



Joint Implementation *Action Group*

Joint Implementation Supervisory Committee
Attn. Mr. Chowdhury
P.O. Box 260124
D-53153 Bonn
Germany

Subject: JIAG communication for JISC 25

15 June 2011

Dear Chair of the Joint Implementation Supervisory Committee (JISC),
Dear members and alternate members of the JISC,

The Joint Implementation Action Group (JIAG) would like to thank the JISC for progress made on the work plan defined for 2011. The JIAG herewith provides its input, split into two parts. The first part gives a general input to the JISC. In the second part JIAG provides its input on the various draft documents that were made available as annexes to the agenda of the 25th meeting.

We trust you will find our input useful and look forward to continue our support for JI in 2011.

Yours sincerely,

Lennard de Klerk
JIAG Chair

Annexes

Annex I: Comparable cases in baseline setting and additionality

Annex II: JIAG Members

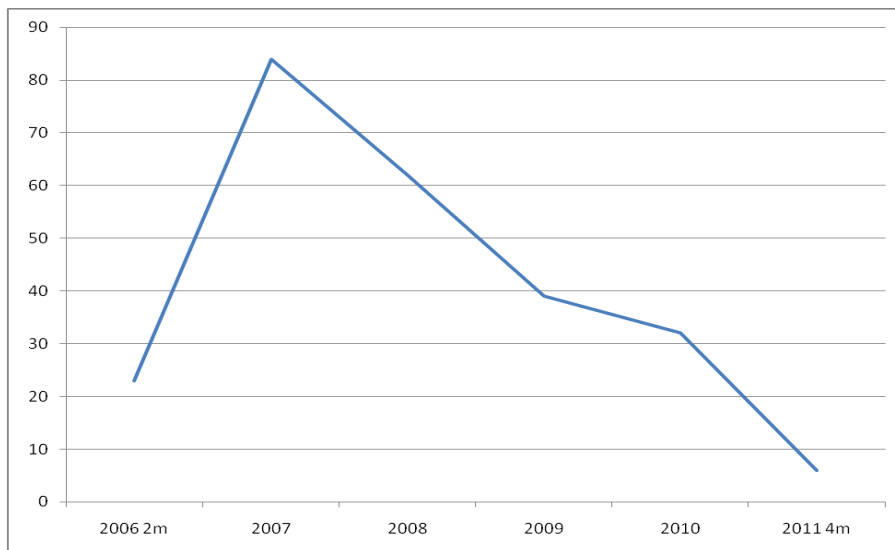
PART 1 GENERAL INPUT

The current state of JI

JI is going through a difficult time. We observe that, among others:

- Several JI Host Countries are at risk to be suspended from eligibility to participate in the flexible mechanisms;
- Russia, as the biggest Host Country in JI, has so far approved only a limited amount of projects and transferred ERUs of only 3 JI projects;
- While we are reaching the end of the first commitment period, only three Independent Entities have been accredited by the JISC;
- The international negotiations are advancing at a slow pace and don't give confidence that a new agreement is in reach. Furthermore, the JISC proposal for continued ERU issuance during the true-up period did not find support with the Parties in Cancún.

As in any market mechanism, private sector actors need clarity that their investments, time and efforts will result in a return (i.e. ERUs will be issued, both pre 2013 and post 2012). Given the current difficulties we see a continued declining interest in developing new JI projects which is reflected in the amount of new PDDs published.



Graph 1: PDDs made public in period 27 October 2006 – 30 April 2011

Apart from reforming accreditation rules, most of the bottlenecks are outside the control of the JISC. Nevertheless JIAG encourages the JISC to make its experience public and publish on the role JI has played in:

1. Technology transfer,
2. Identification of abatement opportunities by the private sector,
3. Awareness raising activities by the private and public sector while looking for project opportunities,
4. Development of an international standard for offsets in a capped environment,
5. Development of the infrastructure for offsets in a capped environment.

Furthermore we support the initiative to bring the true-up proposal back to the table at CMP.7 in Durban.

Correction of verifications that are deemed final

The JIAG highlights the need for a procedure to deal with JI verifications that are deemed final. In cases where an error is identified in the calculations of a monitoring report which were overlooked during verification, a correction can be made in the subsequent verification.

