

JI-JISC42-AA-A01

Draft Joint Implementation two-year management plan 2020–2021

DRAFT

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1. Introduction

1. The Joint Implementation Supervisory Committee (JISC) is assigned by the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (CMP) to supervise the joint implementation (JI) mechanism, in particular the Track 2 process.
2. The work of the JISC as the supervisor of the Track 2 process has had an important influence on the establishment of national procedures and guidelines adopted by Parties involved in the Track 1 process.
3. To date, 51 projects have been determined by the JISC as meeting the relevant requirements under the Track 2 process, and 548 projects have been published by host Parties and received unique project identifiers under the Track 1 process. Since 2008, almost 872 million emission reduction units (ERUs) have been issued under Track 1 and Track 2.
4. At CMP 13¹ and CMP 14² (in 2017 and 2018, respectively), the CMP took note of the annual reports of the JISC and expressed appreciation to the JISC for its prudent management of resources during 2017 and 2018.
5. At CMP 12 (in 2016), Parties expressed appreciation for the work of the JISC, reiterated their concern regarding the difficult market situation currently faced by participants in JI and stressed the need to ensure sufficient infrastructure and capacity for the mechanism's use by Parties for as long as it is needed, requesting the JISC to make the necessary adjustments to ensure the efficient, cost-effective and transparent functioning of JI.³
6. The JI management plan (MAP) for 2020–2021 reflects the commitment of the JISC to continue to provide efficient and cost-effective support to operate the Track 2 process and provide the infrastructure necessary for the JI Track 1 process as expected by the CMP. Should the Doha Amendment be ratified (as adopted in decision 1/CMP.8) by sufficient Parties and enter into force and should the demand for emission reduction units (ERUs) increase, the infrastructure and capacity to support JI operations would be ramped up immediately for uninterrupted service.

2. Vision for joint implementation

7. The vision for the work of the JISC in the period 2020–2021 is to “ensure sufficient infrastructure and capacity for the mechanism's use by Parties for as long as it is needed”. The JISC considers that its role, within the guidance set by the CMP, is to continue to maintain the necessary capacity to operate JI as a mitigation tool and as an important policy instrument available to Parties for a flexible and cost-efficient means of fulfilling a part of their Kyoto Protocol commitments.

¹ FCCC/KP/CMP/2017/7, paras. 31–32.

² FCCC/KP/CMP/2018/8, para. 29.

³ Decision 4/CMP.12, paras. 3–5.

3. Objectives

8. In the pursuit of its vision, the JISC recognizes the importance of achieving the following two objectives:
 - (a) **Objective 1: Maintain infrastructure and capacity to ensure JI operations.** The JISC will continue to provide efficient and cost-effective support to operate the JI Track 2 process and provide the infrastructure necessary for the JI Track 1 process as expected by the CMP;
 - (b) **Objective 2: Promotion of the lessons learned.** Considering its experience gained in the operation of JI and from interactions with stakeholders, the JISC will continue to monitor the intergovernmental negotiation process and create and use opportunities to provide further information and recommendations as appropriate for the development of rules to operationalize Article 6 of the Paris Agreement.

3.1. Activities by objective

3.1.1. Objective 1: Maintain infrastructure and capacity to ensure JI operations

9. The number of JI submissions expected under the Track 2 procedure for the period 2020–2021 will be minimal, including project design documents (PDDs), determinations, monitoring reports and verifications. Necessary resources have been allocated to maintain sufficient capacity and infrastructure at present, however, should the Doha Amendment enter into force and should project submissions be received by the secretariat, the infrastructure and capacity to support JI operations would be immediately enhanced.
10. Activities under this objective include:
 - (a) Servicing of regulatory bodies: includes supporting JISC meetings and its report to the CMP;
 - (b) Responding to external queries;
 - (c) Processing of project submissions: covers all project cycle-related requests such as publishing project design documents (PDDs) and monitoring reports, finalizing determination requests, finalizing issuance requests, etc.;
 - (d) Annual review of the reliance on the CDM accreditation system: as mandated by the JISC at its thirty-seventh meeting (JISC 37);
 - (e) Servicing of Party-level bodies: the CMP and subsidiary bodies for JI-related agenda items;
 - (f) Providing services relating to legal affairs, finance, human resources, information and knowledge management, information and communication technology, travel planning, and management.

