

JI-JISC33-AA-A01

Concept note

Further options for the strategic direction of the JI accreditation system

Version 01.1



United Nations
Framework Convention on
Climate Change

TABLE OF CONTENTS	Page
1. PROCEDURAL BACKGROUND.....	3
2. PURPOSE	3
3. CONTEXT.....	4
4. PROPOSED OPTIONS, IMPACTS AND TIMELINES	5
4.1. Design variables.....	5
4.2. Summary of options	6
4.3. Assessment of impacts	7
4.4. Options implementable by the JISC in the short term	7
4.4.1. Option A – Close alignment with CDM regulatory documents	7
4.4.2. Option B – Regulatory adoption of the CDM	8
4.4.3. Option C – Adoption of the CDM accreditation system.....	9
4.5. Options for the JI accreditation system under the revised JI guideline	10
4.5.1. Option D – Unified accreditation system	10
5. RECOMMENDATIONS TO THE JISC	10
APPENDIX 1.OVERVIEW OF THE PROPOSED OPTIONS AND COST IMPLICATIONS.....	11
APPENDIX 2. HIGH-LEVEL CDM AND JI ACCREDITATION SYSTEMS COMPARISON	15

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 joint implementation (JI) accreditation system in relation to the clean development mechanism (CDM) accreditation system. At its thirty-second meeting, the JISC considered the concept note and requested the secretariat to prepare a further concept note to elaborate on the options and provide further information on: current market and accreditation conditions; costs; JI-specific accreditation requirements; and the impact on accredited independent entities (AIEs).
2. This concept note builds upon the concept note presented at JISC 32 (JI-JISC32-AA-A1) of the same topic, but taking into account comments from the JISC and providing further options.
 - (a) The key attributes to characterize the future operation of JI, as agreed by the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (CMP) in paragraph 15 of decision 6/CMP.8;¹
 - (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, in the short term, and for the revision of the JI guidelines, outlining the respective positive and negative implications for the mechanism;
 - (b) Recommendations for actions by the JISC.
4. The options presented below aim to improve the efficiency of the JI accreditation system while maintaining or strengthening the performance of AIEs.

¹ “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. 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 AIEs. Figures 1 and 2 below provide information on past JI submissions.

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

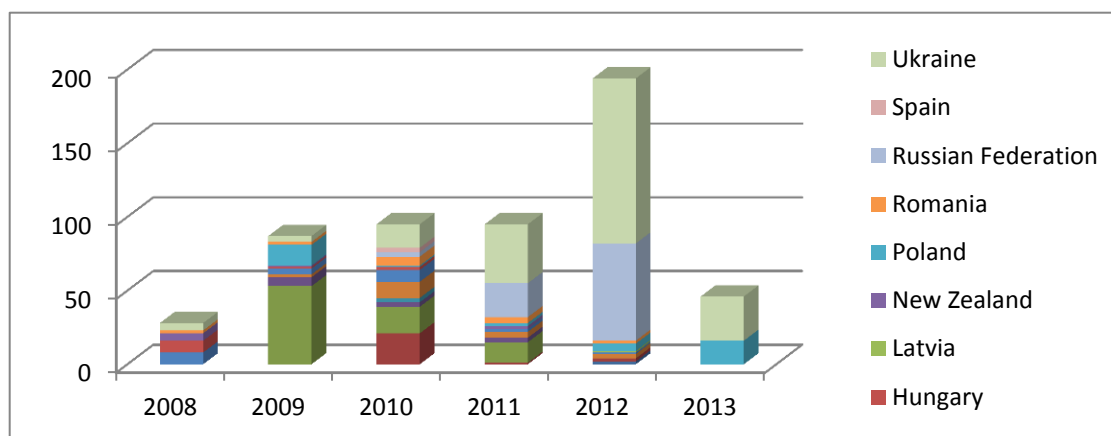
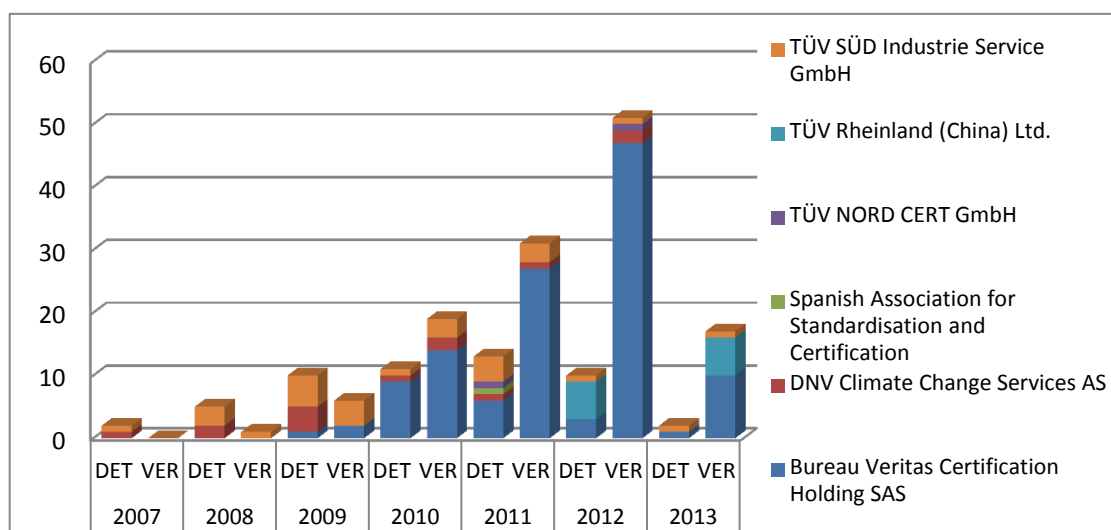


