from treatment under the current JI guidelines, including during the true-up period, to the implementation of any revisions, especially in view of the time that would be needed after the adoption of revised guidelines for the governing body and new standards and procedures to be established. It would therefore be important to put in place transitional measures such as some or all new guidance not being retroactively applied to existing projects, staged or discretionary implementation of new guidance, and adequate advance notice of new guidance becoming applicable.

49. The JISC **recommends** that such transitional measures be considered in the review of the JI guidelines, with a view to establishing principles to guide the implementation of any revision.

50. The JISC is aware of the current uncertainty regarding the nature of the international climate regime beyond 2012 and the level of ambition in reducing emissions that will be agreed. Uncertainty regarding the continuity of the CDM and JI in the post-2012 period is often cited as a major hindrance to investment in both mechanisms, as longer crediting periods are typically required to ensure the financial viability of projects. Of the PDDs received under the Track 2 procedure in recent years, most envisage a continuation of crediting beyond 2012, and some host Parties have begun approving projects with longer crediting periods, on the understanding that JI will continue beyond 2012.

51. The JISC understands that there is no prohibition from JI projects continuing to be determined and emission reductions and removals continuing to be verified in the absence of

¹⁰ For projects other than small-scale projects and PoAs, or projects with expected average emission reductions or removals below 15,000 tCO₂eq per year, an advance payment of the verification fee is payable upon submission of determination reports regarding PDDs.



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emission targets having entered into force for the period beyond 2012. However, prior to entry into force of such targets, there will be no AAUs or RMUs for a second commitment period that may be converted into ERUs through the issuance process.

52. 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.

53. Several questions may need further exploration to elaborate this proposal:

- (a) What specific transitional measures should be proposed and how might they work?