3.1.2. Objective 2: Promotion of the lessons learned

11. The JI mechanism has been recognized by various stakeholders for its value as a tool to incentivize and focus investment on emission reduction projects in an emission-capped environment.

12. Activities under this objective include:
- (a) Website maintenance;
 - (b) Monitoring of the intergovernmental negotiation process and creation and use of opportunities to provide further information and recommendations as appropriate for the development of rules to operationalize Article 6 of the Paris Agreement.

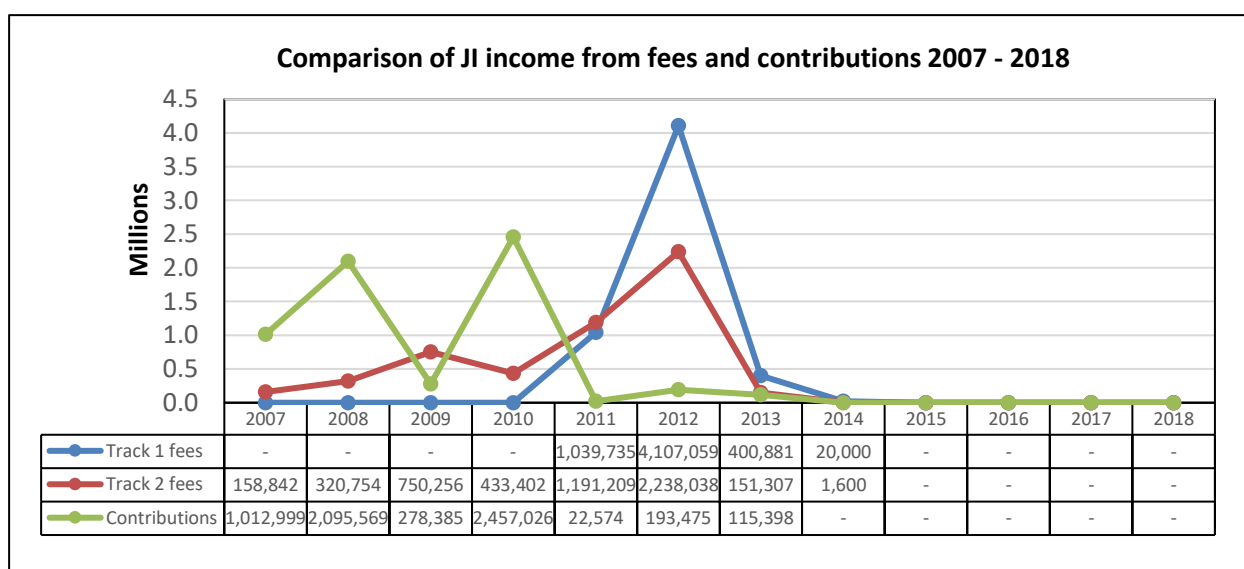
4. 2020–2021 programme budget

13. This section presents details on the 2020 and 2021 projected income and a budget for the operation of the JI mechanism for the same period.
14. The MAP reflects the cost-sharing of cross-cutting activities and support, made possible through the secretariat’s Sustainable Development Mechanisms (SDM) programme. As such, the secretariat can redeploy SDM human resources during the next two years on an as-needed basis to meet shifting short- and medium-term demands across the various programme activities and projects.

4.1. Income

15. As at 31 August 2019, no income from fees or voluntary contributions has been received in 2018 and 2019. No income is expected in the 2020–2021 biennium.
16. Figure 1 shows the fees from Track 1 and Track 2 and the voluntary contributions provided by Parties from 2007 to 2018.

