

**JI-JISC32-AA-A1**

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# Concept note on options for the strategic direction of the JI accreditation system

Version 01.0



**United Nations**  
Framework Convention on  
Climate Change

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## 1. Procedural background

1. The Joint Implementation Supervisory Committee (JISC), at its thirty-first meeting, requested the secretariat to prepare a concept note on the options for the development of the JI accreditation system in relation to the CDM accreditation system. The JISC also agreed to provide, as appropriate, a recommendation to the ninth session of the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (CMP) on the possible alignment or integration of the two systems.
2. This paper is also to be seen in the context of recent work and decisions related to the JI accreditation system:
  - (a) The key attributes to characterize the future operation of JI, as agreed by the CMP in paragraph 15 of decision 6/CMP.8;<sup>1</sup>
  - (b) Annex 1 to the annotated agenda of the thirtieth meeting of the JISC (“Concept note on the analysis for strengthening the accreditation system”) and paragraph 10 of the report of the thirtieth meeting of the JISC;
  - (c) JI two-year business plan and management plan 2013–2014 (version 01) (JI-MAP), appendix 1, paragraph 13.

## 2. Purpose

3. The purpose of this paper is to provide:
  - (a) Broad options for the strategic direction of the JI accreditation system, outlining the respective positive and negative implications for the mechanism;
  - (b) Recommendations for actions by the JISC.
4. It is important to note that none of the options in this paper require specific work by the Executive Board of the clean development mechanism (CDM).

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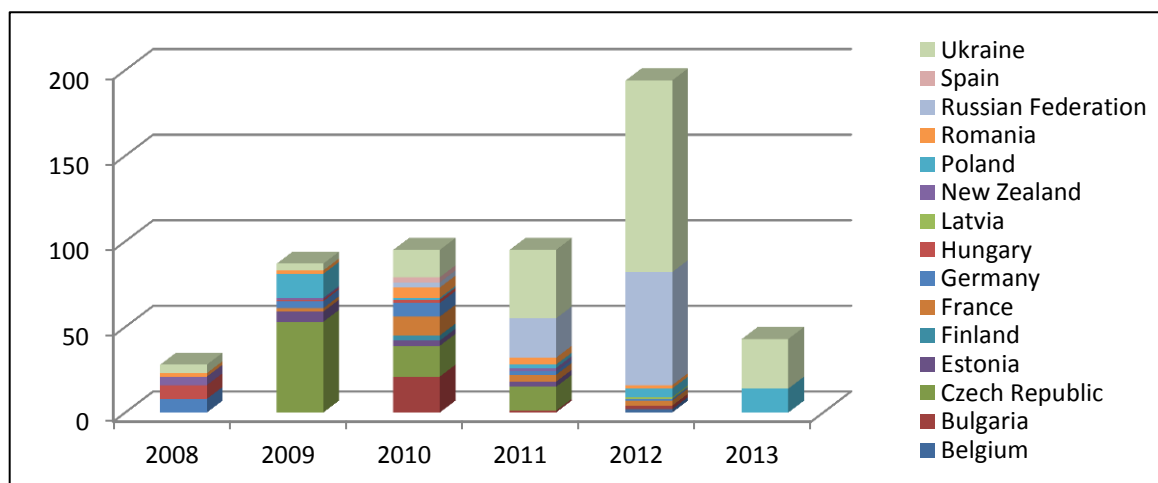
<sup>1</sup> “Agrees, with regard to the review of the joint implementation guidelines, on the following set of key attributes that shall characterize the future operation of joint implementation: (...) (b) Closely aligned or unified accreditation procedures between joint implementation and the clean development mechanism that take into account differences in the respective modalities and procedures of the two mechanisms.”

