

JI-JISC37-AA-A03

**Draft 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**

Version 01.0

DRAFT



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Climate Change

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1. Introduction

1.1. Mandate

1. The Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (CMP), by decision 10/CMP.1, established the Joint Implementation Supervisory Committee (JISC) to supervise, inter alia, the verification of emission reductions or removal enhancements generated by projects under Article 6 of the Kyoto Protocol (hereinafter referred to as JI¹ projects) in accordance with the “Guidelines for the implementation of Article 6 of the Kyoto Protocol” (hereinafter referred to as the JI guidelines).²
2. In accordance with paragraph 3(a) of the JI guidelines, the JISC is required to report on its activities to each session of the CMP. The CMP provides guidance regarding the implementation of Article 6 of the Kyoto Protocol and exercises authority over the JISC.

1.2. Scope of the report

3. This annual report of the JISC to the CMP covers JI activities carried out between 17 September 2014 and 30 September 2015 (hereinafter referred to as the reporting period). The Chair of the JISC, Ms. Julia Justo Soto, will highlight any relevant subsequent matters in her oral report to CMP 11. During the reporting period, the JISC held two meetings.
4. This report describes the status of the JI mechanism and recommends action for consideration at CMP 11. As in past years, it covers the work undertaken by the JISC during the reporting period, including its responsibilities relating to operation of the verification procedure under the JISC (hereinafter referred to as JI Track 2)³ and any associated project caseload, the operation of the JI accreditation process and the financial status of the JI mechanism.
5. Full details of the operation and functions of the JISC are available on the web pages on JI on the UNFCCC website (hereinafter referred to as the JI website), which are the central repository for reports on meetings of the JISC, JI project- and accreditation-related information and documents adopted by the JISC.⁴

1.3. Action to be taken by the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol

6. After reviewing this report and taking note of the oral report by the Chair of the JISC, CMP 11, apprised of the serious challenge faced by JI, may wish to consider with urgency the recommendations of the JISC relating to the transition of the JI mechanism from the existing JI guidelines to the revised JI guidelines, after their adoption (see chapter III below).

¹ Joint implementation.

² Annex to decision 9/CMP.1.

³ Outlined in paragraphs 30–45 of the JI guidelines.

⁴ <<http://ji.unfccc.int>>.

7. In accordance with paragraphs 4–6 of the JI guidelines, the CMP is to elect JISC members for a term of two years, upon receipt of nominations from Parties, as follows:
 - (a) One member and one alternate member from Parties included in Annex I to the Convention (Annex I Parties) that are undergoing the process of transition to a market economy;
 - (b) One member and one alternate member from the Annex I Parties not referred to in paragraph 7(a) above;
 - (c) Two members and two alternate members from Parties not included in Annex I to the Convention (non-Annex I Parties);
 - (d) One member and one alternate member from small island developing States.

2. Status of joint implementation

8. Activity under JI has virtually ceased. Approaching three years since the conclusion of the first commitment period of the Kyoto Protocol, projects are neither seeking approval nor requesting issuance of emission reduction units (ERUs).
9. Because ERUs are created through the conversion of a country's assigned amount units (AAUs) to ERUs, the JI mechanism is essentially blocked from operating until countries ratify the Doha Amendment to the Kyoto Protocol, launching the second commitment period of the Kyoto Protocol, and issue AAUs or agree on some other unique solution. With respect to the latter, one such solution proposed by the JISC, that Parties allow some form of advance issuance of AAUs, has not been adopted by Parties.
10. Despite these challenges, the JISC continues to fulfil its mandate, keeping JI available for use by Parties while seeking ways to improve the mechanism, in the context of the review of the JI guidelines and in the broader context of Parties' efforts to craft a new, universal climate change agreement.

