

JI-JISC38-A04

Recommendation

Proposed further recommendations on the review of the joint implementation guidelines

Version 01.0



United Nations
Framework Convention on
Climate Change

1. Procedural background

1. The Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (CMP) at its first session adopted the “Guidelines for the implementation of Article 6 of the Kyoto Protocol” (the joint implementation (JI) guidelines).¹ In 2012, the CMP requested the Subsidiary Body for Implementation (SBI) to prepare revised JI guidelines for consideration by the CMP.² The SBI has since deliberated on this matter at each session. Over the past years, the Joint Implementation Supervisory Committee (JISC) has provided recommendations on the review of the JI guidelines to the CMP and to the SBI.
2. At SBI 43 (November-December 2015), Parties agreed to continue discussions on the review of the JI guidelines at SBI 44 (May 2016), on the basis of the proposed draft JI modalities and procedures contained in the annex to the decision.³ Furthermore, CMP 11 (November-December 2015) requested the JISC to submit recommendations in the context of the review of the JI guidelines for consideration at SBI 44,⁴ inter alia, on options to address:
 - (a) Concerns raised by stakeholders;
 - (b) Validation by an accredited independent entity (AIE) of post-registration changes.

2. Comparative analysis

2.1. Concerns raised by stakeholders

3. Under the current clean development mechanism (CDM) rules, stakeholders are given the opportunity to comment on project activities on two occasions during the CDM project cycle:
 - (a) Prior to validation. Project participants conduct local stakeholder consultation (LSC) before the start date of the project activity. The feedback that they provide during the LSC are reported in the project design document (PDD) and submitted to a designated operational entity (DOE) for validation, including information on how stakeholders’ comments have been considered and addressed. After the completion of the LSC, local stakeholders may submit a complaint to the designated national authority of the host Party(ies) if they find that the outcome of the LSC is not appropriately taken into account;
 - (b) During validation. Upon receipt of the PDD from the project participants, the DOE makes it publicly available for 30 days on the UNFCCC CDM website for global stakeholder consultation (GSC).

¹ Decision 9/CMP.1.

² Decision 6/CMP.8, paragraph 14.

³ FCCC/SBI/2015/L.30.

⁴ Decision 7/CMP.11, paragraph 5.

4. The validating DOE determines whether the project participants have taken due account of all comments received from stakeholders during the LSC and the GSC, and provides its conclusion in the validation report.
5. The CDM does not require stakeholder consultation in case of post-registration changes or during verification.
6. The CDM provides by means of the LSC for key groups affected by the project activity to have a meaningful opportunity to participate in the consultation and for their comments, where applicable, to be taken into account and reflected in the project design. Flexibility is afforded to the project participants to determine how best to structure the consultation. However, it is noted that it is rare for project participants to receive project-specific comments that contribute to improving project design during the GSC; some stakeholders assert that the only impact of the 30-day GSC period is to prolong the validation process and delay project activity registration.
7. Under the Verified Carbon Standard (VCS) scheme, no mandatory requirement is set for LSC during the project development and validation. The VCS rules only require all project types to summarize the outcomes of any stakeholder consultations undertaken where required to do so by the host country law or where the project participants voluntarily does so. The project participants are not required to demonstrate how they have taken due account of each comment. Other programmes, such as the American Carbon Registry (ACR) and the Climate Action Reserve (CAR) also leave to the project participants on the form and substance of stakeholder consultations, without introducing any relevant requirements in their standards. None of these schemes provide for a 30-day global commenting period hosted on their website during validation or verification; nor do they require for stakeholder consultation in case of post-registration changes.
8. This approach streamlines the project development process and recognizes that the project participants likely have a good sense of the project-specific conditions that may dictate the structure of the consultation. It leaves to the project participants to demonstrate how stakeholders have been given a meaningful opportunity to express their views on the project; however it does not make it mandatory for the project participants to demonstrate that the comments received from stakeholders have been taken in due account.
9. The Climate, Community and Biodiversity Alliance (CCB) Standards and the Gold Standard (GS) set out more explicit and prescriptive rules for LSC, specifying how consultations are to be conducted and what elements are to be presented to and discussed with stakeholders. This approach has the benefit of ensuring that all projects conduct their LSCs in a consistent and structured manner. Such detailed rules may also lead to a more robust consultation, as the project participants are required to exert appropriate levels of effort to ensure that the programme rules have been met. The GS requires a second local consultation, during the PDD development, during which stakeholders can give feedback on how their comments have been taken into account and integrated in the PDD; In case of post-registration changes, both standards require LSC, but the GS limits it to changes that include addition of new project sites or the selection of different sites from those that had been envisioned at the time of registration. The CCB Standards require the publication of both the PDD and the monitoring report during validation and verification respectively for a global commenting period of at least 30 days.

