

# Recommendations on Amendments to the Fee Structure for JI Activities

**JI Technical Workshop**

Bonn, 12 September 2011



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# Overview

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- **Background and Mandate**
- **Existing Fee Provisions (Track 1/Track 2)**
- **Status of JI Projects and Fees Accrued**
- **Possible Amendments to the Fee Structure**
- **Presentation of Options**
- **Conclusions**



## Background

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- **Decision 9/CMP.1** - admin. costs for JI to be borne by A1 Parties and PPs
- **Decision 10/CMP.1** - JISC requested to develop provisions for charging of fees
- **Decision 3/CMP.2** - CMP endorsed the initial fee structure (rev. CMP.3 & CMP.5)
- Limited Track 2 submissions → low income from fees →

**CMP decided to postpone using income from fees until 2012**

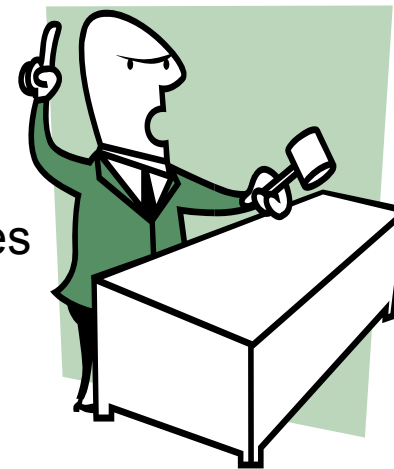
- Resources covered almost entirely from **Parties' contributions**
- Constant **shortfall of funds** until the end of 2010
- **CMP envisaged that sufficient fees will accrue in 2010-2011 → JI become self-financed as of 2012**



## Mandate

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- JISC opinion - **costs incurred contributed** to developing and implementing Track 1 procedures in Parties involved
- JISC recommended CMP to **introduce fees** for Track 1 activities



### Decision 4/CMP.6 (Cancun), § 28-31:

- Established provisions for **charging fees for Track 1** activities
- Requested JISC to **finalize the provisions** at first meeting in 2011
- Instructed to **apply fees** to projects submitted for publication from **1 March 2011**
- Review & **revise the fee structure** at CMP.7 (based on JISC recomm.)
- Requested **JISC to recommend CMP.7** amendments to the fee structure

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# Present Situation

# Existing Fee Provisions

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**Fee structure used presently** - revised “Provisions for charging of fees”:

- **Accreditation Fees** - USD 15,000 per applicant IE, plus costs of JI-ATs work
- **Project Related Fees:**
  - **Track 2 - variable fee for ERs verification:**
    - Advance payment (det.) - annual verification fee max. USD 30,000 (used for ver.)
    - USD 0.10/t for first 15,000 tCO<sub>2</sub>e in a year (and all tCO<sub>2</sub>e from PoAs)
    - USD 0.20/t for any additional tCO<sub>2</sub>e above 15,000 in a year
  - **Track 1 - fixed fee for project registration with ITL:**
    - USD 20,000 for each large-scale project
    - USD 3,000 for each SSC project, incl. PoAs



# Summary of Project Status – 12 September 2011

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## Track 1

- **284 projects** published, from which:
- 280 registered with ITL
- **54 published after 1 March 2011** (paying fees)

## Track 2

- **32 projects** with finalized determinations, from which:
- 21 projects progressed to verification stage
- **51 verifications** of ER finalized (**9.9 Mt CO<sub>2</sub>e as ERUs**)



# Project Related Income – 12 September 2011

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## Track 1

- Projected fees in 2011 (JI-MAP) ~ **USD 878,000**
- Fees received ~ **USD 494,000** (from total exp. USD 740,000)
  - 23 projects registered bf. 1 April ~ **USD 73,000** (USD 239,000)
  - 31 projects published after 1 April ~ **USD 421,000** (USD 501,000)

## Track 2

- Fees received in 2011 ~ **USD 858,236**
- Total fees received 2006-2011 ~ **USD 2,497,141** (USD 2,111,622 non-reimbursable)
  - Advance fees at determination ~ **USD 1,462,276** (USD 385,519 reimbursable)
  - Additional fees for verifications ~ **USD 1,034,865**

- **Track 2 fees will be used only from 2012 (CMP mandate)**





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# Amendments to the Fee Structure



## Possible Amendments to the Fee Structure

- **Option 1** - No changes
- **Option 2** - Amending Track 2 fee structure by raising the advance payment at det.
- **Option 3** - Amending Track 1 & Track 2 fee structures by increasing fee levels
- **Option 4** - Introducing a mandatory annual fee payable by Parties
- **Option 5** - Any combination of Options 2-4

