

Areas for revision of JI accreditation standard State of JI-AP's consideration

Twenty-second meeting of the Joint Implementation Supervisory Committee
Bonn, Germany, 15-16 June 2010



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Four areas for revision

1. Signing of contracts with project participants for determination and verification work by entities affiliated with an AIE
 - JISC's request at JISC 21
2. Impartiality
 - Area identified by JI-AP for improvement
3. Competence
 - Area identified by JI-AP for improvement
4. Consideration of inputs provided by experts during the 4th UNFCCC training for JI-AT experts held in May 2010



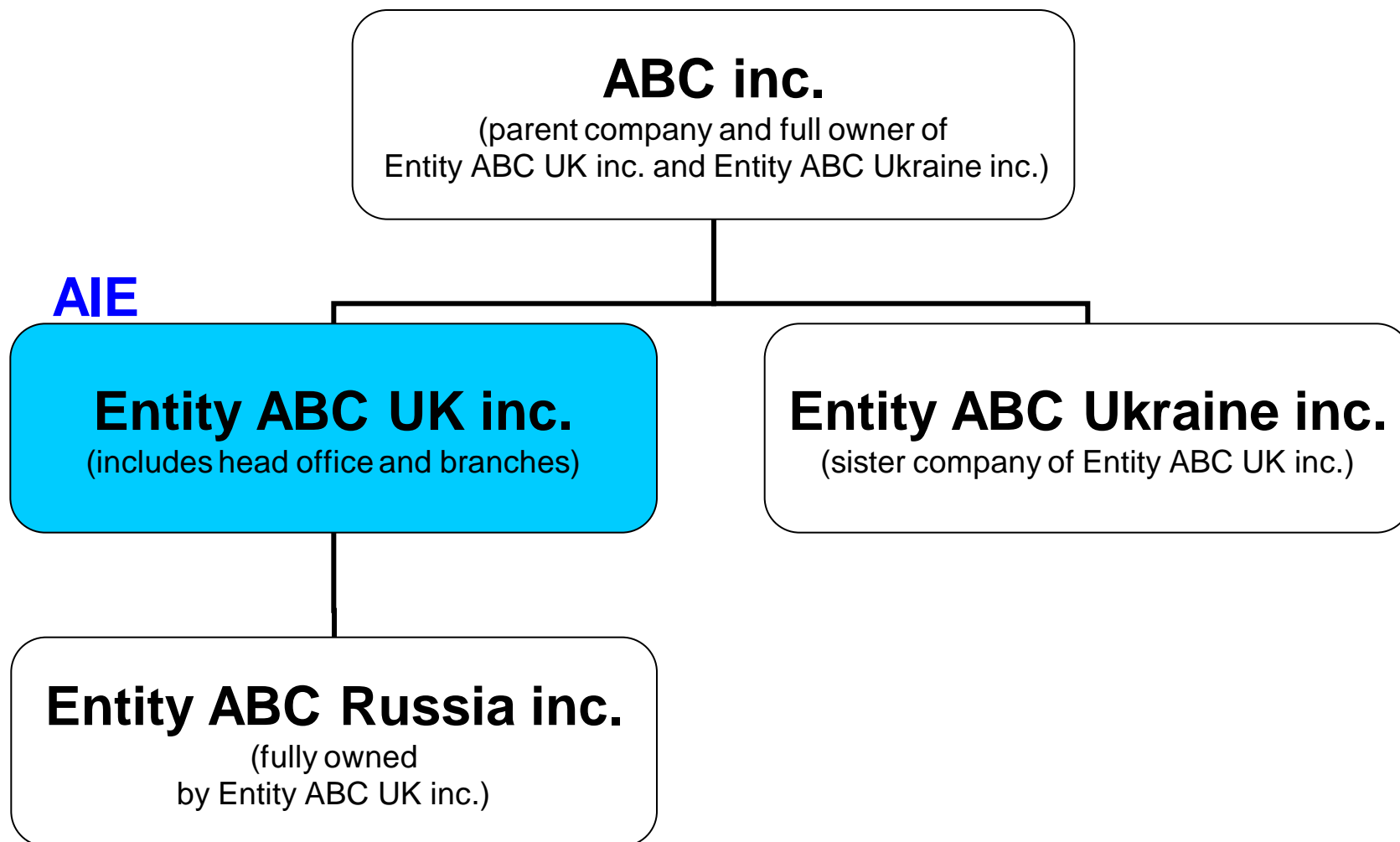
Signing of contracts by affiliated entities

