

**JI-JISC35-AA-A03**

## Concept note

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# Proposals for JISC recommendations to CMP 10

Version 01.0



**United Nations**  
Framework Convention on  
Climate Change

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## 1. Procedural background

1. Over the past years, the Joint Implementation Supervisory Committee (JISC) has provided annual recommendations to the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (CMP). In 2012, the CMP requested the Subsidiary Body for Implementation (SBI) to prepare revised joint implementation (JI) guidelines for consideration by the CMP at its ninth session.
2. During SBI 39 (November 2013), Parties initiated consideration of the review of the JI guidelines, in accordance with decision 6/CMP.8. The CMP took note of the relevant views submitted by Parties and admitted observer organizations, as well as the report<sup>1</sup> on possible changes to the JI guidelines prepared by the secretariat drawing on the recommendations made by the JISC. Parties also agreed to continue discussions at SBI 40 (June 2014) and SBI 41 (November 2014), on the basis of the draft text<sup>2</sup> proposed by the co-chairs with a view to recommending a draft decision on the matter for consideration and adoption by the CMP at its tenth session in Lima, Peru.
3. Parties have repeatedly acknowledged and expressed their appreciation for the high quality of the JISC recommendations regarding the review of the JI guidelines. In this context, at JISC 34 (March 2014), the JISC requested the secretariat to prepare a concept note for JISC 35 containing possible recommendations for consideration by the CMP at its tenth session on the transition from the existing to the revised JI guidelines.
4. As the main text of the JI guidelines is currently under negotiation, the JISC decided to focus only on the transitional aspects in light of the latest developments regarding the revision of the JI guidelines and their expected adoption in Lima. The JISC intends that the additional recommendations be complimentary to the previous ones submitted to the CMP in the last couple of years.

## 2. Purpose

5. As it is critical that JI remains fully operational throughout the transition from the existing to the revised JI guidelines, the purpose of this document is to propose options for consideration by the JISC on various aspects regarding the transition. The options agreed by the JISC will be included as recommendations in its 2014 annual report to the CMP.

## 3. Key issues and proposed solutions

### 3.1. Entry into force

6. Initially in its report to the eighth session of the CMP, the JISC recommended that 1 January 2014 be considered the effective date for the implementation of the revised JI guidelines.

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<sup>1</sup> FCCC/SBI/2013/INF.3

<sup>2</sup> FCCC/SBI/2014/L.11

7. Considering the longer negotiation process and the views of several Parties and observer organizations on the need for a grace period for the revised guidelines to enter into force, the JISC agreed in 2013 to recommend that the CMP set flexible dates for the implementation of the revised JI guidelines tied with the actual adoption date.
8. Moreover, the new JISC, host Parties, accredited independent entities (AIEs) and project developers would require time to prepare the initial steps for a smooth implementation of the revised JI guidelines. In this way, the JISC recommended that the revised guidelines come into force 12 months from the date of adoption by the CMP (grace period).
9. The JISC recommends that the CMP amend the draft CMP decision adopting the revised JI guidelines<sup>3</sup> from specifying the exact date of the entry into force of the revised JI guidelines in paragraphs 7 and 9 (e.g. "1 January 2015") to a more flexible date tied with the adoption date of the revised JI guidelines (e.g. "12 months from the date of adoption by the CMP").
10. Furthermore, the JISC recommends that the CMP include a specific provision in the draft CMP decision urging the interested host Parties and the new JISC, established under the revised JI guidelines, to make every effort to ensure that the revised JI guidelines are operational for project developers at the latest 12 months from the date of adoption by the CMP.