	Option 1	Option 2	Option 3	Option 4
<b>Track 1 fees<sup>1</sup></b>	850,000	850,000	1,290,000	0
<b>Track 2 fees<sup>2,3</sup></b>	1,250,000	1,330,000	1,500,000	0
<b>Parties' fees<sup>4</sup></b>	0	0	0	2,100,000
<b>Annual JISC budget</b>	2,100,000	2,100,000	2,100,000	2,100,000
<b>Balance</b>	0	80,000	690,000	0

1. Average annual no. of Track 1 projects - 38 large scale and 30 SSC/PoA

2. Existing 21 Track 2 projects (verification phase) with total annual adjusted verified ERs ~ 5.2 mil.

3. 10 new Track 2 det. with determination fees of USD 200,000, from which 4 are above USD 30,000 threshold (>USD 50,000)

4. Annex 1 Parties involved in JI (with DFP and approval procedures submitted) - 30 (USD 70,000 from each Party)



## Option 1 & Option 2

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### Option 1 (no changes)

- **Financial situation improved** as compared to 2010 (Track 1 fees)
- Possible to **cover JI administrative costs** in 2012-2013 from accrued and expected fees, if **submissions continue** in 2012:
  - Verifications of ERs for existing Track 2 determined projects (ver. stage)
  - 50% of Track 1 projects received in 2011

### Option 2 (raising advance payment at determination-Track 2)

- Endorsed as a **possible action area** to be applied by JISC (Experience Report)
- Increase **non-reimbursable advance** payment of Track 2 determinations (e.g. USD 30,000 to USD 50,000)
- **Additional funds** in initial stages of project cycle
- May influence PPs to **opt for Track 1** (lower fees)



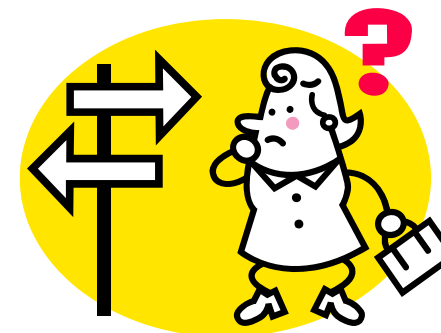
## Option 3 & Option 4

### Option 3 (increasing fee levels under both Track 1 & Track 2)

- Track 2 - **Increase fees** for ERs verification to **USD 0.15 and 0.25/tCO<sub>2</sub>e**, or
  - Establish a single fee of **USD 0.25/tCO<sub>2</sub>e** notwithstanding ERs level
- Track 1 - **Increase fees** to **USD 30,000** (large) & **USD 5,000** for SSC/PoA, or
  - Establish **intermediary fees** by expected ERs (e.g. USD 5,000 - 30,000)

### Option 4 (introducing a mandatory annual fee payable by Parties)

- Host Parties, Investing Parties or **all Parties** involved in JI (DFPs & procedures)
- Contributions based on **equal shares** or **UNFCCC scale**
- Replacing **project-based** fees
- **Difficult to implement** now - 1 year before the end of CP1



## Option 5 & Option for Future

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### Option 5 (combining Options 2-4 or elements included in these options)

#### Option for Future

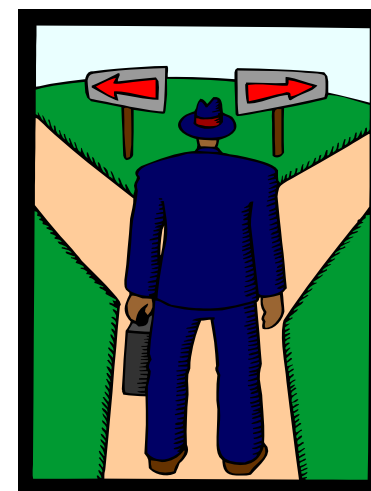
- Establish fees on the **issuance of ERUs**, paid by PPs
- May be considered during negotiations on **post-2012** regime
- **Recommended** by JISC (Experience Report) - not developed further as Parties are **responsible for issuing ERUs**
- Fees collected by Parties/secretariat after **ERs verifications finalized** → **vulnerable** income (timing & value) based on:
  - Parties **decisions** on ERU issuance
  - Level of **fee collection** (and transfer to secretariat)



## Conclusions

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- JI financial resources - **vulnerable** due to fluctuations in fees & Party contrib.
- JISC to continue **prioritizing its activities** & implement the revised **work plan**
- **Multiple options** for fee structure → sufficient funding  
(inconsistent level of activities & unpredictable stakeholders)
- **JI to be revised** for providing sufficient income to support the system necessities (self-financing)
- JISC to **discuss possible options**, and decide at JISC 26
- **Recommend CMP.7 amendments** to the fee structure
- CMP might consider **potential changes to the JI model, incl. financing**, under:
  - first **review of the JI guidelines** (start at CMP.7)
  - **current negotiations** on project-based mechanisms in the post-2012 regime



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**Thank you**