### 3. Proposed options, impacts and timelines

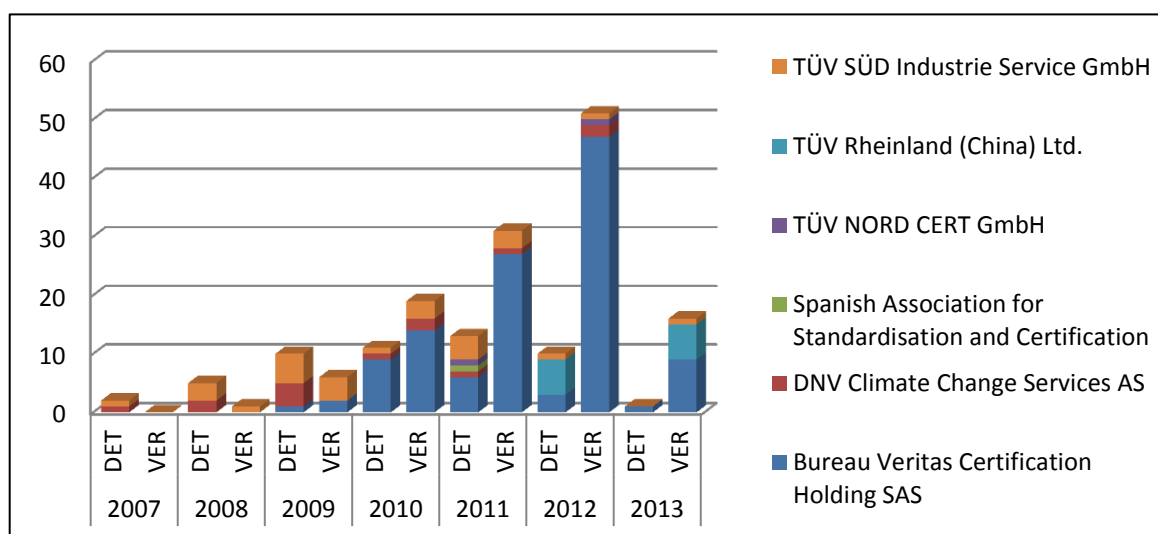
#### 3.1. Context

5. The demand for emission reduction units (ERUs) from the compliance market under the Kyoto Protocol is declining and there has been a rapid drop in unit prices, eroding the incentive to develop new projects. Although a number of new carbon markets and mechanisms are emerging, including “new market mechanisms” and a “framework for various approaches” under the UNFCCC, it is expected that in the short and medium terms there will be a substantial decline in project-related submissions under both track 1 and track 2. This is expected to also impact on the business potential for the 11 current JI accredited independent entities (AIEs). Figures 1 and 2 below provide information on past JI submissions.

**Figure 1. Track 1 projects published, per country (as of May 2013)**



**Figure 2. Track 2 published determinations (DET) and verifications (VER), per year, per AIE (as of May 2013)**



6. Taking into account and building on the work previously undertaken (see paragraph 2 above), three options are put forward:
  - (a) Option A - Alignment: revise the JI accreditation regulatory documents to align them with those of the CDM. Maintain current policy, governance and assessment structures;
  - (b) Option B - Partial adoption: use the CDM accreditation regulatory documents directly and supplement them with JI-specific requirements and guidelines. Maintain the current governance structure and adjust assessments according to the CDM accreditation status of each applicant entity;
  - (c) Option C - Full adoption: use the CDM accreditation system in its entirety, using CDM designated operational entities (DOEs) for JI determinations and verifications.
7. The options above set out several approaches in line with the attribute of the future JI operation of “closely aligned or unified accreditation procedures between JI and the CDM” as referred to in paragraph 15 of decision 6/CMP.8, and would provide for efficiency gains and cost savings across the JI system – particularly for AIEs, the JISC, the JI-AP and the secretariat. The list is not exhaustive; a number of other options, such as maintaining the status quo or creating a unified CDM and JI accreditation system, among others, would also be possible.
8. The advantages and disadvantages of the options above are assessed according to the following variables:
  - (a) Efficiency gains for the JI system by using results of the CDM accreditation system;
  - (b) Costs:
    - (i) Cost savings for AIEs, JISC, JI-AP and the secretariat;
    - (ii) Policy development costs;
    - (iii) Adaptation costs for AIEs.
  - (c) Degree of independence of JI towards the CDM;
9. At one end, option A makes limited use of the results of the CDM, provides for complete independence of JI and offers only limited cost savings. On the other end, option C makes use of all CDM accreditation results, brings complete dependence on the CDM accreditation system and offers the highest cost savings.
10. The options are detailed below. Summarized information can be found in appendix 1.

### **3.2. Option A - Alignment**

11. Option A is in line with the request made by the JISC at its thirtieth meeting, under which the JI accreditation regulatory documents would be largely aligned with the CDM documents (CDM accreditation standard and CDM accreditation procedure), while still

maintaining individual differences. In this option, the JI would maintain a complete and independent set of accreditation regulatory documents.<sup>2</sup>