Figure 1. Comparison of JI income from fees and contributions 2007–2018 (in USD)



4.2. Proposed 2020–2021 budget

17. Table 1 provides the proposed 2020–2021 budget by object of expenditure for the operation of the JI mechanism.
18. The budget includes a provision for one scheduled virtual meeting of the JISC per year, to be coordinated from Bonn, Germany, over the two-year period.

19. The 2020–2021 budget, in comparison with the 2019 budget, includes budget reductions in the following cost categories:
- (a) Staff costs, reflecting a downward adjustment to the estimated staff effort based on actuals for 2019. The secretariat staff required to implement the 2020–2021 MAP and ensure the mechanism is ready and functional is estimated at three staff equivalent a year for 2020 and 2021;
 - (b) Expert fees providing for only a small number of cases;
 - (c) Travel of representatives, reflecting that the JISC meetings will be virtual. Furthermore, there are no Joint Implementation Accreditation Panel (JI-AP) meetings planned for in the biennium, reflecting that the JISC, at its 37th meeting, decided to rely on the CDM accreditation system with effect from 2 August 2016 and, as of this date, meetings of JI-AP ceased;
 - (d) Travel of staff, reflecting prudent management of resources;
 - (e) Training and skills development, reflecting prudent management of resources;
 - (f) Operating expenses, reflecting downward adjustments to the projected planned charges for the total cost of ownership;
 - (g) Mobile communications, reflecting prudent management of resources;
 - (h) Supplies and material, reflecting prudent management of resources.

Table 1. Proposed 2020–2021 budget by object of expenditure, compared against 2019 budget (in United States dollars)

Object of expenditure	Budget 2019	Budget 2020	Budget 2021	% variance 2020 vs 2019	% variance 2021 vs 2019
Staff ^(a)	494 291	474 034	474 034	-4.1	-4.1
Expert fees ^(b)	5 200	1 200	1 200	-76.9	-76.9
Travel of representatives ^(c)	22 300	7 000	7 000	-68.6	-68.6
Travel of staff ^(d)	4 000	—	—	—	—
Training and skills development ^(e)	1 000	—	—	—	—
Operating expenses ^(f)	66 636	46 023	46 023	-30.9	-30.9
Mobile communications ^(g)	1 200	—	—	—	—
Supplies and material ^(h)	500	—	—	—	—
Subtotal	595 127	528 257	528 257	-11.2	-11.2
13% Programme support ⁽ⁱ⁾	77 366	68 673	68 673	-11.2	-11.2
Total	672 493	596 930	596 930	-11.2	-11.2

(a) Staff costs include staff and General Temporary Assistance salaries.

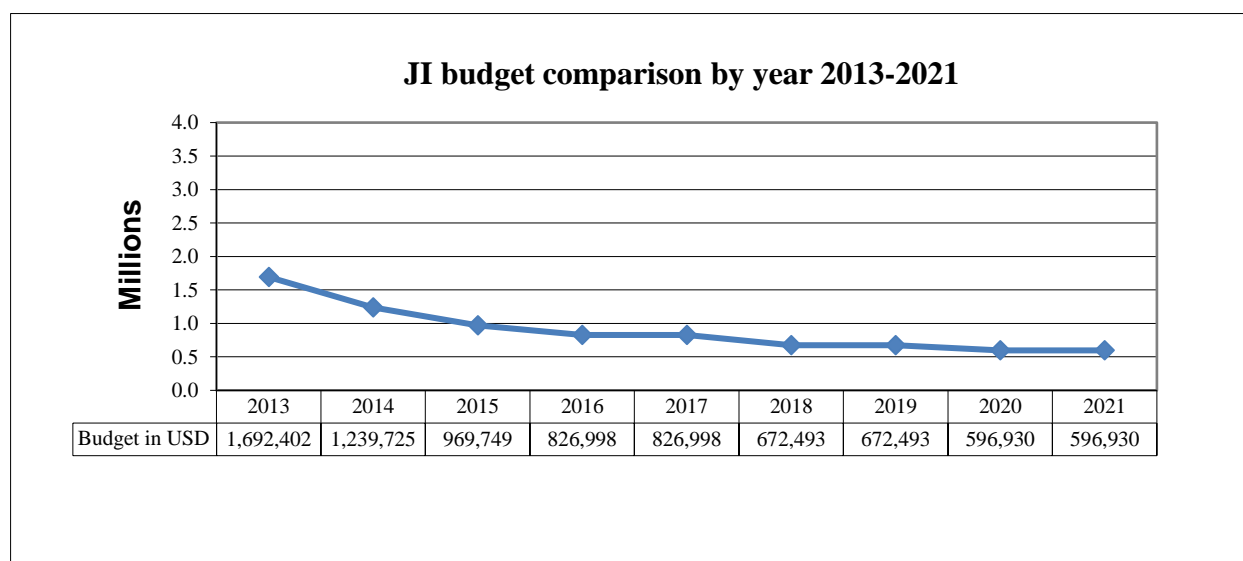
(b) Expert fees refer to case fees.