Figure 2. Track 2 published determinations (DET) and verifications (VER), per year, per AIE (as of August 2013)



4. Proposed options, impacts and timelines

4.1. Design variables

6. Three main variables can be used to describe the JI accreditation process:
7. **Regulatory framework:** the set of documents that regulates the accreditation system. Its main components are the accreditation procedure and the accreditation standard. A few alternatives are available:
 - (a) *No change:* keep the JI documents as they are now;
 - (b) *Maintain and align:* maintain the JI procedure and standard, and align them with the CDM documents (as forecast in the JI 2013–2014 management plan);
 - (c) *Use CDM documents:* discontinue the use of the JI procedure and standard, and adopt the CDM documents directly. They could be complemented, if required, by an interpretation document for JI, alongside JI-specific requirements;
 - (d) *Merge:* merge the JI and the CDM documents, creating a common set of regulations which would be complemented with mechanism-specific requirements and steps.
8. **Accreditation assessments:** the means through which an accreditation body can monitor compliance of conformity assessment bodies against accreditation requirements. In the context of JI accreditation, in particular in relation to the CDM, a few alternatives are available:
 - (a) *No change:* keep the current approach to JI accreditation assessments: JI and CDM accreditation assessments continue to be fully independent from each other;
 - (b) *Maintain and align:* make better use of logistical synergies whenever JI and CDM assessments need to be conducted around the same time and for the same entity;
 - (c) *Use CDM assessments:* utilize CDM accreditation entirely for JI purposes;
 - (d) *Merge:* have a system in which CDM and JI accreditation assessments can be merged or conducted jointly.
9. **Governance:** the policy and decision-making structure. The following alternatives are available:
 - (a) *No change:* maintain the current governance approach (JI Accreditation Panel, JISC);
 - (b) *Use CDM governance:* remove the need for a JI accreditation governance structure, by using the CDM accreditation governance entirely;
 - (c) *Merge:* merge the JI and CDM accreditation governance structures, creating a common accreditation body.