### **3.2. Existing and new projects**

11. The JISC recommended in 2012 that all JI projects registered prior to 1 January 2014 (date envisaged for the entry into force of the revised JI guidelines) be deemed registered under, and governed by, the revised JI guidelines. In addition, the JISC recommended that the registered JI projects be brought fully in accordance with the new JI guidelines, and any further guidance elaborated by the new JISC, by 31 December 2014.
12. Some Parties and observer organizations proposed in their submitted views to have a fast track for projects registered prior to the end of 2012 and a procedure for renewal of the crediting period for projects continuing during the second commitment period of the Kyoto Protocol.
13. In its 2013 annual report to the CMP, the JISC proposed to continue accepting new projects for determination/registration under the initial JI guidelines for a period of 12 months after the adoption of the revised JI guidelines. The JISC also proposed that current projects wishing to operate under the revised JI guidelines should be required to demonstrate compliance with the revised guidelines within 24 months of the adoption of the revised JI guidelines.

#### **3.2.1. Projects already registered/determined under JI Track 1 or Track 2**

14. Considering the current situation regarding JI project submissions and the views of some Parties and observer organizations, two options are shown below in relation to the continuation of existing projects, regardless of the track selected initially for registration/determination.

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<sup>3</sup> FCCC/SBI/2014/L.11

#### Option 1

15. A project already registered/determined under Track 1 or Track 2 continues to be considered under the initial JI guidelines (decision 9/CMP.1) until the end of its life cycle or the end of the respective commitment period of the Kyoto Protocol. In this way, after the adoption of the revised JI guidelines, the existing and new JI systems will have to be operated in parallel, resulting in a possible scenario in which projects could be implemented simultaneously under three JI tracks: the current two tracks under the initial JI guidelines and the new single track provided by the revised JI guidelines. Consequently, two different bodies with the same name but different composition, functions and rules would need to coexist: the current JISC operating the continuation of Track 2 and the new JISC under the revised JI guidelines operating the new single-track JI.
16. A possible advantage of this option consists of allowing a smooth continuation of existing JI projects as provided by decision 9/CMP.1, without interfering retroactively with the initial decision for the respective projects and resulting in no additional costs for project developers.
17. On the other hand, several disadvantages could be identified. It appears that more resources (financial and human) would be required at both the secretariat and host Party level to allow parallel operation of the two JI systems. Considering that the revised JI guidelines imply increased involvement of the host Parties, allowing the continuation of Track 1 will result in an increased effort at the host Party level to support both JI systems. Host Parties and the secretariat could face difficulties in managing existing and new projects under three different tracks. Moreover, it will be very difficult, costly and impractical to run in parallel the two JISCs established under both JI guidelines.
18. Furthermore, allowing the continuation of the existing two-track approach could be perceived as a lack of real reform and a limited resolution of the current problems affecting JI, expressed by some Parties and observer organizations (e.g. lack of transparency regarding some Track 1 projects). In addition, it could happen that the entire system created under the initial JI guidelines for both Track 1 and Track 2 is maintained only for a limited number of projects or for a single host Party that opted to continue some of its projects under the initial JI guidelines.

#### Option 2

19. Project participants for the projects already registered/determined under Track 1 or Track 2, together with the respective host Parties need to decide whether these projects are terminated under the initial JI guidelines or continue under the revised JI guidelines. If continuing, the host Parties where those projects are located inform the secretariat and the new JISC regarding the continuation of all or some of the respective projects at the latest six months after the adoption of the revised JI guidelines. The projects continuing under the revised JI guidelines are required to demonstrate compliance with the new provisions until the end of the grace period implemented for the entry into force of the revised JI guidelines.
20. This option could also be divided into three sub-options based on the conditions set for continuing projects:

- (a) Full flexibility sub-option, in which all existing projects that project participants together with host Parties decide to continue will be automatically registered under the revised JI guidelines without any additional project-related check;
  - (b) Limited flexibility sub-option, wherein some of the existing projects in certain sectors and types decided by the new JISC (e.g. renewable energy), that project participants together with host Parties decide to continue will be automatically registered under the revised JI guidelines. The rest of the existing projects that project participants together with host Parties decide to continue will be considered under the revised JI guidelines subject to updating baseline and monitoring plan;
  - (c) No flexibility sub-option, where all existing projects that project participants together with host Parties decide to continue will be considered under the revised JI guidelines subject to demonstrating compliance with the revised JI guidelines, including, inter alia, the reassessment of additionality, and of the updated baseline and monitoring plan.
21. As for the possible advantages of option 2, all three sub-options will imply a conscious decision by the respective project participants together with the respective host Parties upon the continuation of certain projects. In the “full flexibility” sub-option, the process will be very simple for both Track 1 and Track 2 projects and will be based on the information received by the new JISC and the secretariat from the host Parties. Under the “limited flexibility” sub-option, the JISC will provide the sectors and types of projects eligible for automatic registration and a simple procedure for assessing the updated baseline and monitoring plan. In the “no flexibility” option, the international community will be assured that all the current JI projects continuing under the revised JI guidelines were updated and have passed the full scrutiny of the new JISC or the secretariat.
22. In terms of disadvantages of option 2, the “full flexibility” sub-option could result in registering under the revised JI guidelines some projects (especially Track 1) without passing any JISC or international oversight in the past, and in some cases not even an accredited third-party verification. Under the “limited flexibility” sub-option, the process could be hindered by the possible lack of resources for the work of the new JISC in its first year of operation. In the “no flexibility” sub-option, it could happen that for most of the projects it will be impossible to reassess additionality, punishing the project participants of some worthy projects that could have continued under the revised JI guidelines. In addition, the “no flexibility” sub-option would require the development of clear requirements on how the project participants demonstrate compliance with the revised JI guidelines. The development of such requirements will be resource- and time-consuming.
23. Considering the advantages and disadvantages presented above, together with the information provided recently by the designated focal points (DFPs) of Parties involved regarding their future approach on JI, it is proposed that the JISC recommend that the CMP take up a simple approach regarding the possibility of continuing existing projects under the revised JI guidelines, as shown in option 2, sub-option “limited flexibility”.

### **3.2.2. New projects proposed to be registered/determined in the grace period**

24. The transition from the current JI guidelines to the revised JI guidelines will probably take around 12 months after the adoption of the latter by the CMP. During this grace period,

project developers should be allowed to propose and register new projects. There are two possible options for accepting new projects in the grace period as follows:

Option 1

25. A new project being submitted until the end of the grace period under Track 1 or Track 2 will be considered under the initial JI guidelines (decision 9/CMP 1) and will continue to be considered under the initial JI guidelines until the end of its life cycle or the end of the respective commitment period of the Kyoto Protocol (linked with option 1 in section 3.2.1. – paragraph 15).

Option 2

26. A new project being submitted until the end of the grace period under Track 1 or Track 2 will be put on hold and considered under the single JI track provided by the revised JI guidelines when all the organizational and procedural aspects will be put in place for accepting new projects by the new JISC.
27. Considering the current situation regarding new JI projects (limited submissions in the last couple of years) and the information provided recently by DFPs, it is proposed that the JISC recommend that the CMP adopt option 2. In this way, the JISC considers it important to clarify at this moment the process for considering existing and new projects until the entry into force of the revised JI guidelines in order to avoid an additional burden for project developers and host Parties.

**3.2.3. New projects proposed to be registered/determined after the entry into force of the revised JI guidelines**

28. All new projects submitted after the end of the grace period will be considered under the single JI track provided by the revised JI guidelines when all the organizational and procedural aspects will be put in place for accepting new projects by the new JISC.

**3.3. Accreditation**

29. The JISC recommended in 2012 that all AIEs accredited prior to 1 January 2014 be deemed accredited under, and governed by, the revised JI guidelines from that date. However, the JISC also proposed that all AIEs accredited prior to 1 January 2014 be brought fully into accordance with the revised JI guidelines, and any further guidance elaborated by the new JISC, by 31 December 2014.
30. In its 2013 annual report to the CMP, the JISC proposed to the CMP to consider establishing a unified accreditation system for the clean development mechanism (CDM) and JI. The accreditation panels of both mechanisms have been collaborating in their work over the past years and the JISC firmly believes that a unified accreditation system would achieve economies of scale, resulting in reduced regulatory burdens and associated transaction costs. The JISC has also stated its readiness to collaborate fully with the CDM Executive Board in implementing a unified accreditation system, under the strategic direction provided by the CMP.
31. Parties discussed this subject during SBI 40 (June 2014) based on JISC suggestions and agreed to recommend the CMP to request the CDM Executive Board and the JISC to collaborate in considering the establishment of a joint accreditation committee under

their authority and supervision and in the operation of accreditation, within their mandates provided by the CMP in relation to accreditation.