(c) Travel of representatives includes participants' ticket costs and DSA.

- (d) Travel of staff includes ticket costs, daily subsistence allowance (DSA), terminal expenses and miscellaneous expenses.
- (e) Training and skills development costs include staff attendance or course fees, ticket costs and DSA.
- (f) Operating expenses include the total cost of ownership (TCO) charges. Service programmes in the secretariat (Information Systems, Conference Affairs Services and Administrative Services) render services to all secretariat activities funded from both core and non-core sources of funding. The purpose of TCO charges is to ensure the allocation of costs of these support services to the sources of funding to which they relate. In 2020–2021, the TCO charge per capita of EUR 13,500 will be applied.
- (g) Mobile communications are official mobile telephone charges for mobile phone services.
- (h) Supplies and material include the acquisition of hardware, supplies, software and subscriptions.
- (i) Programme support – In accordance with the financial procedures of the United Nations, 13 per cent of overhead charges are payable on all trust funds of the UNFCCC to cover administrative services provided by the United Nations Office at Geneva and the UNFCCC secretariat.

20. Figure 2 shows a comparison of the annual JI budget from 2013 to 2021.

Figure 2. Annual joint implementation budget comparison by year (2013 to 2021)



4.3. Expenditure

- 21. Table 2 provides the comparison of the 2018 and 2019 JI budgets against 2018 and 2019 (as at 31 August) expenditures by object of expenditure.
- 22. The expenditure for 2018 exceeded the budget for 2018 by 6.3 per cent (approximately USD 42,000). This reflects the difference between the estimated standard cost⁴ per staff and the actual cost per staff, as well as fluctuations in the USD/EUR exchange rate.

⁴ Estimated standard costs are based on the average cost per staff member at the same grade and may not reflect the entitlements of the actual staff encumbered on the post. The standard estimated cost is based in EUR.