JIAG believes it is necessary that the JISC revises its procedures to allow for the correction of verifications that are deemed final, both for underreported and overreported reductions. We suggest that attaching the corrected documentation to the next verification is a practical and transparent solution. In such verification the underreported reductions, plus the reductions of the new period, would be made final.

PART 2: INPUT ON ANNEXES TO JISC 25

Annex 1: Draft procedures on public availability of documents under the verification procedure under the Joint Implementation Committee

The JIAG welcomes the provisions stated in paragraphs 12 and 13 encouraging AIE's to finalize the determination of PDDs within six months. We recommend adding a statement regarding the change of a PDD from Track 2 to Track 1. This could be included in paragraph 13, such as "The AIE shall provide to the JISC with an update of the status of its determination activity regarding the PDD after the six month period, and at every six months thereafter, unless it has already submitted the determination to the secretariat for publication on the UNFCCC JI website. *The AIE shall also inform the JISC of the projects that have completed the determination and registered the project under Track 1 procedure for those projects a determination started under Track 2 and eventually led to a registration of the project under Track 1.*"

Annex 2: Draft procedures for reviews under the verification procedure under the Joint Implementation Supervisory Committee

Paragraph 5 – with regard to the procedures following the request for review the JIAG recommends that paragraph 5 should specify that the entire review process should be limited to a period of 6 months in all cases, as follows: "If such a review is requested, the JISC shall finalize the review as soon as possible, but no later than six months *after receiving the first request for review*, or at the second meeting following the request for review, *if such meeting is before the end of the six month time period*".

The JIAG supports the electronic decision-making on reviews as laid out in paragraph 11. We suggest that the start deadline for the decision making process be reduced to "two weeks after the date when a Party involved in the project...", rather than three weeks.

Paragraph 12 b) and paragraph 34 b) – although it is mentioned that a decision making process shall start with the electronic distribution of proposed decisions and "the course of action in accordance with paragraph 13/35", it is not mentioned when the proposed decision shall be distributed by the Chair after the start date of the electronic decision-making process as referred

to in paragraph 11 b). We suggest add the following after the first sentence of paragraph 12 b: “The Chair of the JISC shall transmit this proposed decision within two weeks after the start of the electronic decision-making process”.

Annex 3 - Draft procedures for appraisals of determinations under the verification procedure under the Joint Implementation Supervisory Committee

From a principle point of view the JIAG believes that no external experts for the appraisal of determinations and verifications should be used. The JIAG refers to paragraph 10a of the JI Guidelines which starts that JISC members “shall have recognized competence relating to climate change issues and in relevant technical and policy fields.” Therefore the JISC members have the capacity to appraise determination and verification reports themselves, which would reduce the involvement of external parties. Regarding paragraphs 8 to 12 discussing the employment of external experts to provide appraisals of determination – JIAG proposes that the employment of external experts be removed since, in accordance with article 10a¹ (2006) JISC members should have sufficient expertise to carry out this task internally.

Should the JISC decides to continue to use external experts for determination and extend the use of experts for verifications, we recommend to make the appraisals public available (while keeping the author anonymous). This will increase the transparency of the determination and verification procedure and enables a wider audience to benefit from the, suggestions and solutions brought forward by the external experts under paragraph 18 of Annex 3 “The appraisals shall also include suggestions on how the issues identified could be avoided, if appropriate”. We believe that appraisals should also be made public if no review has been requested for the benefit of all stakeholders involved in JI.

Annex 4 - Draft guidance on criteria for baseline setting and monitoring

We appreciate an update of the guidance that clarifies and settles some of the issues raised before. We would like to remind the JISC that a full revision of the guidance would be very beneficial to all stakeholder and refer to JIAG’s submission, dated 4 June 2010, that includes a full and detailed proposal for a revision.