3. Future role of joint implementation mechanism

11. The work of the JISC to implement and improve JI is driven by the firm belief that this mechanism has a valuable, continuing role to play in the international response to climate change.
12. Indeed, the JISC remains of the view that the ultimate objective of the Convention can only be met if market and non-market approaches are made operational in the context of the 2015 agreement and are able to bring about long-term shifts in economic behaviour.
13. The JI mechanism is a valuable tool that countries can use to focus investment where it is needed, complementing and strengthening national policy toolkits. It could serve as a pilot mechanism able to tap, with well-placed incentive, the creativity of the market to reveal otherwise unidentified or unidentifiable opportunities for mitigation.
14. The mechanism can also be used by governments or constituencies to monitor, report and verify emission reductions in activities or sectors that may not yet be covered under an emissions trading system because of specific national circumstances. In its brief existence, JI has already broken ground for several project categories to be included in emissions trading systems.

3.1. New prompt start for joint implementation with single track and international oversight

15. The main recommendation made by the JISC is that JI be run in a single track with international oversight based on criteria that ensure environmental integrity. If this and other related recommendations are adopted by Parties, JI would become a reliable, environmentally sound mechanism ideally suited for operation under a capped environment.
16. In decision 6/CMP.8, Parties agreed on the soundness of this single-track approach. Parties can now take further, practical steps by agreeing, as soon as possible, on the revised JI guidelines and allowing for immediate origination of new JI project activities according to those revised guidelines. Parties should take a decision at the United Nations Climate Change Conference in Paris that would allow JI to restart immediately upon transition to the revised guidelines, again, agreed as soon as possible.
17. As countries look for ways to enhance their efforts to address climate change and work towards a new universal climate change agreement, JI is a ready-made tool with a great deal of potential at Parties' disposal.
18. The mechanism should have an important continuing role to play in the international response to climate change, in particular as more and more Parties are expected to take on economy-wide or sectoral mitigation commitments.

4. Work undertaken in the reporting period

4.1. Ensuring a productive future for joint implementation

19. The JISC is responsible, within the guidance set by the CMP, to ensure infrastructure and capacity sufficient for the mechanism's use by Parties as a tool to mitigate greenhouse gas emissions, in accordance with the Kyoto Protocol, for as long as the mechanism is needed.
20. To fulfil this responsibility, the JISC agreed at its 36th meeting, held in March 2015 in Bonn, Germany, on a management plan and workplan for 2015. The JISC focused on strengthening policy guidance while looking for opportunities for cooperation, specifically in the area of accreditation, with the other project-based mechanism under the Kyoto Protocol, the clean development mechanism (CDM).
21. The management plan and workplan were written to deliver on the second half of the two-year business plan and management plan for 2014–2015, which detailed the following objectives:
 - (a) Objective 1: effective contribution to the future development of the JI mechanism;
 - (b) Objective 2: promotion of the JI mechanism;
 - (c) Objective 3: maintain efficient operations of the JI mechanism.
22. [Placeholder for JISC decision on collaboration on accreditation – include reference, taking note of decision 6/CMP.10.]

