

JI-JISC35-AA-A04

**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



United Nations
Framework Convention on
Climate Change

COVER NOTE

1. Procedural background

1. In accordance with the joint implementation (JI) guidelines, the Joint Implementation Supervisory Committee (JISC) shall report on its activities to each session of the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (CMP).

2. Purpose

2. This draft of the report to the CMP at its tenth session contains information on the activities of the JISC during the reporting period of 24 September 2013 to 17 September 2014 and recommendations from the JISC to the CMP. The draft report describes activities, achievements, challenges and the status of the mechanism. The JISC is to consider and agree the draft report, pending inclusion of parts of the report that will be discussed during the thirty-fifth meeting of the JISC or will only become available closer to the end of the reporting period.

3. Key issues and proposed solutions

3. The report notes the JI mechanism's severe decline during the second commitment period of the Kyoto Protocol, which is largely due to the policy environment within which JI sits rather than to the mechanism itself. The report highlights efforts made by the JISC to safeguard and improve the mechanism, including its provision of detailed recommendations contained in revised JI guidelines, stresses the value of JI in the ongoing international response to climate change, and urges Parties to take steps to ensure the mechanism's continuing usefulness.

4. Impacts

4. As the JISC report to CMP focuses Parties' attention on matters crucial to the continuing operation of JI, it will be one important basis for negotiation of Parties under the CMP agenda item "Issues relating to joint implementation".

5. Subsequent work and timelines

5. The JISC is asked to consider and agree the draft report, and to request the secretariat to finalize the report, including the update of the relevant data, in cooperation with the Chair, taking into account the outcomes of the thirty-fifth meeting of the JISC.

6. Recommendations to the JISC

6. The secretariat recommends that the JISC, at its thirty-fifth meeting, give further guidance to the secretariat, and then approve the report to the CMP. The secretariat also recommends that the JISC request the secretariat to finalize the report in cooperation with the JISC Chair in order to include the outcomes of the thirty-fifth meeting of the JISC.

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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 JI projects) in accordance with the Guidelines for the implementation of Article 6 of the Kyoto Protocol (hereinafter referred to as the joint implementation (JI) guidelines).¹
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, which 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 during the period from 24 September 2013 to 17 September 2014 (hereinafter referred to as the reporting period). The Chair of the JISC, Mr. Piotr Dombrowicki, will highlight any relevant subsequent matters in his oral report to CMP 10. During the reporting period, the JISC held two meetings.
4. This report describes the status of JI and recommends action for consideration by CMP 10. As in past years, it refers to the work undertaken by the JISC during the reporting period, including the operation of the verification procedure under the JISC (hereinafter referred to as JI Track 2),² the associated project caseload, the operation of the JI accreditation process and the financial status of JI.
5. Full details of the operation and functions of the JISC are available on the UNFCCC JI website, which is the central repository for reports on meetings of the JISC, project- and accreditation-related information and documentation adopted by the JISC.³

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 10 may wish to consider the recommendations of the JISC relating to the transition of JI from the existing JI guidelines to the new JI modalities and procedures, after their adoption (see chapter 3 below).
7. In accordance with paragraphs 4–6 of the JI guidelines, the CMP is to elect the following to the JISC for a term of two years, upon nominations being received from Parties:

¹ Decision 9/CMP.1, annex.

² Defined in paragraphs 30–45 of the JI guidelines.

³ <<http://ji.unfccc.int>>.

- (a) Two members and two alternate members from Parties included in Annex I to the Convention (Annex I Parties) that are undergoing the process of transition to a market economy;
- (b) Two members and two alternate members from Annex I Parties not referred to in paragraph 7(a) above;
- (c) One member and one alternate member from Parties not included in Annex I to the Convention (non-Annex I Parties).

