



Annex 3

CONCEPT NOTE ON THE REVIEW OF THE JOINT IMPLEMENTATION GUIDELINES

(Version 01.0)

I. Background

1. The Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (CMP) at its seventh session took note of the Joint Implementation Supervisory Committee's (JISC) "Recommendations on options for building on the approach embodied in joint implementation" (FCCC/KP/CMP/2011/9) and requested the JISC to draft a revised set of key attributes and transitional measures dealing with possible changes to the joint implementation guidelines and present it to the CMP at its eighth session.
2. The JISC at its twenty-eighth meeting agreed, in addition to revising its recommendations, to further provide a draft revision of the joint implementation (JI) guidelines to the CMP in order to illustrate the implementation of the key attributes and transitional measures. The JISC requested the secretariat in collaboration with a group of JISC members (Mr. Beck, Mr. Chyzenko, Mr. Dombrowicki, Mr. Kudo, Mr. Lansana, Mr. Leguet, Mr. Pluzhnikov, Mr. Sokolov, Ms. Wollansky, and Ms. Voitekhovitch) to prepare draft materials for consideration by the JISC at its twenty-ninth and thirtieth meetings.
3. This concept note was prepared by the secretariat together with the group of JISC members mentioned above. It is intended to serve as a basis for the JISC to provide further guidance to the secretariat and group of JISC members in preparing draft revised JI guidelines for its consideration at its thirtieth meeting. The note elaborates on the JISC recommendations referred to in paragraph 1 and is organized according to the key elements of a revised JI mechanism, as set out in the following section.

II. Elements for elaboration in the revised JI guidelines

A. Definition of activities

4. The current definition of JI projects, as contained in the JI guidelines, provides a sufficiently open definition that can encompass projects, programmes of activities, sectoral approaches, policy-driven initiatives, etc. This open definition should be maintained, but using the term "activity", as this is more general than "project".
5. The crediting period of an activity should be decided by the host Party, provided that it does not exceed the lifetime of the JI activity.
6. The baseline of the JI activity should be approved by the host Party as part of the registration of the activity and should be updated periodically. The period between updates should not exceed a period stipulated by the host Party but should in any case not exceed [five] [ten] years.
7. Standardized baselines or other sectoral benchmarks may be set by host Parties, taking into account international requirements from the governing body. Such baselines and benchmarks should be updated periodically by the host Party. The period between updates should not exceed [five] [ten] years.
8. Additionality, and the criteria for assessing the additionality of a JI activity, should be regulated by the host Party, taking into account international requirements from the CMP and governing body. The additionality of a JI activity should in all cases be validated by an accredited entity.



B. Project Cycle

9. The JI guidelines should ensure the appropriate, transparent and consistent measurement, reporting and verification of achieved emission reductions and removals while ensuring that the transaction costs and knowledge barriers associated with JI are maintained at acceptable levels.
10. The project cycle should be characterized by the following key steps and responsibilities:
- (a) **Activity development.** Development of a JI activity design document by participants in the JI activity. The design document should be made publicly available through the secretariat and should describe the JI activity, including its additionality, proposed baseline, monitoring method and environmental impacts, in line with national regulation and international regulation set by the CMP and the governing body. The secretariat should assign an activity number at the time of its publication of the design document;
 - (b) [**Public consultations.** Activity developers should follow national and international regulations for public consultations to ensure that inputs from local stakeholders are considered. The design document should also be made publicly available by an accredited entity through the secretariat and be open for public comments from global stakeholders for a minimum of 30 days;]
 - (c) **Validation.** The proposed JI activity should be assessed by an accredited entity that will validate the JI activity's compliance with all national and international regulations;
 - (d) **Registration.** Upon validation, the host Party should register the proposed JI activity, in line with national and international regulations (this step entails the approval of the host Party). The host Party should make its decision and all relevant JI activity information publicly available immediately through the secretariat;
 - (e) **Monitoring.** Monitoring should be undertaken by the activity participants. [Monitoring reports should be published by an accredited entity through the secretariat];
 - (f) **Verification.** Emission reductions and removals should be verified by an accredited entity in line with national and international regulations. A verification report and supporting documentation should be made publicly available by an accredited entity through the secretariat;
 - (g) **Issuance.** A request for issuance by the project participant should be made publicly available by the accredited entity through the secretariat. Unless a special issuance assessment by the governing body is initiated by the governing body [or through the host Party raising an objection to the issuance within 15 days of the request for issuance being made public], the governing body should issue the credits in a JI registry. The governing body may initiate a special issuance request on a random basis or based on reviews or performance assessments of accredited entities. A special issuance assessment may result in issuance not being carried out or a different amount of credits being issued.
11. The host Party may determine that a lower amount of credits should be issued than the actual emission reductions or removals achieved by the JI activity. Any limitations should be elaborated in the national regulations of the host Party, be clearly identified by the host Party at the time of registration, and be accounted for by the accredited entity during the verification of emission reductions.