4.2. Verification procedure under the Joint Implementation Supervisory Committee

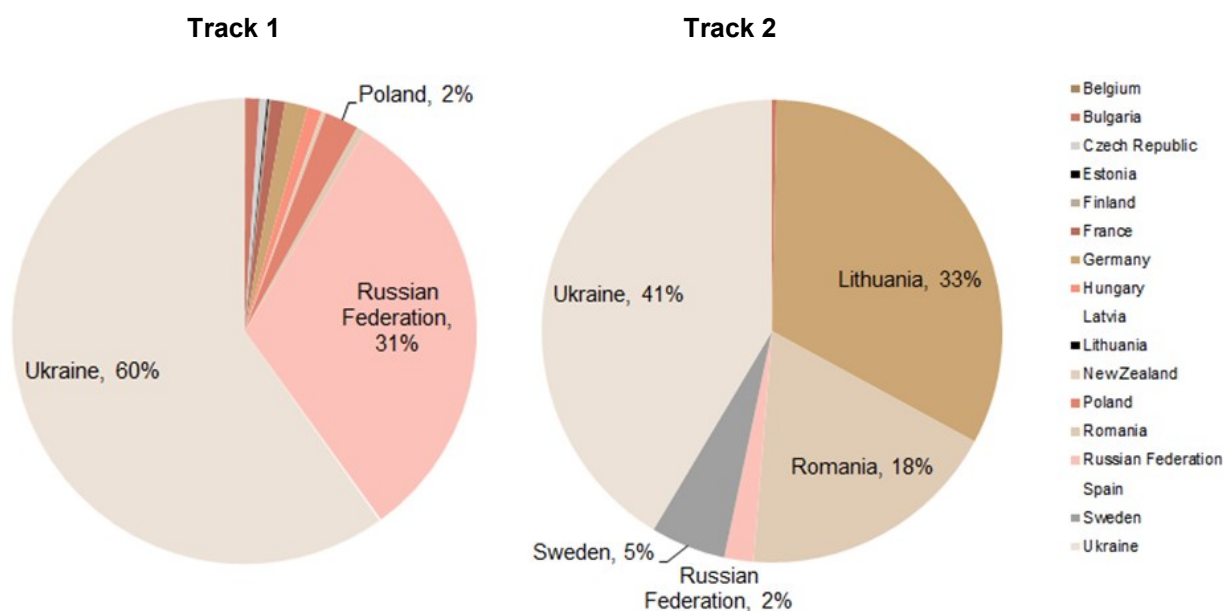
23. In the reporting period, no determination or verification cases were submitted for processing.
24. From the launch of JI until 30 September 2015, under JI Track 2, 332 project design documents and one programme of activity design document had been submitted and made publicly available on the JI website in accordance with paragraph 32 of the JI guidelines. By 30 September 2015, 130 verifications of emission reductions had been published on the JI website, of which 129 were deemed final in accordance with paragraph 39 of the JI guidelines and one was withdrawn. The positive verifications were from 42 JI projects that had determinations deemed final and allowed for 25 million ERUs to be issued. In total, 20 of the 51 positive determinations referred to in paragraph 23(a) above submitted monitoring/verification reports for emission reductions occurring up to the end of 2012, and were deemed final.
25. In total, 52 determinations regarding project design documents have been published on the JI website in accordance with paragraph 34 of the JI guidelines, of which:
- (a) A total of 51 positive determinations for projects located in six host Parties were deemed final in accordance with paragraph 35 of the JI guidelines;
 - (b) One determination was rejected by the JISC.
26. By 30 September 2015, 130 verifications of emission reductions had been published on the JI website, of which 129 were deemed final in accordance with paragraph 39 of the JI guidelines and one was withdrawn. The positive verifications were from 42 JI projects that had determinations deemed final and allowed for 25.4 million ERUs to be issued. In total, 20 of the 51 positive determinations referred to in paragraph 23(a) above submitted monitoring/verification reports for emission reductions occurring up to the end of 2012, and were deemed final.
27. In addition to the project-related submissions under JI Track 2, by 30 September 2015, 597 projects had been published by host Parties on the JI website under JI Track 1, of which 548 have received unique project identifiers registered in the international transaction log.
28. Detailed information on the project-related submissions under both JI Track 1 and JI Track 2 is available in the "JI projects" section of the JI website. The total ERUs issued by host Parties under both JI Tracks is shown in table 1, while the breakdown by country and per cent is shown in figure 1.

Table 1. Total emission reduction units issued under joint implementation, 2008–2015

Year	JI Track 1	JI Track 2	Total
2008	120 000	–	120 000
2009	4 670 641	1 324 448	5 995 089
2010	28 033 010	2 921 570	30 954 580
2011	86 702 918	6 818 250	93 521 168
2012	517 108 849	9 083 486	526 192 335

Year	JI Track 1	JI Track 2	Total
2013	179 116 529	4 599 135	183 715 664
2014	30 469 458	669 383	31 138 841
2015	255 952		255 952
Total	846 477 357	25 416 272	871 893 629