2. Joint implementation as a key tool in the international response to climate change

- 8. [To be updated at JISC 35.]
- 9. The JI mechanism is a successful and mature tool at the disposal of Parties. It showed its value in the first commitment of the Kyoto Protocol, mobilizing investment and delivering emission reductions on a scale that exceeded expectations. In so doing, JI showed some of what it can contribute to countries' continuing efforts to address climate change. JI has value now and can add value to a future climate change agreement.
- 10. However, the JISC must once again express its grave concern to Parties. Activity on the mechanism has been in severe decline during the second commitment period of the Kyoto Protocol. This is largely due to the policy environment within which JI sits, rather than to the mechanism itself. Low mitigation ambition, slow progress in second commitment period ratifications and the inability to issue emission reduction units (ERUs) without second commitment period assigned amount units threaten the existence of JI. The knowledge and institutional capacity that were built over the years by Parties and in the private sector are being lost, and global efforts to reduce greenhouse gas (GHG) emissions will be poorer for this.
- 11. All of this said, the JISC has done its utmost to ensure that the mechanism remains viable for the future. In this way JI has significant potential as a blueprint for market-based approaches beyond 2020, especially so once revised JI guidelines are adopted.
- 12. Under the agreement expected to be concluded in 2015 in Paris, France, many countries can be expected to have nationally determined contributions (NDCs), and Parties might use a policies and measures, including economic, to achieve their NDCs. One could anticipate that by 2020 many sectors of could be operating under some type of GHG emissions limitation.
- 13. If the 2015 agreement includes provisions for flexibility mechanisms, in which Parties can cooperate in fulfilling their NDCs, then the potential role for JI is clear.
- 14. Parties and the private sector have worked hard to create JI, a mechanism ideally suited for a capped environment. It makes sense that Parties now take steps to safeguard and indeed enhance this mechanism so that it can facilitate emission reductions called for in an ambitious climate change agreement now being negotiated by Parties.

3. Recommendations to the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol

15. [Placeholder for issues related to the JISC recommendations for the review of the JI guidelines.]

4. Work undertaken in the reporting period

4.1. Ensuring a productive future for joint implementation

16. In the reporting period, taking into account diminished income and prevailing uncertainty, the JISC maintained the mechanism using a minimal level of support for operations. 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 GHG emissions, in accordance with the Kyoto Protocol, for as long as the mechanism is needed. In working to fulfil this responsibility, the JISC agreed at its 34th meeting on a two-year business plan and management plan for 2014–2015 with a modified set of objectives (JI-JISC34-A04):
- (a) Objective 1: effective contribution to the future development of JI. The JISC continued to contribute in the reporting period to the consideration by Parties and other stakeholders of how JI could be further developed;
 - (b) Objective 2: Promotion of the mechanism. The JISC continued its outreach activities aimed at ensuring an enhanced understanding among stakeholders and policymakers of the benefits and contributions of JI to addressing climate change (see paragraph XX);
 - (c) Objective 3: Maintain efficient operations of JI. With the support of the secretariat, the JISC continued to consider and assess the project-related submissions received under the JI Track 2 procedure.
17. In each of the past five years, as early as the sixth session of the CMP in 2010, the JISC has raised its serious concern to Parties regarding the risks facing the mechanism together with detailed proposals for safeguarding and improving the mechanism in the form of revised JI guidelines. This year the JISC has focused its attention on transition to the new JI guidelines.
18. During the reporting period, with regard to the accreditation system for accredited independent entities (AIEs), the JISC agreed on the possibility to partially use the clean development mechanism (CDM) accreditation system while maintaining oversight of the AIEs. The JISC initiated a dialogue with the CDM Executive Board with a view to reaching a common decision on this option. The Chair of the JISC met with the Chair and Vice-Chair of the CDM Executive Board on the margins of the fortieth session of the Subsidiary Body for Implementation (SBI), and in response to an invitation made in that meeting, the JISC Chair made a presentation at the 80th meeting of the CDM Executive Board in Bonn, Germany, in July 2014. Following the interaction, the CDM Executive Board requested its Accreditation Panel to provide a recommendation for consideration by the Board. The JISC took note of the progress of the dialogue at its 35th meeting.