12. The credits should not be issued by converting assigned amount units (AAUs) or removal units (RMUs), but the issuance should cause a subsequent and equivalent deduction from the emission target of the respective JI activity host Party.

13. All national and international regulations and all documentation supporting JI activities should be publicly available in English.

C. Functions of the new governing body

14. The main functions of the new governing body are:

- (a) Setting mandatory standards and procedures and best practice guidelines, including through collaboration with host Parties;
- (b) Issuing offset credits, on the basis of verification by accredited verifiers;
- (c) Accrediting verifiers and supervising their performance;
- (d) Overseeing conformity of the implementation of JI with the mandatory standards and procedures and requiring the rectification of any cases of non-conformity;
- (e) Reporting to the CMP on the implementation of JI and the conformity of JI activities with guidance provided by the CMP and the governing body;
- (f) Fostering robustness of the JI mechanism, ensuring its transparency, including with regard to its processes and decision-making, and actively promoting awareness of the JI mechanism.

15. The effectiveness of the governing body's oversight of the implementation of JI (function (e) above) is crucial in allowing the decentralized regulatory approach central to this proposal. Such oversight of the system by the governing body should be provided for through:

- (a) Publication by Parties of up-to-date national policies, standards and procedures of participating Parties through the secretariat;
- (b) A transparent system of reporting by host Parties, and review by the governing body, of the national implementation of JI. An initial review should be successfully conducted prior to the registration of activities. [Annual] [Two-yearly] reviews should be conducted to monitor ongoing implementation. Spot reviews may be triggered by the governing body, in accordance with agreed criteria. The scope of reviews should be the conformity of the implementation of JI with the mandatory standards and procedures;
- (c) The governing body may suspend host Parties from participating in JI, in accordance with agreed and clear criteria. Partial suspension should be possible, in conjunction with a suspension of issuance;
- (d) Reviews should be conducted by independent expert teams under the authority of the governing body. The teams should be assembled independently by the secretariat from a roster of [non-government] experts nominated by Parties.

16. The ability of the governing body to require the rectification of any cases of non-conformity is also essential for the effectiveness and credibility of the body. Such requirements should be implemented through:

- (a) The establishment of clear deadlines for rectifying non-conformities;



- (b) Focused reviews by independent expert teams of rectified non-conformities.

17. Appeals against national decisions on JI activities should be considered by national institutions of the host Party in question.

18. [Decisions by the governing body in respect of paragraph 14 above should be final.] [Appeals against decisions by the governing body in respect of paragraph 14 above should be considered by an independent body established by the CMP].

D. Mechanisms of the new governing body

19. The governing body should comprise [10] [16] members [nominated by Parties hosting, or preparing to host, JI activities] [, as follows:

- (a) [Seven] [10] members nominated by Parties with quantitative emission targets;
- (b) [Three] [Six] members nominated by Parties without quantitative emission targets;]

20. At least [two] [four] of the members referred to above should be from outside government, such as from academia, research institutes, business/industry or environmental organizations. There should be no alternate members.

21. Twice the number of potential members to be elected in a given year should be nominated by Parties to a shortlist, with published curricula vitae. The CMP should elect the members from this shortlist.

22. Members should serve in their personal capacities, each generally for a term of two years ([five][eight] should be initially elected for two years and the remainder initially elected for one year). [Members may serve up to three [consecutive] terms.] The governing body should elect a chair and vice-chair for a term of one year.

23. All members of the governing body should have experience and competence in developing policy and strategy frameworks within regulatory processes, preferably but not necessarily in an international environment, and an understanding of business perspectives regarding investment in the environmental field. Overall, the membership of the governing body should include perspectives from both the public and private sectors, as well as civil society.

24. The governing body may establish panels to address technical issues. Panels should be fully independent, with responsibility for technical assessment and recommendations to the governing body (e.g. in relation to accreditation, performance monitoring of accredited entities, methodologies and special issuance assessments). Panels should comprise experts in the relevant field. Members should serve for two-year terms. [Members of each panel should elect a chair and vice-chair from among themselves] [The governing body should elect from its membership a chair and a vice-chair for each panel], for a term of one year.

25. The governing body and its panels should be supported by the UNFCCC secretariat.

26. The governing body should be financed via [fees levied on national JI authorities on the basis of activity volumes] [a mixture of fees on accreditation and the issuance of credits]. The governing body should establish the modalities and size of fees, within limits established by the CMP and supported by a publicly available rationale.



