

JI-JISC35-AA-A01

Concept note

Improvements of the joint implementation project cycle

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1. Procedural background

1. Joint implementation (JI), as one of the Kyoto Protocol mechanisms, has significant potential to contribute to the emerging climate change regime negotiated under the UNFCCC. The Joint Implementation Supervisory Committee (JISC) has done its utmost in the last couple of years to ensure that JI remains viable for the future. In this way, especially once the revised JI guidelines are adopted, JI could be used as a blueprint for market-based approaches beyond 2020.
2. The JISC will continue to provide project-related support and accreditation services necessary for operating JI in the current period, and even under a different framework provided by the revised JI guidelines. The current work of the JISC includes regular monitoring and review of the performance of the mechanism and resources to ensure timely and appropriate responses to the evolving environment and associated future trends in income.
3. In this context, the JISC has agreed under its management plan (MAP) 2014–2015 to assess possible improvements of the specific JI project-cycle processes in the framework of objective 3 “Maintain efficient JI operations”. This assessment is also supporting the work performed under objective 1 “Effective contribution to the future development of JI”, by exploring ways to prepare the entry into force of the revised JI guidelines. The work undergone under this assessment has also taken into consideration the mandate in decision 5/CMP.9, paragraph 3, in which the Conference of Parties serving as the meeting of Parties to the Kyoto Protocol (CMP) stressed the need to improve JI in the second commitment period.
4. In order to better understand the possible changes of the JI project cycle envisaged currently by Parties, the latest version of the proposed revised JI guidelines (being under negotiations and not yet endorsed or approved by the CMP)¹ was considered as part of this assessment process, without prejudging the outcome of the current negotiations on its review.

2. Purpose

5. Based on the JISC mandate, the secretariat has analysed the current JI project cycle, aiming to standardize and document the processes in the context of the existing and future operation of JI by:
 - (a) Improving the JI project cycle by assessing the existing procedures, operating processes and information technology (IT) systems in order to correct the deficiencies and record processes;
 - (b) Assessing the usefulness, accuracy and user-friendliness of the existing forms and templates, streamlining them for the benefit of project participants, accredited independent entities (AIEs) and for the secretariat’s use in internal assessments;
 - (c) Establishing and initializing a tool for evaluating and tracking the work of experts used for appraisals of determinations/verifications and reviews;

¹ FCCC/SBI/2014/L.11

- (d) Updating and redrafting the internal document “JI Information System Workflow Manual”, in order to preserve the existing experience and knowledge of the operations performed under the JI project-cycle process.

3. Key issues and proposed solutions

3.1. Improvements of the existing JI project-cycle processes

3.1.1. Introduction

6. The most important part of this assessment consisted of the analysis and improvements proposed on the existing JI project-cycle processes, including the existing procedures, forms and templates. The JI project cycle has been operated in the current conditions with minor procedural and operational changes since September 2006, without any comprehensive overall assessment of the entire system of external and internal processes.
7. As shown in the sections below, this assessment intended to provide operational changes in the current JI project cycle that could be performed in the short and medium term for streamlining and standardizing various activities. The analysis of the current procedures, operating processes and systems has also considered the project cycle related provisions in the current version of the proposed revised JI guidelines, highlighting the expected major changes and their impact on the overall JI project cycle.
8. This assessment also focused on possible improvements in the management of external resources. In recent time, many experts have been used to assess JI projects (for determinations, verifications and reviews). Since the beginning of this assessment, a comprehensive internal process for evaluating and tracking the work of experts used for appraisals/reviews has been established and put into operation in order to offer a “one-stop shop” for all activities involving experts (e.g. experience, contracts, payments, assignments, evaluation, etc.).
9. In addition, one of the relevant outcomes of this assessment is the updating and redrafting of the internal “JI Information System Workflow Manual”, to be completed by the end of 2014 (as planned in the MAP 2014–2015). Since the initial preparation of this internal document in 2010, some aspects of the JI project cycle have been revised and some changes have been made in the information systems (e.g. internal and external workflow). In this way, there is a need to analyse and update this internal manual with a view to preserving the existing experience and knowledge of the operations performed in relation to the JI project cycle.

3.1.2. Consideration of project submissions under Track 1

10. Currently, there is no role for the JISC in the Track 1 project-related processes. Nevertheless, the secretariat, as requested by the CMP, has to manage the Track 1 project cycle by facilitating the access of host Parties to the web interface, performing a basic completeness check, administrating the fee collection and forwarding the information to the international transaction log (ITL).
11. Based on the analysis of the entire Track 1 project cycle, it was noticed that no major changes are needed at this time. However, a streamlined and simpler system for confirming the payment and collecting the fees could be put in place internally. Besides

the completeness check form used internally for Track 1 projects, there are no other forms and templates used in this process, thus no changes are envisaged.

12. As the proposed revised JI guidelines envisage a single-track JI (which will combine aspects from the existing Track 1 and Track 2 processes), the Track 1 process would not be continued in the current form. However, considering the proposed revisions of the JI guidelines, some aspects of the current Track 1 process could be used in operationalizing the provisions of the section “Registration and recording of a JI activity” under the future project cycle of the single-track JI.