4.2. Summary of options

10. Taking into account the design variables above, and building on the work previously undertaken (see paragraph 2), four possible configurations are put forward. Three of those configurations (options A, B and C) can be implemented by the JISC in the short term, whereas the remaining one option (option D) is aimed at the future design of JI, through the revision of the JI guidelines:
 - (a) Options implementable by the JISC in the short term:
 - (i) Option A – close alignment with CDM regulatory documents: maintain the JI accreditation regulatory documents and align them with those of the CDM; maintain and align JI accreditation assessments; no change to governance structures;
 - (ii) Option B – regulatory adoption of CDM: use the CDM accreditation regulatory documents directly and supplement them with JI-specific guidelines and requirements; maintain and align JI accreditation assessments; no change to governance structures;
 - (iii) Option C – adoption of CDM accreditation: the JISC transfers all its accreditation functions to the Executive Board (hereinafter referred to as the Board) of the clean development mechanism (CDM) (i.e. CDM accreditation system in its entirety), using CDM designated operational entities (DOEs) for JI determinations and verifications;
 - (b) Options for the JI accreditation system under the revised JI guidelines:
 - (i) Option D – unified accreditation system: provide a unique accreditation system for JI and the CDM.
11. 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. The options above are not exhaustive. The options are detailed below, and summarized information can be found in appendix 1.

4.3. Assessment of impacts

12. The impacts of the options above are assessed according to the following variables:
 - (a) **Policy developments:** the system-level documents and processes that will be revised or affected;
 - (b) **Costs:** cost estimates are calculated over a five-year time frame. The estimates are indicative, and for the purpose of supporting the policy discussion only. The values are presented in appendix 1 and are calculated along the following variables:
 - (i) AIE costs:
 - a. AIE transitional costs: the costs for AIEs to transition their internal systems to new regulatory documents;
 - b. AIE operational costs: the cost for AIEs to maintain their accreditation over time. Includes internal maintenance costs and the costs of accreditation assessments;
 - (ii) System-level costs:
 - a. Secretariat, JI Accreditation Panel (JI-AP) and JISC transitional costs: the cost of the development of new regulatory documents;
 - b. Secretariat, JI-AP and JISC operational costs: the cost of supporting and implementing the accreditation process;
 - (c) **Degree of independence** of JI from the CDM mainly in terms of accreditation decisions and policy development.
13. In respect of all options, there are expected to be legal constraints relating to:
 - (a) The provisions in the JI guidelines and CDM modalities and procedures and subsequent decisions of the CMP;
 - (b) General principles of fairness and due process in relation to stakeholders of JI and the CDM;
 - (c) Legal issues arising from transitions from the current approach to the option selected.

4.4. Options implementable by the JISC in the short term

4.4.1. Option A – Close alignment with CDM regulatory documents

14. Option A is in line with the JI 2013–2014 management plan, under which the JI accreditation regulatory documents would be closely aligned with the CDM documents. In option A, JI accreditation assessments would be conducted as they are now, but making better use of logistical synergies whenever JI and CDM assessments need to be conducted around the same time and for the same entity. The governance structure would remain unchanged.
 - (a) Regulatory framework: maintain and align;

(b) Assessments: maintain and align;

(c) Governance: no change.

15. **Impacts:**

(a) **Policy developments:** the adoption of option A implies a substantive revision of the JI accreditation documents. It requires:

(i) The revision of the JI accreditation procedure and the JI accreditation standard;

(ii) The review of other processes such as the qualification of assessment team members and the administration of the work within the secretariat;

(iii) The development and implementation of transitional arrangements;

(b) **Costs:** an assessment of the costs of option A is outlined in appendix 1 below;

(c) **Degree of independence** of JI from the CDM: full independence at policy, assessment and governance levels.

16. Option A can be implemented by the JISC in the short term. 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.²

4.4.2. Option B – Regulatory adoption of the CDM

17. In option B, the JI assessments take place using CDM regulations directly.

18. The CDM would be used as a “standard- and procedure-setting” institution. Instead of maintaining its own complete set of regulatory documents, the JISC would 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, and could contain a set of JI-specific requirements. Under option B, JI accreditation assessments would be conducted as they are now, but making better use of logistical synergies whenever JI and CDM assessments need to be conducted around the same time and for the same entity. The governance structure would remain unchanged.