E. Regulatory framework

27. The regulatory framework of JI should be made up of four different levels: (a) CMP decisions, (b) mandatory regulations set by the governing body, (c) voluntary guidelines set by the governing body and (d) regulations set at national level.
28. Regulations set through CMP decisions are required to provide cornerstone guidance for the work of the governing body and Parties under JI, including on issues which may be too political or controversial for the governing body to decide. Such regulation should include:
- (a) Modalities and procedures for how JI should work, including principles for baseline setting (e.g. Annex 1 of the Guidance on criteria for baseline setting and monitoring);
 - (b) Rules of procedure of the governing body;
 - (c) Delegation of responsibility and functions to the governing body;
 - (d) Sanctions to be applied by the governing body on Parties;
 - (e) Accounting modalities to adjust assigned amount for issuance that occurs;
 - (f) Reporting of the governing body to the CMP, including on non-conformities and rectification;
 - (g) Principles for fees implemented by Parties and the governing body.
29. Mandatory regulations should be set by the governing body where it is important that all Parties operate JI in a uniform manner. In many instances, such regulation may set minimum requirements upon which Parties may build. Such regulation should include:
- (a) Minimum standards for JI activities;
 - (b) Minimum procedures for registration;
 - (c) Standards and procedures for baseline methodologies;
 - (d) [Approved baseline and monitoring methodologies;]
 - (e) Standards and procedures for monitoring, reporting and verification (MRV);
 - (f) Standards and procedures for issuance;
 - (g) Standards and procedures for fees.
30. Voluntary guidelines should be set by the governing body where aligned approaches in Parties' implementation of JI are desirable but variation is possible. In many instances, such voluntary guidelines may build upon mandatory regulations. Such regulation should include:
- (a) Guidelines for elaborating national standards for JI activities;
 - (b) Guidelines for elaborating national procedures for registration;
 - (c) Guidelines for baseline setting;
31. National regulation should build upon regulations set by the governing body or where there is no need for any alignment via governing body regulation. Such national regulation should include:



- (a) National standards for JI activities;
- (b) National procedures for registration;
- (c) Determination of baselines;
- (d) [Approved baseline and monitoring methodologies;]
- (e) Implementation of discounting or conservative baselines;
- (f) Levels and procedures for fees.

F. Accreditation of entities (validation and verification)

32. The governing body should supervise the JI accreditation process, determine accreditation standards and accredit entities in order to safeguard the environmental integrity of JI activities.

33. Accredited entities operating under the revised JI guidelines will be more autonomous. The following strengthening measures, compared to the existing system, should be considered:

- (a) A more sophisticated accreditation process, including possible alignment with international accreditation bodies and standards (e.g. ISO 17011), including adoption of sampling methodologies which could further optimize the work of the JI accreditation teams with respect to auditing, performance monitoring and data collection;
- (b) Utilize synergies and merger possibilities with other internal or external accreditation processes and market mechanisms (e.g. CDM);
- (c) Development of sanctions for poor performance to complement possibilities for the suspension or withdrawal of accreditation.

34. An accredited entity's suspension or withdrawal should not affect existing activities that have been registered and/or for which credits have been issued.

G. Integration with the wider international climate regime

35. Parties must meet eligibility requirements relating to inventories and assigned amount accounting before they may register JI activities on their territory. The eligibility requirements should be those generally applicable for the Kyoto mechanisms under the second commitment period.¹

36. Modalities would be needed to make a corresponding deduction from the assigned amount of the host Party to compensate for the issuance of credits of JI activities on its territory. Such modalities should be incorporated in the wider assigned amount modalities for the second commitment period.

37. The way for the potential integration of JI with other market mechanisms should be maintained by ensuring a transparent and coherent JI system that is open to linkage.

¹ These eligibility requirements relate to general Kyoto Protocol requirements and are assessed by the Compliance Committee under the Kyoto Protocol. They differ from the assessment of JI-specific requirements through the initial reviews referred to in paragraph 15(b) option 1.



III. Expectations of the JISC

38. It is expected that the JISC provide feedback on the proposed elements of the revised JI guidelines to the secretariat and group of JISC members to facilitate their preparation of draft key attributes and draft revised JI guidelines for the consideration of the JISC at its thirtieth meeting.

History of the document

Version	Date	Nature of revision
01.0	14 May 2012	Initial publication as an annex to the annotated agenda of JISC 29.
Decision Class: Operational, Regulatory Document Type: Information Note Business Function: Governance		