One issue JIAG would like to raise separately. The JIAG has noticed reluctance from AIEs to use “comparable cases” in the demonstration of additionality and for baseline setting and monitoring. The rather strict interpretation of AIEs on what is comparable made the practical applicability of “comparable cases” very limited. Therefore we provided an alternative text to define how a “comparable case” should be interpreted to be included in Paragraphs 9 (Baseline) and Annex 1 P. 2b (Additionality):

An approach for baseline setting and monitoring already taken in comparable cases that an AIE has positively determined. A comparable case is a project that encompasses similar

¹ 10/CMP.1 Implementation of Article 6 of the Kyoto Protocol, in FCCC/KP/CMP/2005/8/Add.2 “Decisions adopted by the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol”.

sources of GHG emissions and emission reductions are achieved by similar measures, realized in the same country with the starting date within four years before or after the starting date of the positively determined project, that implements a similar type of technology that retains the basic design principles of the technology in positively determined project and has the same scale (i.e. Large scale project or Small scale as defined in the relevant JI guidance). Project participants are required to provide justification that the comparability criteria are met.

See Annex I for a more detailed input.

Annex 5 - Information note on the revision to the “Guidance on criteria for baseline setting and monitoring”

Paragraph 25 of this annex refers to the CDM Guidelines on the application of the additionality tool by stating that “This tool is amended by relevant guidelines, which include the “Guidelines on the assessment of investment analysis” and the “Guidelines for objective demonstration and assessment of barriers “.

The JIAG would like to emphasize that the Tool is not amended by the Guidelines but that the Guidelines only provide guidance on how to apply the tool. These Guidelines by definition contain supplemental information such as acceptable methods for satisfying requirements described in procedures or standards for CDM. These Guidelines do not take JI into account as possible user of these documents. Therefore we request the JISC to clarify that it is not obligatory to take EB guidelines to the Tool into account while assessing the application of the Tool to a project. This is to avoid confusion that arises on the status of the these guidelines.

Annex 6 - Draft recommendations on options for building on the approach embodied in joint implementation

Regarding paragraphs 27 – 30, JIAG supports conclusion proposing a single, unified track. However, we recommend that Paragraph 27 be modified to reflect a more balanced discussion of Tracks 1 and 2. By centrally defining Track 2 guidelines, de facto this track became the standard for baseline setting and monitoring of JI projects. Under Track 1 however, verification procedures are defined by the host country as it deems suitable. As a result, Track 1 JI projects need to adhere to national standards and is thereby more a political instrument that Annex 1 governments can use to support domestic greenhouse gas emission policies.

This makes the two mechanisms very different, each with its own quality. Where Track 1 provides the flexibility to national governments that Track 2 cannot, Track 2 is the international standard that is so crucial for a free trade of credits and for the development of a homogeneous carbon market that sets global standards for the recognition of real emission reductions.

The table below shows the advantages and disadvantages of both tracks.

a.	Advantages	Disadvantages
Track 2	1) A well-defined quality assurance procedure with accredited third parties provides a minimum quality standard;	1) The lead times are longer, one average two months for final determinations and at least one extra month for issuances; 2) Track 2 fees are higher than for Track 1.

	<p>2) The supervision of the determination and verification procedures by a UNFCCC body (the JISC) gives the conversion of AAUs into ERUs an international recognition;</p> <p>3) The JISC ensures consistency in JI specific approaches for baseline setting and monitoring;</p> <p>4) Host Country suspensions by the Compliance Committee do not affect Track 2 projects.</p>	<p>3) Potential conflict of authority between JISC and a Host Country in case there is a different view on the JI specific approach used.</p> <p>4) Rules sometimes require clarifications and obtaining these from the UNFCCC Secretariat can be time consuming.</p> <p>5) Rules may change over time.</p> <p>6) Accreditation of Independent Entities is a lengthy and difficult process.</p>
Track 1	<p>1) Avoids an extra step for registration and issuance which involves the JISC.</p> <p>2) Offers the flexibility of a policy instrument for the host country and can be tailored to political priorities of the Host Country. Since AAUs are the sovereign property of the host country, the JIAG supports the use of JI as a policy instrument by host countries.</p>	<p>1) Issuance can be interrupted due to suspension of host country eligibility</p> <p>2) No international, UN, quality guarantee on the mitigation action behind issued ERUs</p>

JIAG wishes to express support for paragraphs 35, 36, 39 and 52 (b) related to the including of representatives of AIEs and Project Participants in the new governing body, the issuance of ERUs in a separate registry under UNFCCC supervision and the true-up proposal.