(a) Regulatory framework: use CDM documents;

(b) Assessments: maintain and align;

(c) Governance: no change.

19. **Impacts:**

(a) **Policy developments:** the adoption of option B would require:

² It is worth mentioning that consultations with the JI-AP on this work have already been initiated, and that the JI-AP Chair participated in the 7th and 9th CDM round tables, on the revision of the CDM accreditation standard and procedure.

- (i) The development of an interpretation document, which would guide the use of the CDM documents in the JI system, as well as the development (if required) of additional JI requirements for accreditation;³
 - (ii) The review of other processes such as the qualification of assessment team members and the administration of the work within the secretariat;
 - (iii) The development of transitional arrangements;
 - (b) **Costs:** an assessment of the costs of option B is outlined in appendix 1 below;
 - (c) **Degree of independence** of JI from the CDM: dependence on the CDM at the regulatory level. Independence at assessment and governance levels.
20. Option B can be implemented by the JISC in the short term. 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.

4.4.3. Option C – Adoption of the CDM accreditation system

21. In option C, the CDM accreditation system would be adopted for JI allowing entities accredited as CDM DOEs to qualify as JI AIEs (i.e. CDM DOEs would be used to perform JI determinations and verifications). In this option, the JI would no longer require an accreditation system; instead, the JI would benefit entirely from the CDM accreditation work. There would be no need to conduct JI-AP meetings or for the JISC to consider accreditation cases. In option C, the current regulatory documents and governance structure would no longer be required, and JI accreditation assessments would no longer be conducted.
- (a) Regulatory framework: use CDM documents;
 - (b) Assessments: use CDM assessments;
 - (c) Governance: the JISC has a responsibility to the CMP on the accreditation of independent entities in accordance with decision 9/CMP.1. However, the JISC could, in the short term or long term, transfer all its accreditation functions to the Board.
22. **Impacts:**
- (a) **Policy developments:** the adoption of option C would require:
 - (i) The review of the administration of the work within the secretariat;
 - (ii) The development of transitional arrangements;
 - (b) **Costs:** an assessment of the costs of option C is outlined in appendix 1 below;
 - (c) **Degree of independence** of JI from the CDM: dependence on the CDM at regulatory, assessment and governance levels.

³ A possible JI-specific requirement is the one related to the competence criteria for the assessment of baseline and monitoring methodologies. Additional information about the high-level differences between the CDM and JI accreditation systems can be found in appendix 3.

4.5. Options for the JI accreditation system under the revised JI guideline

4.5.1. Option D – Unified accreditation system

23. Option D proposes establishing a unified accreditation system, which would deliver accreditation services to JI and the CDM. Accreditation decisions would be made by a joint technical committee, placed under the Board and the JISC.

- (a) Regulatory framework: merge;
- (b) Assessments: merge;
- (c) Governance: merge decision-making bodies.

24. **Impacts:**

- (a) **Policy developments:** the adoption of option D would require:
 - (i) A possible revision of the role of the CMP in the CDM accreditation system;
 - (ii) A possible revision of the JI and CDM rules for the appointment, membership, competence and authority of its committees and panels;
 - (iii) The establishment of a unified accreditation body, including its institutional regulations and the appointment of its members;
 - (iv) The development of unified regulatory documents, possibly including JI- and CDM-specific requirements;
 - (v) The review of other processes such as the qualification of assessment team members and the administration of the work within the secretariat;
 - (vi) The development of transitional arrangements;
- (b) **Costs:** an assessment of the costs of option D is outlined in appendix 1 below.
- (c) **Degree of independence** of JI from the CDM: JI and CDM would become interdependent on accreditation issues.

5. Recommendations to the JISC

25. The secretariat recommends that the JISC:

- (a) Adopt in the short term option C;
- (b) Request the secretariat to prepare an implementation plan to be discussed at a future meeting;
- (c) For the long term, recommend to the CMP the pursuit of option D in connection with the review of the JI guidelines;
- (d) Inform the Board of the outcomes of this decision, requesting it to endorse the selected approach.