32. In light of the recommendation above (to be considered at CMP 10 in Lima), the accreditation section of the revised JI guidelines may need to be updated. However, as no decision has been taken by the CMP so far, the JISC will retain its function of accrediting independent entities until the joint system is put into operation.
33. In addition to the overall accreditation framework for JI, the Parties have to decide on the situation of the AIEs accredited before the adoption of the revised JI guidelines. Currently, according to the official information on the JI website, 11 AIEs are shown as accredited. However, it seems that at least eight of them have either sent requests to withdraw accreditation, or their accreditation has expired in the recent time. In addition, the existing AIEs were accredited based on the provision of the initial JI guidelines only for functions related to Track 2.
34. As in the case of continuing JI projects, there are two possible options for continuing the accreditation status as follows:

Option 1

35. All AIEs accredited prior to the adoption of the revised JI guidelines, currently retaining their accreditation status, shall be deemed provisionally accredited under the revised JI guidelines from the date of adoption of the revised JI guidelines only until the end of the grace period (linked with option 1 in section 3.2.2. – paragraph 25). By the end of the grace period, all AIEs accredited prior to the adoption of the revised JI guidelines shall be brought fully into accordance with the revised JI guidelines, and any further guidance adopted by the new JISC.

Option 2

36. All AIEs accredited prior to the adoption of the revised JI guidelines, currently retaining their accreditation status, shall be deemed provisionally accredited under the revised JI guidelines from the date of adoption of the revised JI guidelines. Nevertheless, by the end of the grace period, all AIEs accredited prior to the adoption of the revised JI guidelines shall request reaccreditation under the revised JI guidelines.
37. Based on the above and the fact that the role of the AIEs will be clarified in the revised JI guidelines and further guidance adopted by the new JISC, it is proposed that the JISC recommend that the CMP adopt option 2, which will ensure continuity in the grace period (if needed) followed by a reaccreditation process under the revised JI guidelines.

### **3.4. New JISC**

38. The JISC recommended to the CMP in 2012 to allow the current JISC to continue operation until the revised JI guidelines become effective. Moreover, the JISC invited Parties to consider in the transition measures the implications of the revised JI guidelines on the JI-related decisions of the CMP, as well as other decisions of the CMP related, inter alia, to compliance procedures, accounting of assigned amounts and reporting.
39. In 2013, the JISC came back to the above-mentioned recommendation, and requested the CMP, as an interim measure, to allow the current JISC to continue its operation until



the revised JI guidelines are made fully effective in order to process possible submissions in the grace period.

40. The composition of the new JISC has not been agreed yet by Parties under the revised JI guidelines. However, the two options included in the draft text<sup>4</sup> proposed by the co-chairs present limited differences in comparison with the current set-up. The first option involves a lower number of JISC members and no alternate members, whereas the second option is similar to the current JISC structure.
41. As previously recommended by the JISC, the Parties have to agree that the current JISC should remain operational in the grace period established for the entry into force of the revised JI guidelines (12 months from the date of adoption).
42. The JISC members are nominated by their constituencies and usually have a two-year mandate. In this context, two options are presented below for transitioning the JISC membership and clarifying the situation of the newly elected members. Both options assume that the current number of JISC members and alternate members would be maintained in the revised JI guidelines.

#### Option 1

43. Half of the current JISC members and the respective alternate members are continuing their JISC mandate for another year at the time of adoption of the revised JI guidelines. These members and alternate members would also be elected by the CMP for a one-year mandate in the new JISC. The other half of the JISC members and alternate members would be elected by the CMP to serve a one-year mandate in the current JISC and a two-year mandate in the new JISC. In this way, the initial JISC would cease to exist at the end of the grace period and the next CMP would have to elect half of the new JISC members and alternate members for a term of two years.