19. With a view to reducing costs for accredited entities in maintaining accreditation while developing accreditation best practices consistently for both mechanisms, the JISC submitted an elaborated recommendation on the accreditation system for JI aligned with that of the CDM for consideration at SBI 40, in accordance with the mandate of CMP 9. The SBI considered the recommendation and forwarded a draft decision to CMP 10. The JISC took note of the progress of this work at its 35th meeting.

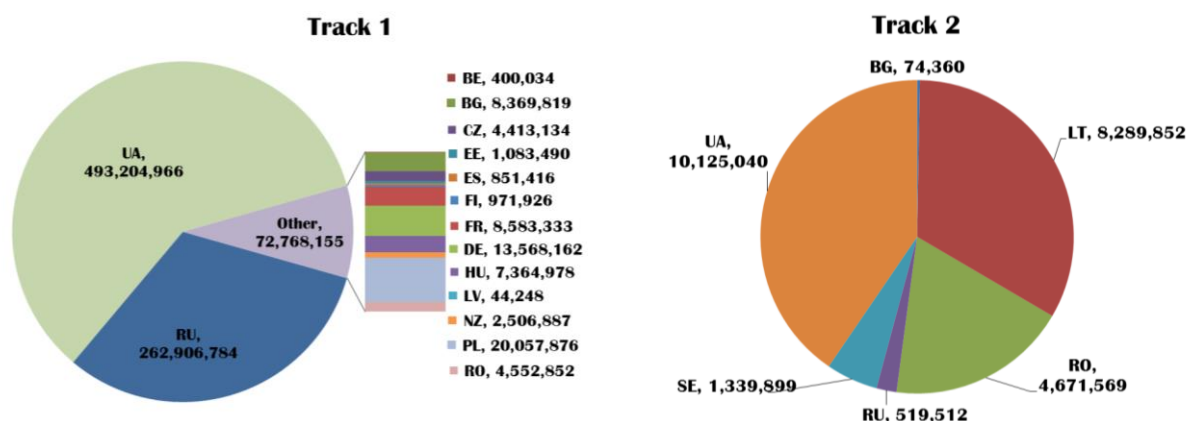
4.2. Verification procedure under the Joint Implementation Supervisory Committee

20. [To be updated at JISC 35.]
21. By 17 September 2014, under JI Track 2, XX project design documents (PDDs) and XX programme of activity design documents had been submitted and made publicly available on the UNFCCC JI website in accordance with paragraph 32 of the JI guidelines.
22. In total, XX determinations regarding PDDs have been published on the UNFCCC JI website in accordance with paragraph 34 of the JI guidelines, of which:
- (a) A total of XX positive determinations for projects located in six host Parties were deemed final in accordance with paragraph 35 of the JI guidelines. During the first commitment period of the Kyoto Protocol those projects would achieve emission reductions of approximately XX million tonnes of carbon dioxide equivalent;
 - (b) XX determination was rejected by the JISC;
 - (c) XX determinations are currently open for review.
23. By 17 September 2014, XX verifications of emission reductions had been published on the UNFCCC JI website, of which XX were deemed final in accordance with paragraph 39 of the JI guidelines and one was withdrawn. The positive verifications were from XX JI projects that had determinations deemed final and allowed for XX million ERUs to be issued. In total, XX of the XX positive determinations referred to in paragraph 21(a) above submitted monitoring/verification reports for emission reductions up to the end of 2012, which were deemed final.
24. In addition to the project-related submissions under JI Track 2, by 17 September 2014, XX projects had been published by host Parties on the UNFCCC JI website under JI Track 1, of which XX have received unique project identifiers and have been submitted to the international transaction log.
25. Detailed information on the project-related submissions under both JI Tracks 1 and 2 is available in the section “JI projects” on the UNFCCC JI website. The total ERUs issued by host Parties under both JI Tracks 1 and 2 is shown in table 1, and the breakdown by country is shown in figure 1 below.