Appendix 1. Overview of the proposed options and cost implications

1. Table 1 below presents a summary of the options and the respective impacts.
2. Table 2 below provides an overview of the assumptions made in the estimation of costs presented in table 1.
3. In table 2, cost impacts are compared to the benchmark of not effecting any change to any component of the JI accreditation system (“do nothing”).

Table 1. Description, advantages and disadvantages of options A – D

Option	Summary	<u>Main</u> policy developments	Comparative implementation cost (€),		Degree of independence from CDM	Decision-making body
Do nothing	• No change.	• None.	AIEs: € 155,000	System: € 775,000	n/a	n/a
			Total Cost: € 930,000			
A: Regulatory alignment with CDM	• Regulatory framework: maintain and align; • Assessments: maintain and align; • Governance: no change.	• JI accreditation procedure; • JI accreditation standard.	AIEs: C 150,000	System: € 960,000	• Full independence	JISC
			Total Cost: € 1,100,000			
B: Regulatory adoption of CDM	• Regulatory framework: use CDM documents; • Assessments: maintain and align; • Governance: no change.	• Interpretation document.	AIEs: € 120,000	System: € 630,000	• Dependence at regulatory level	JISC
			Total Cost: € 750,000			
C: Adopt CDM accreditation	• Regulatory framework: use CDM documents; • Assessments: use CDM assessments; • Governance: transfer all its accreditation functions to the Board.	• None.	AIEs: € 5,000	System: € 35,000	• Full dependence: use of DOEs directly	JISC
			Total Cost: € 40,000			
D: Unified accreditation system	• Regulatory framework: merge; • Assessments: merge; • Governance: merge.	• Institutional framework; • Unified accreditation procedure; • Unified accreditation standard.	AIEs: € 115,000	System: € 480,000	• Interdependence: joint accreditation body.	JISC [CMP]
			Total Cost: € 595,000			

Table 2. Cost assumptions for options A – D

Item	BENCHMARK (DO NOTHING)	OPTION A - ALIGNMENT (current MAP expectation)	OPTION B - REGULATORY ADOPTION	OPTION C - ADOPT CDM ACCREDITATION	OPTION D - UNIFIED ACCREDITATION SYSTEM
AIE transition	JI systems stay as they are.	20 person-days per entity for adjusting their JI systems to the JI standard v2 and the JI procedure v8.	15 person-days per entity for adjusting their JI systems to the CDM accreditation standard v5 and the JI-specific requirements.	5 person-days per entity for minor internal adjustments.	20 person-days per entity for adjusting their JI systems to the unified accreditation documents.
AIE operational/ maintenance – internal	25 (20-30) person-days per entity to maintain their systems.	Maintenance costs 25 per cent below benchmark: increased efficiency due to alignments between the JI and CDM systems. 19 person-days per entity to maintain their systems.	Maintenance costs 50 per cent below benchmark: 13 person-days per entity per year to maintain the JI systems, using the CDM accreditation standard v5: system update costs are shared with CDM.	No yearly JI maintenance costs; CDM accreditation only.	Maintenance costs reduced by 50 per cent as compared to benchmark: in unified accreditation, costs will be shared with CDM.
AIE operational/ maintenance – assessments	Regular on-site surveillance (RS) in the third year Reaccreditation (RA) in the fifth year Performance assessment (PA) one per year.	Assessment costs equal to benchmark: RS in the third year RA in the fifth year PA one per year.	Assessment costs equal to benchmark. No change in assessment costs due to lack of assessors qualified in both CDM and JI. RS in the third year RA in the fifth year PA one per year.	No JI assessment costs; CDM accreditation only.	Assessment costs are reduced by 25 per cent with joint assessments. RS in the third year RA in the fifth year PA one per year.

