



Annex 4

CONCEPT NOTE ON IMPLICATIONS AND POSSIBLE SOLUTIONS FOR JOINT IMPLEMENTATION PROJECTS IN THE PERIOD OF TRANSITION FROM THE FIRST TO THE SECOND COMMITTEMENT PERIOD OF THE KYOTO PROTOCOL

(Version 01.0)

I. Background

1. The Joint Implementation Supervisory Committee (JISC), at its twenty-ninth meeting, considered issues concerning the operation of joint implementation (JI) projects during the transition from the first commitment period (CP1) to the second commitment period (CP2) of the Kyoto Protocol. The JISC noted that wider issues of this transition are currently under the consideration of the Subsidiary Body for Scientific and Technological Advice and are the subject of a technical paper to be prepared by the secretariat in September 2012. The JISC requested the secretariat to present information on these wider issues at its thirtieth meeting.

2. The JISC further requested the secretariat, taking into account the feedback received at its twenty-ninth meeting, to identify areas requiring further regulatory documents from the JISC to clarify the operation of JI projects during the transition from CP1 to CP2, and to prepare draft regulatory documents for consideration by the JISC at its thirtieth meeting. The JISC noted in this context that this is likely to include procedures on the renewal of crediting periods to extend beyond 2012.

II. Purpose

3. This concept note identifies transitional issues for the JI mechanism moving from CP1 to CP2 as well as clarifications by the JISC and possible decisions needed from the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (CMP) in order to ensure a smooth transition from CP1 to CP2.

III. Key issues and proposed solutions

4. **Entry into force:** In accordance with decision 1/CMP.7, quantified emission limitation or reduction objectives (QELROs) are to be considered by the CMP at its eighth session with a view to them being adopted at that session as amendments to Annex B of the Kyoto Protocol. It is however not clear when these amendments will enter into force, as this is dependent on when Parties ratify them.¹ In addition, it is also not yet clear which Parties will submit QELROs and it is possible that the amendments may be adopted by the CMP only after its eighth session.

5. **Establishing assigned amount:** In order for an Annex I Party to transfer and/or acquire emission reduction units (ERUs), its amendment to Annex B needs to have entered into force and the Party needs, among others, to have had its assigned amount calculated and recorded in accordance with decision 13/CMP.1. The Party then needs to issue its assigned amount for the second commitment period as assigned amount units (AAUs), prior to their conversion into ERUs.

6. **Participation requirements:** Section D of the JI guidelines sets out participation requirements in JI. Its paragraphs 21–25, however, refer only to the requirements “to transfer and/or acquire ERUs”. Also, the

¹ In accordance with Articles 20 and 21 of the Kyoto Protocol, Parties are to deposit an instrument of acceptance at the United Nations Depositary and entry into force occurs 90 days after the deposits of the instrument by three-fourths of the Parties.



CMP, through its decision 4/CMP.6, paragraph 10, clarified that, with regard to an Annex I Party whose QELRO for CP1 has not yet been inscribed in Annex B to the Kyoto Protocol but that wishes to host a JI project, that (a) in the interest of transparency, the secretariat may accept for publication the project design documents (PDDs) of JI projects and (b) the JISC may consider these projects in accordance with the JI guidelines before the amendment to include the respective host Party in Annex B to the Kyoto Protocol enters into force.

7. The issues referred to in paragraphs 4–6 above imply that:

- (a) Under the verification procedure under the JISC (hereinafter referred to as the Track 2 procedure), the secretariat may continue to accept for publication the PDDs of JI projects with emission reductions or removal enhancements to be achieved in CP2; the determinations regarding the PDDs may continue to be finalized; the secretariat may continue to accept for publication the monitoring reports; and the determinations of reported emission reductions or removal enhancements (hereinafter referred to as verifications) may continue to be finalized; in accordance with paragraphs 32, 35, 36 and 39, respectively, of the JI guidelines;
- (b) The JISC may continue to develop guidance on the JI mechanism;
- (c) No issuance of ERUs may take place for verified emission reductions or removal enhancements achieved in CP2 that have been deemed final under the Track 2 procedure until the assigned amount for CP2 is established for the host Party.

8. In order to ensure the continuation of JI without interruption, the JISC may wish, through its report to inform the CMP, that:

- (a) The JISC will continue to operate the Track 2 procedure in accordance with section E of the JI guidelines during the period before the amendments to Annex B of the Kyoto Protocol enter into force, provided that the relevant host Party meets the requirement of paragraph 20 of the JI guidelines;
- (b) The JISC will continue to provide guidance on the mechanism as needed until receiving further instructions on its operation from the CMP.

9. In order to also accommodate the issuance of ERUs during the period before Parties are able issue ERUs under current rules, the JISC may recommend to the CMP that it decides among the following alternatives:

- (a) ERUs may be issued in this period by any host Party that [has a QELRO for CP2 in an amendment adopted by the CMP] [has declared, in accordance with any relevant provisions agreed by the Parties to be bound by a QELRO for CP2] for emission reductions or removal enhancements that occur in this period by the JI projects registered in CP1 or CP2, and the corresponding amount of AAUs or RMUs for CP2 shall be deducted from the host Party's national registry upon AAUs or RMUs for CP2 having been established for that Party; and/or



- (b) Until the end of the CP1 true-up period² for the host Party or when AAUs or RMUs for CP2 have been established for that Party, whichever is the earlier, ERUs may be issued by the host Party that [has a QELRO for CP2 in the Amendment adopted by the CMP] [has declared in accordance with any relevant provisions agreed by the Parties to be bound by a QELRO for CP2] for emission reductions or removal enhancements that occur in this period by the JI projects registered in CP1 or CP2, by converting the corresponding amount of AAUs or RMUs for CP1.

IV. Proposed work and timelines

10. Should the JISC agree to the recommendations in section VI below, they would need to be included in the report of the JISC to the CMP.

V. Impacts

11. Clarifications by the JISC and relevant decisions by the CMP on the operation of JI during the transition from CP1 to CP2 would provide clarity for project participants in their development or operation of JI projects, and for the JISC and the secretariat in their operation of the Track 2 procedure. If the CMP makes decisions in line with the proposed recommendations in section III above, it would ensure the continued issuance of ERUs without interruption.

VI. Recommendations to the JISC

12. It is recommended that the JISC, in its report to the CMP at its eighth session:
- (a) Inform the CMP of the way in which the JISC will deal with determinations and verifications under the Track 2 procedure post 2012;
 - (b) Recommend to the CMP one or both of the proposals in paragraphs 9(a) and 9(b) above with regard to the issuance of ERUs in the period referred in the respective paragraph.

History of the document

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² “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.