12. In terms of governance, the structures, procedures and rules for independent entities (IEs)/AIEs, JI assessment teams, the JI accreditation panel (JI-AP) and the JISC would remain unchanged.
13. In this option, JI accreditation assessments would be conducted as they are now, with procedural changes to be in line with the updated standard and procedure.
14. The adoption of option A implies a substantive revision of the JI accreditation documents. It requires:
  - (a) The revision of the JI accreditation procedure and the JI accreditation standard, to be initiated once the revised CDM documents are published;
  - (b) The review of other processes such as the qualification of assessment team members and the administration of the work within the secretariat.
15. The work to implement option A could be initiated in the fourth quarter of 2013, once the current revision of the CDM accreditation documents is finalized. It is worth mentioning that consultations with the JI-AP on this work have already been initiated, and that the JI-AP chair participated at the 8<sup>th</sup> CDM roundtable on the revision of the CDM accreditation standard and procedure.
16. In summary, **option A proposes revising the JI documents while maintaining the current JI policy, governance and assessment structures**. A list of positive and negative aspects for this option is outlined below.
  - (a) Advantages: low-range cost savings, low-range efficiency gains and full independence from CDM:
    - (i) More efficient use of secretariat resources;
    - (ii) Easier management of accreditation for AIEs, as all but two AIEs<sup>3</sup> are also operating within the CDM system. It would allow AIEs to have a more integrated management system and would save costs related to maintaining their JI accreditation in the long term;
    - (iii) Full independence between JI and CDM at policy and assessment levels;
  - (b) Disadvantages: high-range policy development costs for JI and high-range adaptation costs for AIEs:
    - (i) Development costs for the revised procedure and standard;

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<sup>2</sup> JISC 30 report, paragraph 10: “*The JISC (...) requested the secretariat to prepare draft revisions of the accreditation regulatory documents, including by seeking to align, as appropriate, those of joint implementation (JI) and the clean development mechanism (CDM).*”

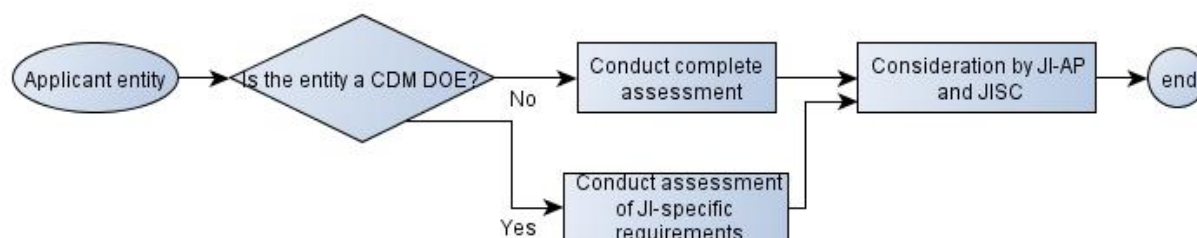
<sup>3</sup> Currently, all JI AIEs are also CDM DOEs, except for “TÜV SÜD Industrie Service GmbH (TÜV-SÜD)” and “KPMG Advisory N.V. (KPMG)”. TÜV-SÜD is accredited in the CDM under the legal entity “TÜV SÜD South Asia Private Limited”.

- (ii) Additional costs to AIEs in the short/medium term, as entities would have to adjust their systems to the new regulatory documents.

### 3.3. Option B - Partial adoption

17. Option B is a hybrid between options A and C. In option B, the CDM would be used as the main “standard and procedure setting” institution; instead of maintaining its own complete set of regulatory documents, the JISC would fully adopt the CDM accreditation standard and the CDM accreditation procedure, *without* customizing them as JI documents. An “interpretation document” for JI would guide the interpretation and use of the CDM documents. Furthermore, the CDM documents could be supplemented by a set of JI-specific requirements.
18. This means that future developments in the CDM would be automatically reflected in JI and the JI accreditation system under the JISC would no longer be fully independent from the CDM. The JISC would no longer need to develop and maintain a complete and independent body of JI requirements and procedures (i.e. an accreditation standard and an accreditation procedure) but could - if necessary - retain a set of JI-specific accreditation rules.
19. In terms of governance, the structures, procedures and rules for IEs/AIEs, JI assessment teams, the JI-AP and the JISC would remain largely unchanged.
20. Under option B, JI accreditation assessments may be “fast-tracked” for CDM DOEs by assessing only the relevant JI specific requirements, as follows:

**Figure 3. JI accreditation assessments under option B**



21. The adoption of option B would require:
  - (a) The development of an interpretation document, which would guide the use of the CDM documents in the JI system;
  - (b) The development (if required) of additional JI requirements for accreditation;
  - (c) The review of other processes such as the qualification of assessment team members and the administration of the work within the secretariat.
22. The work to implement option B could be initiated in the fourth quarter of 2013, once the current revision of the CDM accreditation documents is finalized.
23. In summary, **option B proposes using CDM regulatory documents instead of revising the JI ones, but also could include allowance for JI specific requirements. The governance and assessment structures remain the same, with the addition of**