10. The GS approach sets out strict requirements on the LSC that ensure the final project design reflects inputs from groups and communities affected by the project. The time taken by the project participants in conducting a thorough and strict stakeholder consultation during the project development phase is counterbalanced by a streamlined validation phase, which does not provide for a global commenting period during validation or verification.
11. The table below summarises the phases of the project development cycle during which stakeholder consultation occurs under the different standards mentioned above.

Table. Phases of project development cycle with stakeholder consultation

	CDM	VCS	ACR	CAR	CCB	GS
At PDD development	X	X	X	X	X	X
At validation	X				X	
After registration, in case of post-registration changes					X	X
At verification					X	

2.2. Validation by an accredited independent entity of post-registration changes

12. According to the current CDM rules, two different procedural tracks are defined for approving post-registration changes:
 - (a) Prior approval track. Changes that are not deemed minor (i.e. changes that affect project additionality and scale, methodology applicability or have permanent impact on the monitoring plan) require prior approval from the CDM Executive Board (the Board), for which the project participants must hire a DOE to validate the changes and submit its opinion to the Board. This is an essential step in the cycle before the project participants can proceed with the request for issuance that will be affected by the changes. Since the Board approval process follows similar steps and timelines as for registration, the processing time for requests for post-registration changes can be long. Prior approval for post-registration changes is additional cost and time factors for project participants;
 - (b) Issuance track. Limited types of post-registration changes that are minor and do not have significant impact on the project design and monitoring system do not require prior approval from the Board. These changes are validated by the verifying DOE, which incorporates its conclusion on the post-registration changes in the verification report for submission together with the request for issuance. These types of post-registration changes enjoy the use of a streamlined process and do not result in high transaction costs for the project participants.
13. The GS follows a post-registration changes process similar to the issuance track under the CDM, with a particular emphasis on changes that have an impact on claimed emission reductions and on the GS project qualifications. The changes are described in the monitoring report and validated by the verifying DOE. For changes that have a significant impact, the GS reserves the right to review the changes through the request for review process (additional period of four weeks). This process benefits from enhanced flexibility and reduced procedural steps.

14. The VCS and the ACR follow an approach similar to the GS; where project-specific changes that require revision to baseline or additionality assessments occur after the initial validation; these changes must be disclosed in the monitoring report and validated at the subsequent verification.
15. The CCB Standards requires an additional round of validation at the time of verification if significant changes occur from the validated PDD. When the new validation is required, the audits must be successfully completed and a validation statement issued before, or concurrent with, the completion of the next verification.

3. Recommendations to Subsidiary Body for Implementation

16. Based on the above comparative analysis of the approaches in the CDM and other relevant standards and in light of the current draft “Modalities and procedures for the implementation of Article 6 of the Kyoto Protocol” (JI M&P), the JISC recommends the SBI to consider the following recommendations.

3.1. Concerns raised by stakeholders

17. Amendment of paragraph 46(b): “Documentation on how input from local stakeholders was invited and taken into account, ensuring that any concerns that have been raised have been considered and sufficiently addressed.”
18. Amendment of paragraph 50: “The accredited independent entity shall make its validation report publicly available through the secretariat, together with an explanation and justification of its findings, including a summary of stakeholder comments and a report on how due account was taken of those comments referred to in paragraphs 46(b) and 48 above.”
19. In paragraphs 55 and 58: Parties may wish to consider the inclusion of stakeholder consultations during the verification stage based on the following assessment by the JISC:
 - (a) Such inclusion would increase transparency, noting that possible increases in transaction costs maybe marginal compared to the positive value received by stakeholders through a greater involvement at the verification stage;
 - (b) However, such inclusion would go beyond the current common practice across the CDM and other standards, while noting that the most recent standard does include stakeholder consultation at verification stage. Such a step could introduce additional delays in requesting issuance and could increase the transaction costs for projects participants.
20. Additional paragraph 53bis: “Where the post-registration changes to the activity have a significant impact on stakeholders, the activity participants shall invite comments from stakeholders and document how any concerns that have been raised have been considered and sufficiently addressed. The accredited independent entity shall include in its validation of post-registration changes a summary of the stakeholder comments received and a report on how due account was taken of those comments.”

3.2. Validations of post-registration changes

21. Amendment of paragraph 53: “Any post-registration changes to the activity shall be validated by an accredited independent entity and shall be deemed final unless the JISC requests a review in accordance with its rules and procedures within 30 days.”

- - - - -

Document information

<i>Version</i>	<i>Date</i>	<i>Description</i>
01.0	18 March 2016	JISC 38, Annex 4 Initial adoption.

Decision Class: Regulatory

Document Type: Recommendation (to the SBI)

Business Function: Governance, Issuance

Keywords: JISC, SBI, data collection and analysis, JI guidelines, modalities and procedures, post-registration change, stakeholder consultation, validation