#### Option 2

44. Half of the current JISC members and the respective alternate members are continuing their JISC mandate for another year at the time of adoption of the revised JI guidelines. The CMP would elect the other half of the current JISC members and alternate members for a term of only one year. This will ensure that the initial JISC ceases its existence at the end of the grace period established for the revised JI guidelines. The CMP would also need to elect all the members and alternate members of the new JISC, with half of the members and alternate members elected for a term of three years and the other half for a term of two years. In this manner, similar to the establishment of the current JISC, the next CMP will ensure continuity of half of the JISC members and alternate members at every re-election.
45. Considering the information presented above, it is proposed that the JISC recommend that the CMP adopt option 1. The major advantage of this option is that having the same members and alternate members in the current JISC and the new JISC would imply that meetings could be organized back-to-back in the grace period to reduce costs.
46. It is further proposed that the JISC recommend to the CMP that the funds available to the current JISC be used for the purpose of supporting the new JISC in its initial work and that remaining funds of the current JISC are transferred to the new JISC when the

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<sup>4</sup> FCCC/SBI/2014/L.11.

current JISC ceases to exist. The CMP could also invite Parties to make contributions to support the initial work of the new JISC and the operation of JI. The Parties could also be invited by the CMP to consider the establishment of a transparent and fair system for the charging of fees for JI under the revised JI guidelines in order to ensure that the new JISC will become self-financing after the end of the grace period.

## 4. Proposed work and timelines

47. Following JISC endorsement, the secretariat will include the agreed recommendations in the JISC report to the tenth session of the CMP, which will be finalized in consultation with the Chair and Vice-Chair of the JISC. In addition, following the CMP endorsement, the textual proposals recommended by the JISC should be included in the proposed draft CMP decision approving the revised JI guidelines.

## 5. Recommendations to the JISC

48. The secretariat proposes that the JISC agree to the draft recommendations to the tenth session of the CMP in relation with the following aspects:
- (a) Specifying the exact date of the entry into force of the revised JI guidelines, as presented in paragraph 9;
  - (b) Urging Parties and the new JISC to speed up the operationalization of the revised JI guidelines for project developers, as shown in paragraph 10;
  - (c) Selecting the option presented in paragraph 23 regarding the possibility of continuing existing projects under the revised JI guidelines,;
  - (d) Selecting the option presented in paragraph 27 for considering projects proposed to be registered/determined in the grace period;
  - (e) Selecting the option presented in paragraph 37 on the continuation of the accreditation status of the independent entities in the grace period and ensuring a reaccreditation process under the revised JI guidelines;
  - (f) Deciding to keep the existing JISC operational in the grace period established for the entry into force of the revised JI guidelines, as shown in paragraph 41;
  - (g) Selecting the option presented in paragraph 45 for transitioning the JISC membership and clarifying the situation of the newly elected members;
  - (h) Using the funds available to the current JISC for the purpose of supporting the new JISC in its initial work and transferring the remaining funds of the current JISC to the new JISC when the current JISC ceases to exist, as shown in paragraph 46;
  - (i) Inviting Parties to establish a transparent and fair system for the charging of fees for JI under the revised JI guidelines, as presented in paragraph 46.

## 6. References

49. The following documents were used as references for this concept note:

- (a) Annual report of the Joint Implementation Supervisory Committee to the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (FCCC/K/CMP/2012/4);
- (b) Annual report of the Joint Implementation Supervisory Committee to the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (FCCC/K/CMP/2013/4);
- (c) Revised set of key attributes and transitional measures and draft revised joint implementation guidelines (FCCC/K/CMP/2012/5).
- (d) Recommendations on possible changes to the joint implementation guidelines (FCCC/SBI/2013/INF.3);
- (e) Views on the revision of the joint implementation guidelines. Submissions from Parties (FCCC/SBI/2013/MISC.3);
- (f) SBI 40 conclusions on the review of the JI guidelines (FCCC/SBI/2014/L.11).

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### Document information

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