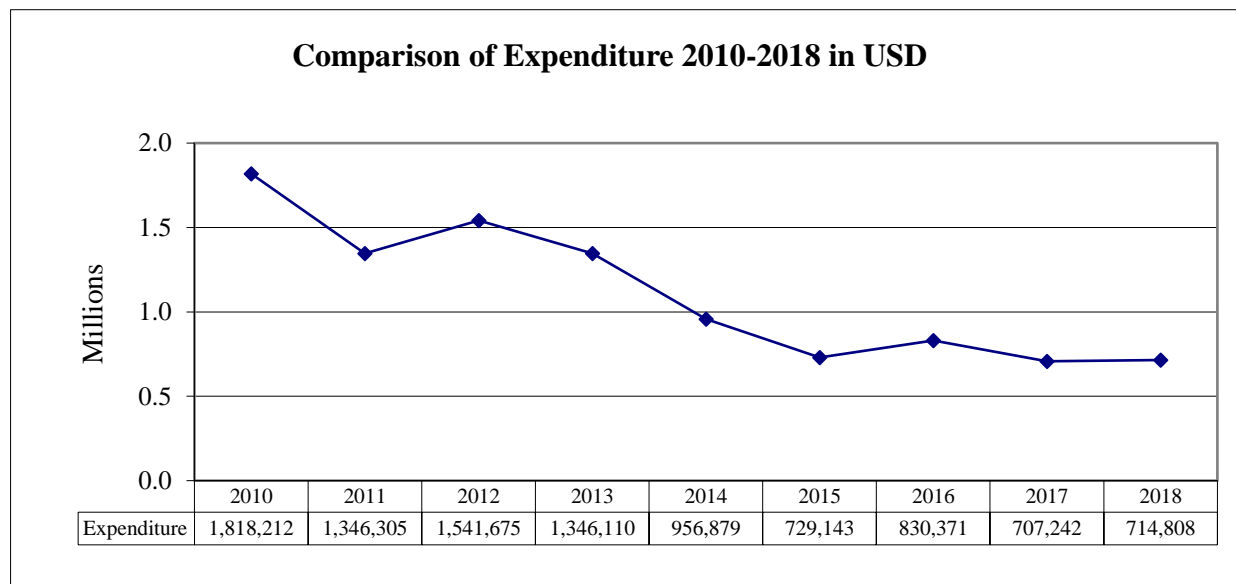
23. The linear rate of expenditure for the period 1 January to 31 August 2019 is 66.7 per cent. The budget implementation rate for the first eight months of 2019 is 69.7 per cent, which is slightly higher than the linear rate for 2019. Expenditure is expected to align with the projected budget at year-end.

Table 2. Comparison of the 2018 and 2019 joint implementation budgets against 2018 and 2019 (as at 31 August) expenditures (in USD)

Object of expenditure	Budget 2018	Budget 2019	Expenditure as at 31 Dec 2018	Expenditure as at 31 Aug 2019	2018 expenditure vs. 2018 budget %	2019 expenditure as at 31 Aug vs. 2019 budget %
Staff	494 291	494 291	565 873	374 856	114.5	75.8
Expert fees	5 200	5 200	—	—	—	—
Travel of representatives	22 300	22 300	1 073	1 701	4.8	7.6
Travel of staff	4 000	4 000	—	—	—	—
Training and skills development	1 000	1 000	—	—	—	—
Operating expenses	66 636	66 636	65 627	38 424	98.5	57.7
Mobile communications	1 200	1 200	—	—	—	—
Supplies and materials	500	500	—	—	—	—
Subtotal	595 127	595 127	632 573	414 981	106.3	69.7
13% programme support costs	77 366	77 366	82 235	53 947	106.3	69.7
Total	672 493	672 493	714 808	468 928	106.3	69.7

24. Figure 3 provides a comparison of annual expenditure for the years 2010 to 2018.

Figure 3. Comparison of annual expenditure from 2010 to 2018 (in USD)



4.4. Conclusion

25. Table 3 provides a summary of the projected fund balance for the JI mechanism at the end of 2021. The 2020–2021 budget must ensure that sufficient infrastructure and capacity for the mechanism’s use by Parties remains in place until at least the end of the additional period for fulfilling commitments under the second commitment period of the Kyoto Protocol.
26. As can be seen in table 3, the projected balance of funds available at the end of 2019 (USD 2.4 million) will be sufficient to cover the planned JI activities up until the end of the period 2020–2021 covered by this MAP, at which time a surplus, as at 31 December 2021, of USD 1.2 million is projected to be available to implement JI activities in the period 2022–2023.

Table 3. Summary of the projected fund balance for the joint implementation mechanism at end of 2021 (in United States dollars)

	Projections			
	2018	2019	2020	2021
Carry over from prior year	3 746 764	3 031 956	2 359 463	1 762 533
Track 1 fees	—	—	—	—
Track 2 fees	—	—	—	—
Contributions from Parties	—	—	—	—
Total income	3 746 764	3 031 956	2 359 463	1 762 533
Less projected expenditure	714 808	672 493 ^(a)	596 930	596 930
Fund balance	3 031 956	2 359 463	1 762 533	1 165 603

^(a) Projected expenditure as at 31 December 2019 with the assumption that expenditure will be equal to the available 2019 budget.

Document information

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