- Input submitted by DNV at JISC 21, requesting that:
 - Subsidiaries (of the AIE) established in other countries and registered as different legal entities, but fully owned by the AIE, may be allowed to sign contracts with project participants for determination and verification work
- JI accreditation standard currently prohibits such practice:
 - Para 78: Proposal and contract review procedure
The IE concludes legally enforceable contracts with clients for carrying out determination or verification work
 - Para 39. (h):
The operational management shall ... implement the proposal and contract review procedure



Signing of contracts by affiliated entities

- CDM accreditation standard also prohibits such practice



JI-AP's recommendation

- Maintain the current requirement, i.e. not to allow any entity other than AIEs to sign contracts with project participants for determination and verification work

because affiliated entities are not within the scope of accreditation assessment to check whether they meet the accreditation requirements, inter alia, those in paragraph 1. of appendix A to the JI guidelines





Joint Implementation Supervisory Committee

III. Financial stability and insurance

1. *An independent entity shall:*
 - (c) *Have the financial stability, insurance coverage and resources required for its activities;*
 - (d) *Have sufficient arrangements to cover legal and financial liabilities arising from its activities;*

A. Financial stability

32. An IE shall identify and analyze the nature and scale of financial resources needed for its determination and verification work and the legal and financial risks arising from such work, and periodically review this analysis.

33. An IE shall have the financial resources and stability required for its determination and verification work.



Verification of compliance with requirements

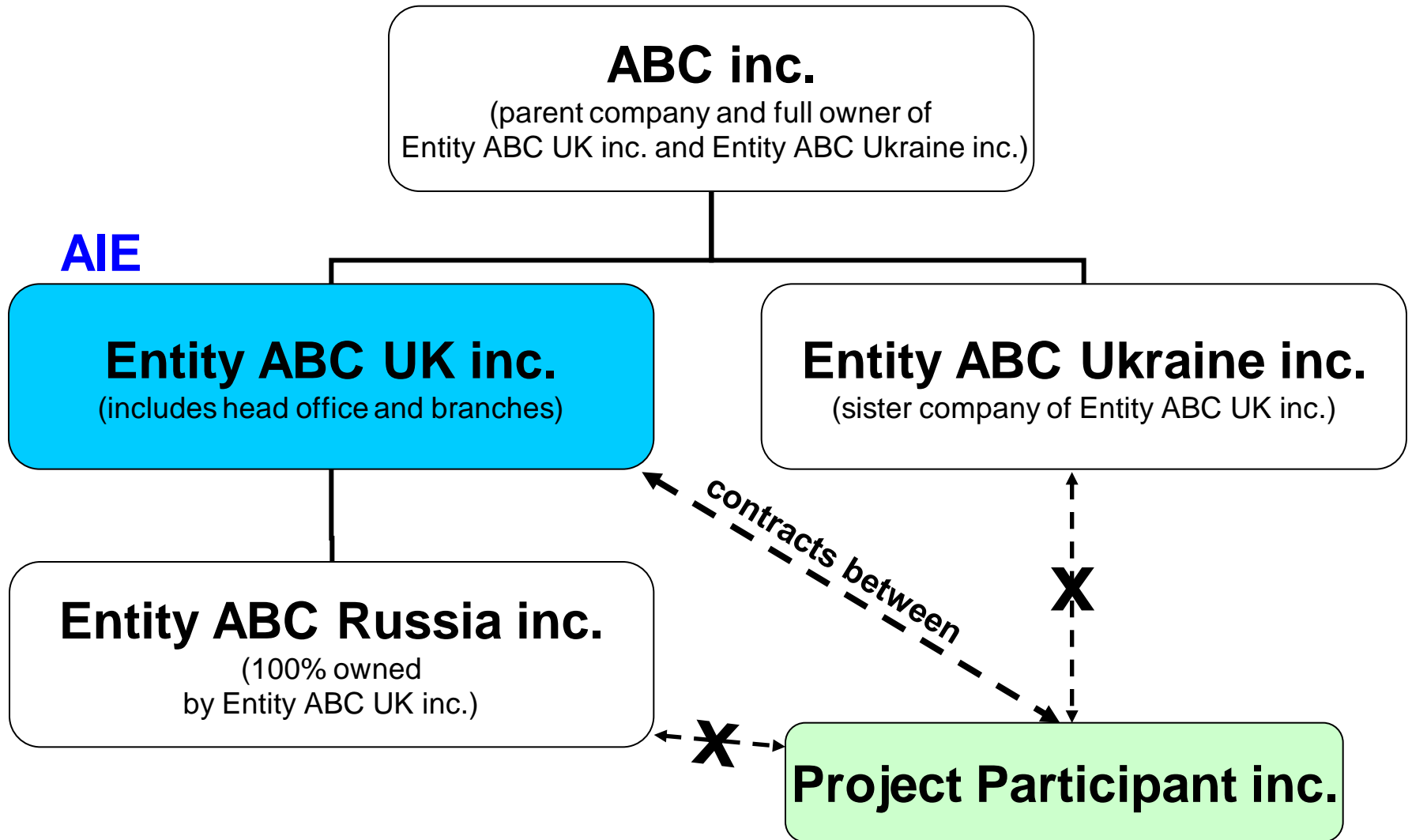
- Through the desk review and on-site assessment, the JI-AT confirmed that the AIE meets these requirements, which was approved by the JI-AP with the issuance of an indicative letter
- The JI-AT has never checked whether an entity affiliated with the AIE in another country meets these requirements



