

Draft recommendations on options for building
on the approach embodied in joint implementation

JI Workshop

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Overview

- Strategic position of JI
- Overall vision
- CMP process recommendations
- Mapping out a single verification process
 - Regulation
 - Governance
 - Financial resources
- Transitioning to the new model

Background

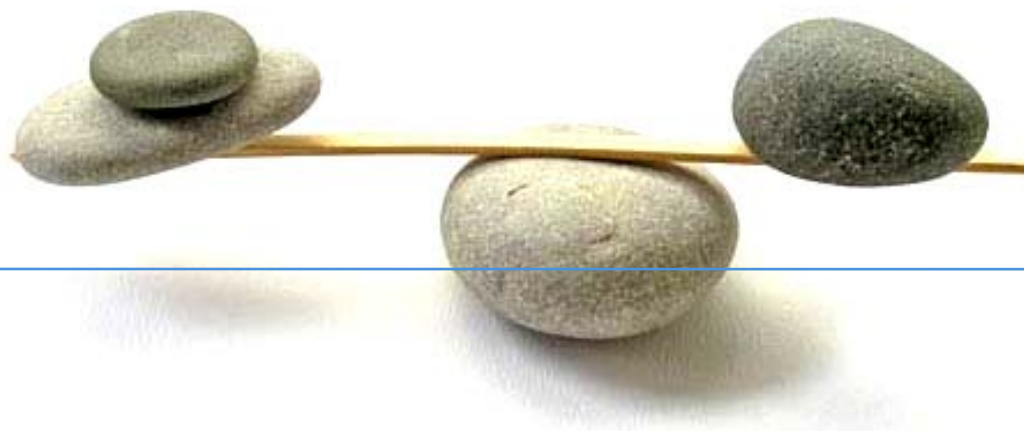
- 2010 “JI experience report” by the JISC found that significant changes are needed to realize JI’s potential
- CMP 6 decided to initiate the first review of the JI guidelines
 - To commence at CMP 7 (Durban, December 2011)
 - JISC requested to provide recommendations
- Development of draft recommendations
 - Earlier draft considered at JISC 25
 - Inputs received in response to public call
 - Revised version considered in a JISC small group and at JI Workshop
- Current version answers many questions from JISC 25 draft

Strategic position of JI

- Universal offset standard for countries with emission caps
- Collaborative mitigation tool
 - Compatible and credible accounting standards
 - Mutual recognition of offsets for compliance purposes
 - Promotes greater access to lower-cost mitigation, lower transaction costs, stronger engagement of the private sector
- JI at a crossroads, facing an uncertain future
 - Potential not yet fully realized, much 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
- Market fragmentation makes JI even more essential

Overall vision for JI's future

- Single but optimized verification process
 - Regulation of JI devolved largely to host Parties
 - Strong international accountability (under the CMP) via a governance mechanism that oversees, harmonizes, accredits and issues offsets
- Domestic policy value through open range of activities and effective support to collaboration among Parties
- Scaled-up JI, allowing for scaled-up mitigation
- Sustainable financial model, based on higher volumes



Recommended process for the CMP review

- Two phase process
 - CMP 7 adopts an outline of a revised operational model for JI
 - CMP 8 adopts a specific revision of the JI guidelines
- Issues are too numerous and complex for one CMP session
- Two year process can take account of emerging clarity on the future international climate regime

Single but optimized verification process

| | |
|--|---------------------------------|
| Design document | By participants in the activity |
| Validation of the activity | By accredited verifier |
| [Approval] [Registration] of the activity | By host Party |
| [Recording] [Registration] of JI activity and receipt of assigned amount in a JI registry for subsequent offset issuance (“set-aside”) | By the governing body |
| Monitoring of reductions and removals | By participants in the activity |
| Verification of reductions and removals | By accredited verifier |
| Issuance and distribution of offsets from the JI registry (from the “set aside” amount) | By the governing body |

A different approach to regulation

- Governing body not involved in assessing JI activities, but empowered to act as part of its oversight role
 - Registration and issuance occur directly upon verifier's findings
 - Governing body implements strong accreditation and performance monitoring processes, with suspension/withdrawal if appropriate
 - Special reviews of registration and issuance cases can be done under authority of the governing body, but in line with clear criteria
- Any technical assessments under the governing body ensure independence through expert committees (eg accreditation)
- Accreditation could be done in conjunction with the CDM
- Governing body oversees conformity of system with rules, ensures rectification where necessary, and reports to CMP

Clear structure of regulation

- The goal is engagement and implementation by host Parties that is consistent, credible and efficient
 - Transparent and consistent MRV
 - Low transaction costs and knowledge barriers
- Overall framework set by CMP in revised JI guidelines
- Governing body further elaborates implementation rules
 - Mandatory standards and procedures
 - Best practice guidelines to further align JI implementation across host Parties while allowing variations to reflect different policy objectives
- Eligibility requirements for Parties to be considered later
 - MRV of emission reductions and removals
 - The nature of the emissions targets

A new governing body

- Membership to reflect appropriate expertise
 - Policy and strategic issues relating to regulatory processes
 - Perspectives from both the public and private sectors
- Members act in individual capacities
- Manageable size
 - Most members from Parties involved in JI activities (with targets)
 - [Further membership from countries without international targets]
 - Membership from business and environmental constituencies

Financial resources

- Sustainable and acceptable approach to financing depends on JI being large enough to provide sufficient fee income
- Mixture of fees necessary
 - Accreditation of verifiers
 - [Registration of JI activities]
 - Issuance of offset credits

Transitioning to the new model

- More consideration needed of measures to smooth the transition to the future JI model is needed, such as
 - No retroactive application of new guidance to existing projects
 - Staged or discretionary implementation of new guidance
 - Adequate advance notice of new guidance becoming applicable

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