Table 1. Total emission reduction units issued under joint implementation, 2008–2014

	Track 1	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
2013	179,116,529	4,599,135	183,715,664
2014	xx	xx	xx
Total	828,879,905	25,020,232	853,900,137

Figure 1. Total emission reduction units issued under joint implementation, by host Party



Abbreviations: BE = Belgium, BG = Bulgaria, CZ = Czech Republic, DE = Germany, EE = Estonia, ES = Spain, FI = Finland, FR = France, HU = Hungary, LT = Lithuania, LV = Latvia, NZ = New Zealand, PL = Poland, RO = Romania, RU = Russian Federation, SE = Sweden, UA = Ukraine.

4.3. Accreditation of independent entities

26. The JISC revised the terms of reference of the Joint Implementation Accreditation Panel (JI-AP) to allow alternate members of the JISC to serve as chair or vice-chair of the JI-AP. Following this decision, the JISC elected Mr. Benoît Leguet and Mr. Carlos Fuller to serve as the Chair and Vice-Chair, respectively, of the JI-AP. Also, the JISC extended the term of the current members of the JI-AP by one year.
27. The JI-AP did not hold a meeting during the reporting period, but rather conducted its work through electronic means to ensure continuity of the accreditation processes.
28. Since the inception of the JI accreditation process, 14 independent entities (IEs)⁴ have been granted accreditation. Currently, there are five⁵ AIEs after the voluntary withdrawal

⁴See <<http://ji.unfccc.int/AIEs/List.html>>.

of eight AIEs (six voluntary withdrawals were processed in the reporting period⁶) and one⁷ expiration of accreditation. During the reporting period, no additional IEs were accredited and no scope of accreditation was extended.

5. Governance and management matters

5.1. Interaction with bodies and stakeholders

29. The JISC continued its regular interactions with IEs and AIEs in the reporting period, encouraging them to provide written inputs and inviting the Chair of the DOE/AIE (CDM designated operational entity and JI AIE) Coordination Forum to meetings of the JISC.
30. The JISC made itself available to registered observers at its meetings and held question-and-answer sessions as side events at CMP 9 and the fortieth sessions of the SBI and the Subsidiary Body for Scientific and Technological Advice. Those sessions are available as on-demand webcasts on the UNFCCC JI website.
31. The Designated Focal Points Forum held an informal meeting in conjunction with CMP 9 in Warsaw, Poland.
32. In March 2013, the JI Action Group ceased to exist, formally withdrawing as a communication channel between project developers and the JISC.

5.2. Outreach activities

33. The secretariat supported the JISC in outreach to the press, supported the JISC in question-and-answer sessions with stakeholders, and maintained the JI website as a promotional tool and repository for information relating to the mechanism.

5.3. Membership issues

34. 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.
35. CMP 9 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.

⁵DNV Climate Change Services AS, TÜV Rheinland (China) Ltd., TÜV NORD CERT GmbH, Spanish Association for Standardisation and Certification (AENOR), and Swiss Association for Quality and Management Systems (SQS).

⁶ Japan Quality Assurance Organization, Lloyd's Register Quality Assurance Ltd., JACO CDM. LTD, Bureau Veritas Certification Holding SAS, TÜV SÜD Industrie Service GmbH and KPMG Advisory N.V.

⁷ SGS United Kingdom Ltd.