Verification of compliance with requirements

- Even if the affiliated entity is a wholly owned subsidiary of the AIE, one cannot assume that the AIE:
 - Provides the subsidiary with “the financial stability, insurance coverage and resources required for its activities”, or
 - Will take responsibility for the subsidiary having “sufficient arrangements to cover legal and financial liabilities arising from its activities”
- Such issues may also be governed by the national laws of the country in which the subsidiary is registered, which laws may restrict liabilities of these local registered entities

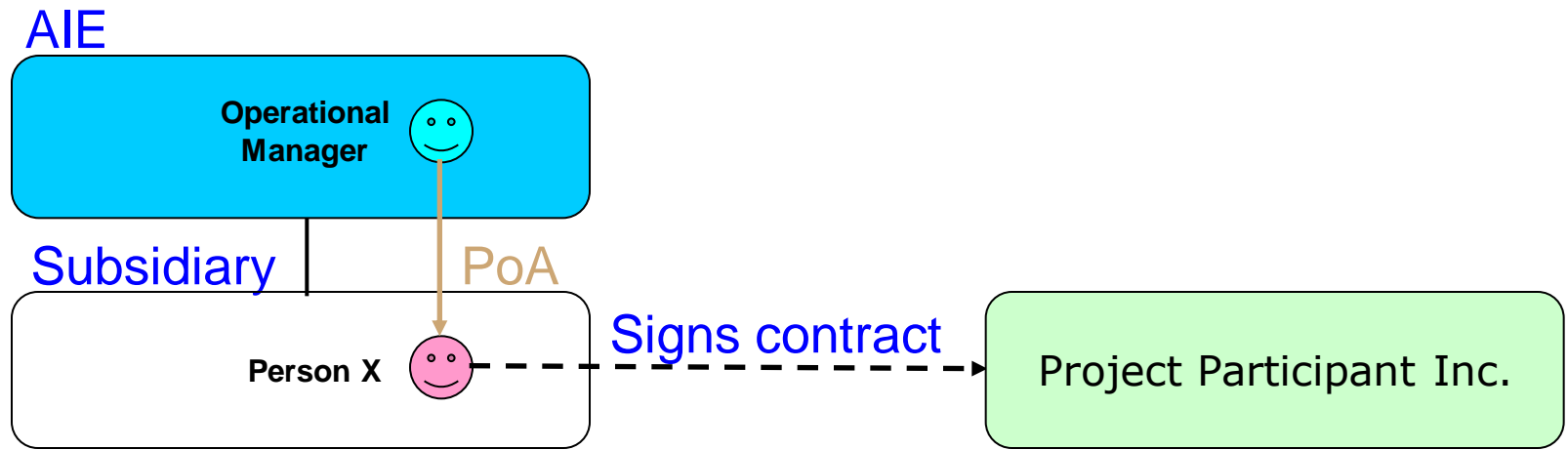




Power of attorney

- A power of attorney (PoA) is given:
 - To an individual (not a entity, can be anybody)
 - For specified function(s)
 - For specified period

Example:



Power of attorney - Effects

- The contracts must still be signed in the name of the AIE
 - No change in the AIE's responsibility and liability
 - Little benefit for the AIE in terms of taxation, currency, etc.
- The decision to sign contracts is made by a person not employed by the AIE
 - Risk of lack of coordination, inconsistency or deviation from AIE's rules, which can lead to non-compliance with accreditation requirements
- These are the reasons why the use of power of attorney is currently not allowed for key functions (operational management functions) (para 39 of the JI accreditation standard)

