

JI-JISC39-AA-A03

Draft annual report of the JISC to the CMP

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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 8 September 2015 and 21 September 2016 (hereinafter referred to as the reporting period). The Chair of the JISC, Mr. Konrad Raeschke-Kessler, will highlight any relevant subsequent matters in his oral report to CMP 12. During the reporting period, the JISC held two meetings.
4. This report describes the status of the JI mechanism and 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 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. Parties may wish to review this report and take note of the oral report by the Chair of the JISC to CMP 12.

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) 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 one alternate members from the 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. Status of joint implementation

8. Activity under JI virtually ceased at the end of the first commitment period of the Kyoto Protocol in 2012. The last issuance of emission reduction units (ERUs) under Track 1⁵ was reported in August 2015, whereas the last Track 2 ERU issuance was reported in October 2014 (see chapter 3.4).
9. Because ERUs are created by converting a country's assigned amount units under the Kyoto Protocol into ERUs, the JI mechanism is blocked from operating until countries ratify the Doha Amendment to the Kyoto Protocol,⁶ launching the second commitment period of the Protocol.
10. The JISC continues to fulfil its mandate, keeping JI available for use by Parties and responding to requests from Parties. However, unless instructed otherwise by Parties, the JISC will pursue no further developmental work on the mechanism, given the mechanism's place under the Kyoto Protocol and questions concerning the ratification of the second commitment period of the Protocol.

3. Work undertaken in the reporting period

3.1. Implementation of the draft joint implementation modalities and procedures, including changes

11. In response to the request in 7/CMP.11, paragraphs 4 and 5, the JISC agreed at JISC 38 on two recommendations, which were subsequently submitted to the Subsidiary Body for Implementation at its forty-fourth session (May 2016):
 - (a) Actions that would be necessary to implement the draft JI modalities and rules of procedures;⁷

⁵ Under joint implementation Track 1, national governments, not the joint implementation supervisory committee, are responsible for oversight of projects and for the issuance of emission reduction units from those projects.

⁶ The Doha Amendment to the Kyoto Protocol, which establishes the Protocol's second commitment period, has yet to be ratified. As at 18 July 2016, 66 countries had ratified the Amendment, of the 144 ratifications required for the Amendment to enter into force.
See <http://unfccc.int/kyoto_protocol/doha_amendment/items/7362.php>.

⁷ FCCC/SBI/2016/INF.7.

- (b) Options to address concerns raised by stakeholders and validation by an accredited independent entity (AIE) of post-registration changes, in the context of the review of the JI guidelines.⁸

3.2. Lessons from and uses for joint implementation

12. In response to the request in decision 7/CMP.11, paragraph 7, the JISC at its thirty-eighth meeting considered the concept note on “Input from the Joint Implementation Supervisory Committee to CMP 12” related to: experiences and lessons learned from JI for the possible design of mitigation mechanisms; links and interactions with other tools; and synergies between JI and other mitigation mechanisms. The JISC requested the secretariat to incorporate the inputs of the JISC in the concept note. At JISC 39, the revised **concept note was presented and the JISC <<text to be added>>** to the final recommendations, as contained in annex ## to this report.

3.3. Accreditation of independent entities

13. The JISC extended the term of the Joint Implementation Accreditation Panel (JI-AP) members until 1 August 2016, and elected Mr. Benoit Leguet as the chair and Mr. Carlos Fuller as vice-chair of the JI-AP for that period.
14. The JI-AP did not hold a meeting during the reporting period, but conducted its work through electronic means to ensure continuity of the accreditation processes.
15. Since the inception of the JI accreditation process, 14 independent entities have been granted accreditation. At the end of the reporting period, there were two AIEs. Ten AIEs voluntarily withdrew and two accreditations expired, all in previous reporting periods.
16. To reduce costs, after careful consideration of the current demand, impacts and risks, the JISC decided to allow designated operational entities (DOEs) accredited under the accreditation rules of the clean development mechanism (CDM) to act voluntarily as AIEs under JI, and agreed to rely on the CDM accreditation system for all accreditation functions, while taking measures to safeguard environmental integrity (see para. 17 below). The decision was effective from 2 August 2016. On that date, meetings of the JI-AP, AIE assessment activities, calls for JI assessment team experts and the primacy of regulatory documents related to JI accreditation adopted by the JISC ceased.
17. In order to address any issues that may arise from DOEs acting as AIEs, given that neither the JISC nor the Executive Board of the CDM will actively review DOEs acting as AIEs during the determination and verification of JI activities, the JISC agreed to adopt a revised complaint procedure and make it effective as of 2 August 2016. The JISC also agreed to maintain the current appraisal and review procedures.
18. DOEs were invited to express interest in voluntarily acting as AIEs and declare competence to determine and verify JI projects as of 2 August 2016 by completing a declaration form. Those DOEs designated for sectoral scope 14 under the CDM may act as AIEs for the JI sectoral scope for land-use, land-use change and forestry.
19. By the end of the reporting period, 12 DOEs were deemed accredited to act as AIEs.