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

Member	Alternate member	Constituency
Ms. Carola Borja ^b	Mr. Carlos Fuller ^b	Non-Annex I Parties
Mr. Mykhailo Chyzhenko ^a	Ms. Milya Dimitrova ^a	Annex I Parties with economies in transition
Mr. Piotr Dombrowicki ^b (Chair)	Mr. Yury Fedorov ^b	Annex I Parties with economies in transition
Mr. Derrick Oderson ^b	Mr. Albert Williams ^b	Small island developing States
Mr. Guoqiang Qian ^b	Mr. Chebet Maikut ^{b, c}	Non-Annex I Parties
Mr. Konrad Raeschke-Kessler ^b	Mr. Marko Berglund ^{b, c}	Annex I Parties
Mr. Evgeny Sokolov ^a	Mr. Hiroki Kudo ^a	Annex I Parties
Ms. Julia Justo Soto ^a (Vice-Chair)	Mr. Evans Njewa ^a	Non-Annex I Parties
Ms. Irina Voitekhovitch ^a	Ms. Mihaela Smarandache ^a	Annex I Parties with economies in transition
Ms. Gertraud Wollansky ^a	Mr. Benoît Leguet ^a	Annex I Parties

(a) Term: two years, that is, ending immediately before the first meeting in 2015.

(b) Term: two years, that is, ending immediately before the first meeting in 2016.

(c) The candidate was deemed elected at the ninth session of the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (CMP).

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

36. At its 34th meeting, the JISC elected by consensus Mr. Piotr Dombrowicki, a member from an Annex I Party, as its Chair, and Ms. Julia Justo Soto, a member from a non-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 2015.

37. The JISC expressed its deep appreciation to the outgoing Chair, Mr. Oderson, and Vice-Chair, Mr. Dombrowicki, for their excellent leadership during 2013.

5.5. Meetings in 2014

38. The JISC held two meetings in 2014 (table 3).

Table 3. Joint Implementation Supervisory Committee meetings in 2014

Meeting	Date	Location
Thirty-fourth	17–18 March	Bonn, Germany
Thirty-fifth	16–17 September	Bonn

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

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

40. During the reporting period, the JISC continued to carefully monitor⁸ 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 and included:
- (a) Two meetings of the JISC;
 - (b) Activities relating to the project cycle as described in paragraph [X], including the handling of submissions of PDDs, determinations, monitoring reports and verifications of Track 2 JI projects, and Track 1 project submissions;
 - (c) Activities relating to the JI accreditation system, including electronic decisions of the JI-AP.
41. 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, 2014
(United States dollars)

Status of income in 2014 ^a	Amount
Carry-over figure from 2013 ^b	8,405,956
Contributions received in 2014	-
Total joint implementation Track 1 fees 2014	20,000
Total joint implementation Track 2 fees 2014	15,000
Total income and 2013 carry-over	8,440,956

(a) The financial reporting period in 2014 is from 1 January to 31 July.

(b) Includes joint implementation Track 2 fees previously held in reserve.

42. The budget of the JISC for 2014 amounted to USD 1,364,110, with expenditure amounting to USD 586,010, yielding a difference of USD 778,100, as shown in table 5.

⁸The CMP, by decisions 3/CMP.2, 3/CMP.3, 5/CMP.4, 3/CMP.5 and 4/CMP.6, 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.

Table 5. Comparison of the actual expenditure versus the budget of the Joint Implementation Supervisory Committee, 2014
(United States dollars)

Comparative status of expenditure against budget		2014^a
Budget		1,364,110
Expenditure		586,010
Difference		778,100

^(a) The financial reporting period in 2014 is from 1 January to 31 July.

43. Table 6 summarizes the financial status of JI for 2014, showing a balance at the end of the reporting period of USD 7.9 million.

Table 6. Financial status of the Joint Implementation Supervisory Committee, 2014
(United States dollars)

Summary of current financial status as at 31 July 2014		Amount
Carry-over from 2013		8,405,956
Contributions from Parties 2014		-
Income from joint implementation fees (Tracks 1 and 2)		35,000
Subtotal		8,440,956
Expenditure in 2014		586,010
Balance		7,854,946

Document information

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