Item	BENCHMARK (DO NOTHING)	OPTION A - ALIGNMENT (current MAP expectation)	OPTION B - REGULATORY ADOPTION	OPTION C - ADOPT CDM ACCREDITATION	OPTION D - UNIFIED ACCREDITATION SYSTEM
Secretariat, JI-AP and JISC transitional costs	No policy developments.	Policy developments and others: JI standard v2 and JI procedure v8; internal adjustments. * 50 per cent increase in JI-AP and JISC (accreditation) meeting time * four months of development and adjustment costs in the secretariat.	Policy developments and others: JI interpretation document; internal adjustments. * no significant increase in JI-AP and JISC (accreditation) meeting time. * two months of development and adjustment costs in the secretariat.	Policy developments and others: internal adjustments. * no significant increase in JI-AP and JISC (accreditation) meeting time. * one month of development and adjustment costs in the secretariat.	Policy developments and others: institutional framework; unified standard and procedure; internal adjustments. * 50 per cent increase in meeting time. * six months of development and adjustment costs in the secretariat.
Secretariat, JI-AP and JISC operational costs	Normal operational load: * Regular JI-AP and JISC meetings load; * Secretariat 5 person-months per year.	No significant change in operational load compared to benchmark: * Regular JI-AP and JISC meetings load. * secretariat 5 person-months per year.	Reduced operational load in the secretariat: * No significant change in meeting time compared to benchmark. * 50 per cent reduced operational costs compared to benchmark in the secretariat, due to common use of workflows and internal procedures.	Reduced operational load in JI-AP, JISC and secretariat: * No significant JI-AP meetings or JISC discussions on accreditation required. * No yearly operational costs in the secretariat.	Reduced operational governance load; reduced load in secretariat: * Accreditation decisions could be transferred to an Accreditation Committee, estimated to meet twice per year, two days each. * 75 per cent reduced operational costs in the secretariat due to common use of workflows, internal procedures and shared maintenance costs.

Appendix 2. High-level CDM and JI accreditation systems comparison

1. Below is a summarized and high-level list of the main regulatory differences between the CDM and JI from the point of view of accreditation. The list is not exhaustive, but provides an overview of the main areas of difference. The CDM accreditation procedure and standard are currently under revision by the Board and can be further aligned with those from JI under option A as described in section 4.4.1 of this document.
2. Systems:
 - (a) Different terminology: CDM/JI, EB/JISC, etc.;
 - (b) DOE performance monitoring exists in the CDM but not in the JI;
 - (c) Different lists of sectoral scopes. The JI list of sectoral scopes (P-JI-ACCR-03) does not include the carbon dioxide capture and storage (CCS) sectoral scope.
3. CDM Accreditation procedure V10.0:
 - (a) Not included in JI accreditation procedure: the requirement to submit an annual report.
4. CDM Accreditation standard (AS) V4.0 (CDM-AS):
 - (a) General: not included in the CDM-AS: the requirement for AIEs to make available to the JISC any documents necessary to confirm compliance;
 - (b) Legal issues: not included in the JI-AS: the requirement to comply with national laws;
 - (c) Human resources and competence:
 - (i) Not included in the JI-AS: detailed competence requirements for personnel;
 - (ii) Not included in the CDM-AS: the requirement of competence criteria for the assessment of baseline and monitoring methodologies;
 - (d) Impartiality: not included in the JI-AS: detailed provisions for safeguarding impartiality at policy, organization and operational levels, including analysis and mitigation of threats;
 - (e) Process:
 - (i) Not included in the CDM-AS: detailed requirements for the determination/verification procedure;
 - (ii) Not included in the CDM-AS: the requirement for establishment and implementation of a documented procedure for final validation/verification approval;
 - (f) Quality management system (QMS): main difference: the QMS in the CDM-AS aims to ensure the consistent application of CDM accreditation requirements,

whereas the QMS in the JI-AS focuses on ensuring that determination/verification (D/V) work consistently complies with D/V requirements.

- - - - -

Document information

<i>Version</i>	<i>Date</i>	<i>Description</i>
01.1	20 September 2013	Editorial revision to correctly display entity name in Figure 2.
01.0	9 September 2013	Initial publication as an annex to the annotated agenda of JISC 33. See also JI-JISC32-AA-A1.
Decision Class: Regulatory Document Type: Information note Business Function: Accreditation Keywords: accreditation process, JI guidelines		