⁸ FCCC/SBI/2016/INF.8.

3.4. Verification procedure under the Joint Implementation Supervisory Committee

20. In the reporting period, and as in the previous reporting period, no determination or verification cases were submitted for processing under JI Track 2.
21. Since the inception of JI there have been 597 JI Track 1 projects and 128 JI Track 2 projects; and, a total of 871,893,629 ERUs have been issued, of which 846,477,357 were under Track 1 and 25,416,272 under Track 2.⁹

4. Governance and management matters

4.1. Interaction with bodies and stakeholders

22. The JISC continued its regular interactions with independent entities and AIEs and project developers in the reporting period, encouraging them to provide written inputs and inviting the Chair of the DOE/AIE Coordination Forum and the Chair of the Project Developer Forum to meetings of the JISC.
23. The JISC made itself available to registered observers at its meetings and held a special side event at CMP 11 titled “The potential for crediting mitigation actions across countries with different types of INDCs”.¹⁰ An audio file of the panel discussion is available on the UNFCCC JI website.¹¹

4.2. Outreach activities

24. 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 11 (see para. 23 above), and maintained the JI website as a promotional tool and repository of information relating to the mechanism.

4.3. Membership issues

25. 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.
26. CMP 11 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 1.

⁹ For a detailed tally of joint implementation (JI) project determinations (projects), emission reduction verifications and issuance of emission reduction units see FCCC/KP/CMP/2015/4, chapter IV. B. However, note that by 30 September 2015, 129 verifications of emission reductions had been published on the JI website, of which 128 were deemed final in accordance with paragraph 39 of the JI guidelines and one was withdrawn; not 130 verifications published and 129 verifications deemed final, as reported in FCCC/KP/CMP/2015/4.

¹⁰ Intended nationally determined contributions. Now, nationally determined contributions, under the Paris Climate Change Agreement.

¹¹ <<http://ji.unfccc.int/Workshop/1115.html>>.

Table 1. 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 eleventh session

| Member | Alternate member | Constituency |
|--|--|--|
| Ms. Veneta Borikova ^(a) | Ms. Irina Voitekhovitch ^(a) | Annex I Parties with economies in transition |
| Vacant ^{(b), (1)} | Mr. Carlos Fuller ^{(b), (2)} | Non-Annex I Parties |
| Ms. Izabela Zborowska ^(b) | Ms. Iryna Rudzko ^(b) | Annex I Parties with economies in transition |
| Ms. Julia Justo Soto ^(a) | Mr. Komi Tomyeba ^(a) | Non-Annex I Parties |
| Mr. Benoît Leguet ^(a) | Mr. Jakob Lenz ^(a) | Annex I Parties |
| Ms. Gherghita Nicodim ^(a) | Mr. Mykhailo Chyzhenko ^(a) | Annex I Parties with economies in transition |
| Mr. Guoqiang Qian ^(b) | Vacant ^{(b), (3)} | Non-Annex I Parties |
| Mr. Konrad Raeschke-Kessler ^(b) (Chair) | Ms. Vanessa Leonardi ^(b) | Annex I Parties |
| Mr. Takahiko Tagami ^(a) | Vacant ^{(a), (4)} | Annex I Parties |
| Mr. Albert Williams ^(b) (Vice-Chair) | Mr. Derrick Oderson ^(b) | Small island developing States |

^(a)Term: 2 years, i.e. ending immediately before the first meeting in 2017.