Figure 1. Emission reduction units issued under joint implementation by host Party, in per cent of total units issued under Track 1 and Track 2



Source: International Transaction Log, 31 August 2015

4.3. Accreditation of independent entities

29. The JISC elected Mr. Carlos Fuller and Mr. Benoît Leguet to serve as the Chair and Vice-Chair, respectively, of the Joint Implementation Accreditation Panel. [PLACEHOLDER: The JISC also extended the term of the current members of the panel by one year.]
30. The Joint Implementation Accreditation Panel did not hold a meeting during the reporting period, but conducted its work through electronic means to ensure continuity of the accreditation processes.
31. During the reporting period, three voluntary withdrawals were processed. No additional independent entities were accredited and no scope of accreditation was extended for any accredited independent entity. Since the inception of the JI accreditation process, 14 independent entities⁵ have been granted accreditation. Currently, there are two accredited independent entities⁶ after 10 voluntarily withdrew and after two accreditations expired.

⁵ See <<http://ji.unfccc.int/AIEs/List.html>>.

⁶ TÜV NORD CERT GmbH and Spanish Association for Standardisation and Certification (AENOR).

5. Governance and management matters

5.1. Interaction with bodies and stakeholders

32. The JISC continued its regular interactions with independent entities and accredited independent entities in the reporting period, encouraging them to provide written inputs and inviting the Chair of the DOE/AIE (designated operational entity and JI accredited independent entity) Coordination Forum to meetings of the JISC.
33. The JISC made itself available to registered observers at its meetings and held a special side event at CMP 10 titled “Future carbon markets: The JISC hosts a panel discussion on growing joint implementation into a new market architecture”. An audio file of the panel discussion is available on the UNFCCC JI website.

5.2. Outreach activities

34. The secretariat supported the JISC in reaching out to the press, promoted JI through social media, supported the JISC in holding a side event at CMP 10 (see para. 33 above), and maintained the JI website as a promotional tool and repository of information relating to the mechanism.

5.3. Membership issues

35. The CMP, by decision 10/CMP.1, established the JISC and subsequently elected its members and alternate members in accordance with paragraphs 4–6 and 8 of the JI guidelines.
36. CMP 10 elected new members and alternate members of the JISC to fill vacancies arising from the expiration of the terms of tenure of outgoing members and alternate members. During the reporting period, the JISC comprised the members and alternate members listed in table 2.

Table 2. Members and alternate members of the Joint Implementation Supervisory Committee after the election by the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol at its tenth session

Member	Alternate member	Constituency
Ms. Carola Borja ^a	Mr. Carlos Fuller ^a	Non-Annex I Parties
Ms. Gherghita Nicodim ^b	Mr. Mykhailo Chyzhenko ^b	Annex I Parties with economies in transition
Mr. Piotr Dombrowicki ^a	Mr. Yury Fedorov ^a	Annex I Parties with economies in transition
Mr. Derrick Oderson ^a	Mr. Albert Williams ^a	Small island developing States
Mr. Guoqiang Qian ^a	Mr. Chebet Maikut ^a	Non-Annex I Parties
Mr. Konrad Raeschke-Kessler ^a (Vice-Chair)	Mr. Marko Berglund ^a	Annex I Parties
Mr. Takahiko Tagami ^{b, d}	Vacant ^c	Annex I Parties
Ms. Julia Justo Soto ^b (Chair)	Mr. Komi Tomyeba ^b	Non-Annex I Parties

Member	Alternate member	Constituency
Ms. Veneta Borikova ^b	Ms. Irina Voitekhovitch ^b	Annex I Parties with economies in transition
Mr. Benoît Leguet ^b	Mr. Jakob Lenz ^b	Annex I Parties

^a Term: two years, that is, ending immediately before the first meeting in 2016.

^b Term: two years, that is, ending immediately before the first meeting in 2017.

^c Nomination pending from CMP 10.

^d Mr. Takahiko Tagami replaced Mr. Hiroki Kudo as a JISC member effective 2 September 2015.