Annex I Comparable cases in baseline setting and additionality

1. Background

The current version of the Guidance on criteria for baseline setting and monitoring (Version 02) has option in Paragraph 28 and Paragraph 2 of the Annex 1 to provide demonstration of additionality by means of

“Provision of traceable and transparent information that an accredited independent entity has already positively determined that a comparable project (to be) implemented under comparable circumstances (same GHG mitigation measure, same country, similar technology, similar scale) would result in a reduction of anthropogenic emissions by sources or an enhancement of net anthropogenic removals by sinks that is additional to any that would otherwise occur and a justification why this determination is relevant for the project at hand.”

Annex 4 of the agenda for JISC meeting 25 introduces a similar approach to the baseline setting, therefore extending options available to project participants to include the following option: “An approach for baseline setting and monitoring already taken in comparable cases that an AIE has positively determined.” The JIAG encourages this extension but invites the JISC to provide additional guidance on the topic. Without clear guidance AIEs tend to be reluctant to allow for reference to comparable cases since they seek a clear reference framework for their determinations.

2. Questions

A few questions need to be answered before this approach can be implemented in practice:

- 1) What definition applies to “comparable cases” (para 9c of Annex 4 to JISC meeting 25) .
- 2) How can project participants obtain information on comparable cases that an AIE has positively determined. (para 9c of Annex 4 to JISC meeting 25)Should it be justified that a certain case is comparable to the JI project under development?

3. Definition of comparable case

Current version of the Guidance puts following criteria for establishing comparable case which can be extended:

- 1) Same GHG mitigation measure – this is a good approach and relates to the technology used. However, can be specified to “project boundary encompasses similar sources of GHG emissions and emission reductions are achieved by similar measures”.
- 2) Same country – also this is a good approach but does not take relevant sectoral circumstances and legislative and regulatory requirements into account. If the technologically similar project is realized in the same country in the same time period it will be subject to the same external factors as the proposed JI project. Therefore, this can be formulated as “realized in the same country with the starting date within 4 years before or after the starting date of the positively determined project”.
- 3) Similar technology – this relates to the first items but can be defined further as “the project applies a similar type of technology that retains the basic design principles of positively determined project”.
- 4) Similar scale – this can be defined as a distinction between small and large scale , as follows:“the project has the same scale (large or small scale)”.

4. Positive Determination

There is no definition of the “project that AIE has already positively determined”. We should propose to establish such definition as “the project for which an AIE has issued the determination report with all corrective actions requests and clarification requests resolved with the exception of approvals of the Parties involved provision”. However, if such determination has not been finalized it will not be known to the secretariat, the JISC or the project participants that were not involved in this project. There should be a way of making such “positive determinations” public since a determination report may be “positive” and completed but will only be publicly available when it will be submitted for final determination.. On the other hand, until the determination has been accepted by the JISC it cannot be considered final and can be changed, rejected etc. In such case what happens to other projects that are based on such determination? Therefore, in practice applicability of this approach is limited to final determinations.

5. Justification of relevancy

A simple analysis and justification that comparability criteria as described above are met should be sufficient for the establishment of the baseline and proving additionality. Therefore, the text in Paragraph 2b of the Annex 1 to the “Guidance...” should be changed from “justification why this determination is relevant for the project at hand.” to “Project participants are required to provide justification that the comparability criteria are met”.

6. Proposed text

The following text should be included in Paragraphs 9 (Baseline) and Annex 1 P. 2b (Additionality):

An approach for baseline setting and monitoring already taken in comparable cases that an AIE has positively determined. A comparable case is a project that encompasses similar sources of GHG emissions and emission reductions are achieved by similar measures, realized in the same country with the starting date within four years before or after the starting date of the positively determined project, that implements a similar type of technology that retains the basic design principles of the technology in positively determined project and has the same scale (i.e. Large scale project or Small scale as defined in the relevant JI guidance). Project participants are required to provide justification that the comparability criteria are met.

Annex II: JIAG Members

JIAG members		
	Company	Nominated representative
1	Global Carbon (chair)	Mr. Lennard de Klerk
2	Climate Focus (secretariat)	Mr. Jelmer Hoogzaad, Mr. Moritz von Unger
3	Vertis Environmental Finance	Mr. James Atkins
4	Carbon Trade & Finance	Mr. Ingo Ramming
5	FutureCamp	Mr. Roland Geres, Mr. Thomas Mühlpointner
6	GreenStream Network	Ms. Riikka Sipponen