**“fast-tracked” assessments for CDM DOEs.** A list of positive and negative aspects for this option is outlined below.

- (a) Advantages: mid-range cost savings and mid-range efficiency gains:
  - (i) More effective, efficient and harmonized implementation of the accreditation process;
  - (ii) More cost savings and ease of management of accreditations for AIEs, as the CDM and JI systems would be identical except for a small set of separate JI-specific requirements. It would also avoid the assessment of common areas twice, which would again save time and costs for the IEs/AIEs in the long term;
  - (iii) Savings in operation and administration costs for the JI-AP and the JISC, which would focus on JI-specific requirements both at the policy and at the assessment level;
- (b) Disadvantages: low-range policy development costs, mid-range adaptation costs for AIEs and mid-range dependence on the CDM:
  - (i) Development costs of the interpretation document and, potentially, JI-specific requirements;
  - (ii) Additional costs to AIEs in the short/medium term, as their JI systems would have to be adjusted to the CDM regulatory documents;
  - (iii) Dependence on the CDM at the policy level.

### 3.4. Option C - Full adoption

- 24. In option C, any CDM DOE would be eligible to perform JI determinations and verifications. The JISC would maintain its decision-making over the JI accreditation system, but would decide to accept CDM accreditation as meeting the requirements of JI.
- 25. The selection of this option would result in a significant reduction of the JI accreditation process, bringing the highest possible cost savings for the JI system and for AIEs that are also DOEs. It would, however, make it impossible for any non-DOE to carry out JI work.
- 26. The CMP could decide, perhaps via the review of the JI guidelines, that CDM accredited DOEs should be automatically able to conduct JI activities, thus removing completely the need for any accreditation decision-making by the JISC.
- 27. In summary, **under option C, the JI would no longer require an independent accreditation system of its current nature; instead, the JI would benefit almost entirely from the CDM accreditation work, by allowing DOEs to perform JI determinations and verifications.** A list of positive and negative aspects for this option, is outlined below.
  - (a) Advantages: maximum cost savings and maximum efficiency gains:
    - (i) Complete use of the CDM accreditation results;



- (ii) Very little work on accreditation required under JI;
  - (b) Disadvantages: full dependency on the CDM and use of DOEs only:
    - (i) JI would no longer run an accreditation system and would be fully dependent on CDM developments;
    - (ii) Possible loss of at least one AIE: only CDM DOEs would be able to carry out JI work.
28. It is worth noting that option C could be implemented in a staged approach, following the implementation of option B.

## **4. Recommendations to the JISC**

29. The secretariat recommends that the JISC:
- (a) Consider the options set out above, as well as the status-quo and unified options, and agree on a way forward;
  - (b) Provide guidance to the secretariat on the implementation of the selected approach;
  - (c) Identify any specific implications for the recommendations of the JISC to the CMP on the revision of the JI guidelines.

## **Appendix 1. Overview of the proposed options**

1. Table 1 below presents a summary of the options, as well as advantages and disadvantages for each of the alternatives.

**Table 1. Description, advantages and disadvantages of options A, B and C**

Option	Advantages	Disadvantages	Documents to be revised/created	Decision-making body
<b>A:</b> Revise the JI accreditation regulatory documents to align them with those of the CDM. Maintain current policy, governance and assessment structures.	<ul style="list-style-type: none"> <li>• Low-range cost savings;</li> <li>• Low-range efficiency gains;</li> <li>• Full independence from CDM.</li> </ul>	<ul style="list-style-type: none"> <li>• High-range policy development costs;</li> <li>• High-range adaptation costs for AIEs.</li> </ul>	<ul style="list-style-type: none"> <li>• JI accreditation procedure;</li> <li>• JI accreditation standard.</li> </ul>	JISC
<b>B:</b> Use the CDM accreditation regulatory documents directly, while complementing them with JI-specific requirements and guidelines. Maintain current governance structure and adjust assessments according to the CDM accreditation status of each entity	<ul style="list-style-type: none"> <li>• Mid-range cost savings;</li> <li>• Mid-range efficiency gains.</li> </ul>	<ul style="list-style-type: none"> <li>• Low range policy development costs;</li> <li>• Mid-range adaptation costs for AIEs;</li> <li>• Mid-range dependence of CDM.</li> </ul>	<ul style="list-style-type: none"> <li>• Interpretation document;</li> <li>• JI-specific requirements.</li> </ul>	JISC
<b>C:</b> Use the CDM accreditation system entirely, using DOEs for JI determinations and verifications	<ul style="list-style-type: none"> <li>• Maximum cost savings;</li> <li>• Maximum efficiency gains.</li> </ul>	<ul style="list-style-type: none"> <li>• Full dependency on the CDM;</li> <li>• Use of DOEs only.</li> </ul>	None	JISC [CMP]

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### Document information

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