5.4. Election of the Chair and the Vice-Chair of the Joint Implementation Supervisory Committee

37. At its 36th meeting, the JISC elected by consensus Ms. Julia Justo Soto, a member from a non-Annex I Party, as its Chair, and Mr. Konrad Raeschke-Kessler, a member from an Annex I Party, as its Vice-Chair. The tenures of the Chair and the Vice-Chair will end immediately before the first meeting of the JISC in 2016.
38. The JISC expressed its deep appreciation to the outgoing Chair, Mr. Piotr Dombrowicki, and Vice-Chair, Ms. Soto, for their excellent leadership during 2014.

5.5. Meetings in 2015

39. The JISC held two meetings in 2015 (table 3).

Table 3. Joint Implementation Supervisory Committee meetings in 2015

Meeting	Date	Location
Thirty-sixth	12–13 March	Bonn, Germany
Thirty-seventh	29–30 September	Bonn, Germany

40. The annotated agendas for the JISC meetings, documentation supporting agenda items and reports containing all agreements reached by the JISC are available on the JI website.

6. Status of financial resources for the work of the Joint Implementation Supervisory Committee and its supporting structures

41. In accordance with decision 5/CMP.10, the JISC is ensuring sufficient infrastructure and capacity for the mechanism's use by Parties until at least the end of the additional period for fulfilling commitments under the second commitment period of the Kyoto Protocol.
42. During the reporting period, the JISC continued to carefully monitor⁷ the status of, and prudently utilize, the resources available for the work on JI. Resources were used in support of the approved two-year business plan and management plan for 2014–2015, including:

⁷ The CMP, by decisions 3/CMP.2, 3/CMP.3, 5/CMP.4, 3/CMP.5, 4/CMP.6, 11/CMP.7 and 6/CMP.8, requested the JISC to keep the JI management plan under review and to make adjustments as necessary to continue ensuring the efficient, cost-effective and transparent functioning of the JISC.

- (a) Two meetings of the JISC;
- (b) Activities relating to the project cycle, including maintenance of capacity to process submissions;
- (c) Activities relating to the JI accreditation system, including decisions of the Joint Implementation Accreditation Panel reached by electronic means.
43. The budget performance report provided in this chapter contains information on income and expenditure for the reporting period, including status of income and expenditure against budget. Table 4 provides a summary of the income of the JISC in 2014.

Table 4. Income for the work of the Joint Implementation Supervisory Committee, 2015 (United States dollars)

Status of income in 2015 ^a	Amount
Carry-over figure from 2014 ^b	7 551 936
Contributions received in 2015	-
Total joint implementation Track 1 fees for 2015	-
Total joint implementation Track 2 fees for 2015	-
Total income with 2014 carry-over	7 551 936

^a The financial reporting period in 2015 is from 1 January to 31 August.

^b Includes JI Track 2 fees previously held in reserve.

44. The budget of the JISC for 2015 amounted to USD 969,749, with expenditure amounting to USD 477,936, yielding a difference of USD 492,096, as shown in table 5.

Table 5. Comparison of the actual expenditure versus the budget of the Joint Implementation Supervisory Committee, 2015 (United States dollars)

Comparative status of expenditure against budget	2015 ^a
Budget	969 749
Expenditure	477 653
Difference	492 096

^a The financial reporting period in 2015 is from 1 January to 31 August.

45. Table 6 summarizes the financial status of the JI mechanism for 2015, showing a balance at the end of the reporting period of around USD 7 million.

Table 6. Financial status of the Joint Implementation Supervisory Committee, 2015 (United States dollars)

Summary of current financial status as at 31 August 2015	Amount
Carry-over from 2014	7 551 936
Contributions from Parties in 2015	-
Income from joint implementation fees (Tracks 1 and 2)	-
Subtotal	7 551 936

Summary of current financial status as at 31 August 2015	Amount
Expenditure in 2014	477 635
Balance	7 074 283

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