^(b)Term: 2 years, i.e. ending immediately before the first meeting in 2018.

⁽¹⁾Ms. Carola Borja resigned effective 26 February 2016.

⁽²⁾Nomination pending since CMP 11. Mr. Fuller remains in office until his successor is nominated by the respective regional group/constituency.

⁽³⁾Mr. Chebet Maikut resigned effective 18 May 2016.

⁽⁴⁾Nomination pending since CMP 10.

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

27. At its thirty-eighth meeting, the JISC elected by consensus Mr. Konrad Raeschke-Kessler, a member from an Annex I Party, as its Chair, and Mr. Albert Abel Williams, a member from a non-Annex I Party, as its Vice-Chair. Their tenures will end immediately before the first meeting of the JISC in 2017.

28. The JISC expressed its deep appreciation to the outgoing Chair, Ms. Julia Justo Soto, and Vice-Chair, Mr. Konrad Raeschke-Kessler, for their excellent leadership during 2015.

4.5. Meetings in 2016

29. The JISC held two meetings in 2016, its thirty-eighth meeting, 17–18 March, and thirty-ninth meeting, 20–21 September, both in Bonn, Germany.

30. 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.

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

31. In accordance with decision 5/CMP.10, the JISC is ensuring sufficient infrastructure and capacity for Parties to use the mechanism until at least the end of the additional period for fulfilling commitments under the second commitment period of the Kyoto Protocol.
32. During the reporting period, the JISC continued to carefully monitor¹² 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 2016–2017, as detailed in the JISC workplan for 2016,¹³ including:
- (a) Two meetings of the JISC;
 - (b) Work in response to decision 7/CMP11;
 - (c) Activities relating to the JI accreditation system.
33. 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 2 provides a summary of the income of the JISC in 2016.

Table 2. Income for the work of the Joint Implementation Supervisory Committee, 2016
 (United States dollars)

| Status of income in 2016 ^(a) | Amount |
|--|------------------|
| Carry-over figure from 2015 ^(b) | 5 285 401 |
| Contributions received in 2016 | - |
| Total joint implementation Track 1 fees for 2016 | - |
| Total joint implementation Track 2 fees for 2016 | - |
| Total income with 2015 carry-over | 5 285 401 |

^(a)The financial reporting period in 2016 is from 1 January to 31 August.

^(b)Includes JI Track 2 fees previously held in reserve and exchange rate losses on fund balance held as a result of exchange rate fluctuations from EUR to USD. At the time of reporting, exchange rate loss amounted to USD 972,454.32. Accordingly, the carry-over figure of USD 6,399,988 from 2015 has been reduced to USD 5,285,401.

34. The budget of the JISC for 2016 amounted to USD 826,998, with expenditure amounting to USD 600,811, yielding a difference of USD 226,187, as shown in table 3.

¹² 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.

¹³ <<http://ji.unfccc.int/UserManagement/FileStorage/F2P8IN05HAE79L1V64WRQ3CDKUYGJT>>.

Table 3. Comparison of the actual expenditure versus the budget of the Joint Implementation Supervisory Committee, 2016 (United States dollars)

| Comparative status of expenditure against budget | 2016 ^(a) |
|---|---------------------|
| Budget | 826 998 |
| Expenditure | 600 811 |
| Difference | 226 187 |

^(a)The financial reporting period in 2016 is from 1 January to 31 August.

35. Table 4 summarizes the financial status of the JI mechanism for 2016, showing a balance at the end of the reporting period of around USD 4.7 million.

Table 4. Financial status of the Joint Implementation Supervisory Committee, 2016 (United States dollars)

| Summary of current financial status as at 31 August 2016 | Amount |
|---|------------------|
| Carry-over from 2015 | 5 285 401 |
| Contributions from Parties in 2016 | - |
| Income from joint implementation fees (Tracks 1 and 2) | - |
| Subtotal | 5 285 401 |
| Expenditure in 2016 | 600 811 |
| Balance | 4 684 590 |

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

36. [Placeholder JISC39 agenda item: [...] forward recommendations and the reflections of the JISC [...] for consideration by CMP.12); (para. 8 of decision 7/CMP.11)]

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