

Draft JISC recommendations: A proposed new operational model for JI

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JI Roundtable

Bonn, 20 June 2011



Strategic position of JI

- A decade in the making, with the JISC active since 2006
- Kyoto's only offset standard for countries with emission caps
- Main driver of JI growth has been EU ETS demand, with supply largely contingent on host Party readiness
- JI at a crossroads, facing an uncertain future
 - Strong growth potential remains
 - Kyoto and JI verification keep going (in principle) but current JI setup is specifically linked to Kyoto's architecture of emission caps
 - New trading and offset systems expected to emerge
- Market fragmentation makes JI even more essential

Momentum for change

- 2010 “JI experience report” by the JISC
 - Found that significant changes in JI are needed to realize its potential
 - Re-oriented the JISC’s pre-2013 work programme to target needs
 - Explored new operational and financial models for post-2012
 - Incorporated JISC, expert and stakeholder views
 - See JISC 2010 annual report to CMP 6 ([FCCC/KP/CMP/2010/9](#))
- CMP 6 decided to initiate the first review of the JI guidelines
 - To commence at CMP 7 (Durban, December 2011)
 - JISC requested to provide recommendations as a basis for the review
- Draft recommendations now to be considered at JISC 25



Overview of the remaining presentation

- Lessons learnt from experience
 - Essence of the JI approach
 - Limitations of the two-track model
- A proposed new operational model for JI
 - A single, unified verification process
 - A new, collaborative governing body
 - Changes to national approval of projects
- Next steps in the JISC's work

Essence of the JI approach

- Common basis for countries with emission targets to collaborate in the mitigation of climate change
 - Compatible accounting standards and procedures
 - Mutual recognition of offsets for compliance purposes
- Universal offset standard
 - Integrity in the measurement of reductions
 - Enhanced market value for offset credits generated
 - More benefits: greater access to lower-cost mitigation, lower transaction costs, stronger engagement of the private sector
- **How can we focus JI on achieving this essential purpose?**

The current two-track model

- Multiple concerns
 - Different track 1 national processes increase the burden on national policy-makers, as well as knowledge barriers and transaction costs
 - Varying transparency in procedures and decision-making
 - Unsustainable JISC financing partly due to subsidizing track 1
 - Track 2 may be cumbersome and insufficiently tailored to needs
 - Multiple tracks and processes dissipate JI momentum
- Original rationale for multiple tracks has proven largely unfounded (all host Parties have fulfilled eligibility requirements)



A single, unified verification process

- Unleash JI growth via harmonized and efficient rules?
- JISC recommends as an option a single, unified verification process
- Provide consolidated guidance balancing multiple needs

International
oversight,
transparency and
consistency

Host Party-driven,
tailored to specific
circumstances



Further ideas?

- Which design of the project cycle? Different from Track 2?
- What needs addressing through JI guidelines (at CMP level) and what can be addressed by a new governing body?
 - For example, standardized baselines, the demonstration of additionality?
- Can JI be the offset standard of choice for domestic emissions trading systems? What would be needed for this?



A new, collaborative governing body

- Success and integrity of JI is common interest of host Parties
- A governing body, driven by host Parties, accountable to CMP
 - Sets minimum standards/procedures, and non-mandatory guidance, for offset generation in a capped environment
 - Oversees host Party implementation, ensuring conformity with rules
 - Accredits auditors for activities at country level in JI
 - Ensures transparency and promotion of JI
 - Reports to the CMP on JI implementation and conformity with rules
- Members from host Parties, other Parties, and non-Parties?
 - Competence in regulatory processes (policy and strategic focus)
 - Public and private sector perspectives



Further ideas?

- Party members to act in individual or country capacities?
- What role for business and environmental representation?
- What China walls for “separation of powers” between standard setting and impartial oversight over conformity with rules?
- Should the governing body accredit its own certifiers or should JI and CDM operate under a unified accreditation process?
- Governing body to issue the offsets as part of its oversight?
- Would an appeals mechanism be needed (given the impartial oversight by the governing body)?
- Should current JI vocabulary be aligned with other systems?



Changes to national approval of projects

- National approval only by host Party to streamline project implementation and recognize primarily the host Party's interest
- Harmonization of national approval processes. Requirements to be met would still be set by Parties
- Set aside of credits, at project start, by host Parties for subsequent distribution to project participants
- Further ideas?



Next steps in the JISC's work

- Consider draft recommendations at JISC 25
- Issue public call for inputs
- Revise and consider again the recommendations at JISC 26
- Final recommendations to CMP 7 via JISC's annual report



United Nations Framework Convention on Climate Change

www.unfccc.int/ji