3.1.3. Publication of project design documents and monitoring reports under Track 2

13. As in the case of Track 1, the JISC has no role in considering the submission of a project design document (PDD) and a monitoring report (MR) under Track 2. The secretariat, on the other hand, has to perform a completeness check of the PDD and MR, request corrections, if needed, and publish the PDD and the MR on the UNFCCC JI website, informing the stakeholders and the public accordingly.
14. The possible modification of the current PDD form (with its small-scale and land-use change and forestry versions) together with the internal completeness check form into online tools has been identified as a possible medium-term change. Likewise, adopting a form for MR and preparing it as an online tool to be used by project participants, together with the transformation of the internal completeness check form into an online tool would also support the streamlining of the process. Nevertheless, the possible high cost associated with the preparation and implementation of these online tools needs to be considered by the JISC in its decision-making process.
15. The JI workflow could also be amended to accept the direct uploading of comments submitted by stakeholders regarding a PDD in order to reduce the time in finalizing the publication of a PDD. In this way, the publication of a PDD is completed automatically at the end of the 30-day comment period without any manual intervention by the respective AIE or secretariat.
16. Under the existing Track 2 project cycle, the JI workflow could be improved by sending automatically the news item currently prepared and submitted manually after the publication of every PDD and MR. In the future, another improvement could be to have a single news item per week or month instead of daily news items, which would trigger the modification of the JISC procedures on public availability of documents.
17. The possibility of discontinuing publication of the PDD, and especially the MR, on the secretariat website as separate processes, together with their consideration and verification by the secretariat, could also be examined as a possible change in the long term. This could happen in the context of transferring some activities under the responsibility of the host Parties, as proposed in the revised JI guidelines. The PDD and MR could be published at the time of submission of the project for registration, and at the time of submission of the verification of emission reductions, respectively. This proposed change would require not only changes in several JISC procedures but also the revision of the initial JI guidelines.

3.1.4. Consideration of determinations and verifications under Track 2

18. The main role of the JISC under the JI project-cycle process relates to the consideration of determinations and verifications under Track 2. JISC members and alternate members have to consider the inputs received from independent experts and the secretariat's summary of those inputs and can voluntarily appraise the respective determinations/verifications. However, only the JISC members (and the host Parties) are allowed to request a review of a determination/verification. The secretariat is also supporting the JISC in considering determinations and verifications by performing the initial completeness check, requesting and collecting the advance fee, selecting technical experts for appraisal and preparing the summary of experts' inputs.
19. Based on the analysis performed, several possible changes were identified in the process of considering determinations/verifications. The JISC could take a different approach in relation to the application and collection of the fees by possibly eliminating their dependence on the emission reductions generated by the project activity and/or eliminating the request for advance payment at determination. In this way, the process for considering determinations/verifications could be streamlined by discontinuing several intermediate steps of verifying the consistency of the fee. In the context of the revised JI guidelines, the fee application and collection system would probably be revised, resulting in some changes of the internal consideration of determinations/verifications.
20. Compared to the beginning of the Track 2 project cycle, the previously mandatory appraisal of determinations/verifications by the JISC members and alternate members was deemed optional in 2011. However, since then this option has not been used by any JISC member or alternate member, and based on the analysis performed it could be discontinued from the JI project cycle and workflow. In this case, the procedures for appraisals of determinations/verifications would need to be updated and the two forms for JISC appraisal of the determination and verification would need to be withdrawn.
21. In the current conditions, the JISC could also consider the opportunity of changing the existing procedure for appraisals of determinations/verifications by replacing one expert assessment or both expert appraisals with a comprehensive assessment by the secretariat (similar to the present clean development mechanism (CDM) process). In this case, experts could be used in the process of reviewing determinations/verifications in order to ensure an independent assessment. In order to implement these changes, the JISC would need to amend the existing procedures for appraisals of determinations/verifications and the procedures for reviews.
22. The existing forms used in the consideration of determinations and verifications have been updated recently (December 2011) to incorporate revisions of the procedures for appraisals. After a thorough analysis, the secretariat advises not to make any changes to the forms at this moment considering the expected revisions of the JI guidelines. However, as in the case of publishing a PDD/MR, some of the existing forms used in the consideration of determinations/verifications could be transformed into online tools that could be accessed directly by project developers, AIEs, the JISC and the secretariat. Nevertheless, the possible high cost associated with the preparation and implementation of these online tools needs to be considered by the JISC in its decision-making process.

3.1.5. Review of determinations and verifications under Track 2

23. In terms of reviews of a determination/verification, the role of the JISC is to consider the respective case during its regular meetings or through an electronic decision, finalize the review in due course and communicate the decision to the project participants/AIE involved and the public. On the other hand, the secretariat has to process the review requests, prepare the review and support the JISC during the process, also informing the ITL when the process is finalized.
24. Based on the analysis performed, the review process could be improved considerably in view of the possible changes triggered by the revised JI guidelines. Currently, following the receipt of requests for review of a determination/verification by three members of the JISC, the respective case is designated “under review” and all stakeholders are informed and asked to submit comments to the JISC on the issues raised. This first step of the process could be maintained unchanged.
25. The review procedures could be changed by introducing a two-way independent assessment by the secretariat and a technical expert of the comments and proposed changes submitted by the project participants and AIE. If the recommendations of the secretariat and the technical expert coincide, the respective determination/verification is accepted unless one of the JISC members objects, in which case the request for review is discussed during a regular meeting or through an electronic decision. If the recommendations of the secretariat and the technical expert differ, the respective determination/verification is discussed during a regular meeting of the JISC or through an electronic decision. The current low number of JISC meetings per year should also be accounted for in the decision on revising the review procedures.

3.2. Preparations for the operation of the new project-cycle process under the revised JI guidelines

3.2.1. Preparations by the new JISC

26. As shown in the latest version of the co-chairs text of the proposed revisions of the JI guidelines,² there is an increased role for the new JISC in the future context of a single-track JI. Based on the thorough analysis performed on the proposed revisions of the JI guidelines, the new JISC would need to focus on considering and adopting numerous procedural and operational documents in a short period of time. A similar kind of process happened in 2006 with the initial JISC that made the current Track 2 process operational in a limited time frame (8 months).
27. In relation with the JI project cycle, the first priorities of the new JISC, with the support of the secretariat, would be to prepare and adopt:
 - (a) Minimum technical requirements for JI activities ensuring the additionality of emission reductions and quality assurance, quality control and consistency of their measurement, providing:
 - (i) Criteria for the demonstration of additionality, through ensuring prior consideration of JI, the use of positive lists, performance benchmarks and financial return benchmarks, etc.;

² FCCC/SBI/2014/L.11

- (ii) Objective criteria for the establishment of baselines, including standardized baselines, that reasonably represent the anthropogenic emissions by sources or anthropogenic removals by sinks that would occur in the absence of the proposed JI activity;
 - (iii) Criteria for the inclusion of potential emission sources within a project boundary and the requirements for the accuracy of their monitoring and reporting;
 - (iv) [Criteria for allowing net atmospheric benefits, inter alia through the cancellation of emission reduction units (ERUs) on a voluntary basis] – not yet agreed by Parties;
- (b) Minimum requirements to facilitate the development of project cycle procedures by host Parties which ensure provisions in relation to the transparency of decision-making processes, local stakeholder consultation and rights for directly affected entities to hearings prior to decision-making, timely decisions and appeals of decisions.
28. In terms of supporting the further operationalization of the new single-track JI, the JISC would also have to prepare the procedural and operational framework for:
- (a) Establishing the revised JI project cycle, including guidelines and forms;
 - (b) Facilitating the sharing and dissemination of recommendations and best practices among Parties in a collaborative manner;
 - (c) Accrediting independent entities (the possible combined accreditation framework of the CDM and JI not yet agreed by Parties);
 - (d) Undertaking reviews of the requests for registration of a JI activity and the requests for issuance of ERUs;
 - (e) Providing oversight in the issuance of ERUs by host Parties;
 - (f) Collecting fees to cover the administrative costs of the JISC and its support structure.

3.2.2. Preparations by the participating Parties

29. The host Parties would need to cooperate actively with the JISC and the secretariat in setting the minimum requirements presented in paragraph 27 above. Furthermore, the host Parties would have to establish and adopt at the national level the respective minimum requirements to facilitate the implementation of the project cycle procedure in the respective host Parties, including provisions for the issuance of ERUs.
30. In addition, the host Parties would need to allow the JISC to [assess the conformity of implementation of JI by host Parties with these modalities and procedures and the minimum requirements to be set by the JISC through initial assessments of implementation followed by regular assessments to monitor ongoing implementation] – not yet agreed by Parties.

31. Furthermore, if interested in participating in JI, Parties would need to provide to the secretariat in English (within 90 days of the adoption/revision), make publicly available and maintain, in an up-to-date manner:
- (a) The contact details of the focal point responsible for approving baselines and registering JI activities hosted by the Party;
 - (b) Its national standards, procedures and guidelines for all aspects of its implementation of JI and the periods of time in which decisions are to be taken by the designated focal point;
 - (c) Its national procedures for appealing decisions by the focal point regarding the registration of JI activities;
 - (d) Information on all baselines that it has approved and activities that it has registered or that it has under consideration for approval or registration;
 - (e) An annual summary of its activities in relation to JI.

4. Subsequent work and timelines

32. Any decision by the JISC on the possible changes presented above will need to be included in the JISC MAP and workplan for 2015.

5. Recommendations to the JISC

33. As presented above, several changes could be implemented under the current JI project cycle, especially in relation to the procedures for appraisal and review of determinations/verifications. However, following the comprehensive analysis performed, the secretariat recommends that the JISC postpone the implementation of the identified changes due to the possible high costs involved (e.g. workflow IT-related changes) coinciding with the current limited project submission rate.
34. The present analysis and work undertaken under this detailed JI project cycle assessment would be considered in the context of the revision of the JI guidelines and provided to the new JISC when established. Several changes proposed in this document would be introduced in the project cycle defined by the new single-track JI.

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Document information

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