

Agenda item 4 a

Paragraph 13 of the annotated agenda

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

JISC 25

Bonn, Germany, 21-22 June 2011



Overview

- Strategic position of JI
- Essence of the JI approach
- Proposed new operational model for JI
 - A single, unified verification process
 - A new, collaborative governing body
 - Changes to national approval of projects
- Transitional issues
- Feedback from JI Roundtable
- Next steps

Strategic position of JI

- A decade in the making
- 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



Essence of the JI approach

- A collaborative mitigation tool for capped countries
 - Compatible accounting standards and procedures
 - Mutual recognition of offsets for compliance purposes
- Benefits of a universal offset standard
 - Integrity in the measurement of reductions
 - Enhanced market value for offset credits
 - 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 unfounded (all host Parties are able to fulfil eligibility requirements)

A single, unified verification process

- JI growth via harmonized and efficient rules
- Sustainable financial model, based on higher volumes
- Consolidated guidance balancing multiple needs

International
oversight,
transparency and
consistency

Host Party driven,
tailored to specific
circumstances



Further ideas?

- *What 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?*
 - *Standardized baselines?*
 - *Demonstration of addditionality?*
- *Can JI be the offset standard of choice for domestic emissions trading systems? What is 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 firewalls for “separation of powers” between standard setting and impartial oversight over conformity with rules?*
- *Should the governing body accredit 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 primary interest of host Party
- 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

Transitioning to a new JI model

- Smooth transition must be ensured
 - Some or all new guidance not being retroactively applied?
 - Staged or discretionary implementation of new guidance?
 - Adequate advance notice of new guidance becoming applicable?

Transitioning through a gap period

- Carrying JI momentum through uncertain times
- Request to CMP
 - Clarify that determination and verification may continue
 - Allow continuation of issuance from CP1 AAUs/RMUs
 - Where reductions/removals occur between 1 Jan 2013 and (a) the end of the true-up period or (b) the establishment of CP2 assigned amount for a host Party (whichever is sooner)
 - From existing and new projects

- Enthusiasm for a new model
- Market conditions are key
 - Immediate demand prospects are slim, so design for the long term
 - JI growth depends on relevance to cap-and-trade systems, including by targeting non-trading sectors to generate domestic offsets
- Engage private sector to drive mitigation and reduce cost
- Emphasize shift from project-based to scheme-based
- Move JI beyond offsetting
 - Greater mitigation through achieving net overall reductions
 - Leaving a portion of reduction benefits in host Parties
- Ensure transparency, reliability and trust

JI Roundtable – a single process

- Universal support for a single process
 - Create a new process or just remove track 1
 - Harmonized host-Party national approval process (best practices)
- Standardized baselines and benchmarks for specific sectors
- Shift additionality focus away from strict testing
 - Baseline setting as a host Party policy tool to direct investment
 - Use positive technology lists and simple barrier analysis

JI Roundtable – a new governance

- Separate implementation from rule-making
 - Transfer registration and verification decisions to AIEs
 - Issuance by governing body to automatically follow AIE verification, from units transferred to a JI registry upon project registration
- Accreditation by the governing body (or together with CDM)
 - Supervision through performance reviews and spot checks
 - Certification programme for AIE personnel
- Advisory body to help with sector and standardized baselines
- DFP Forum to exchange, improve, harmonize and promote
 - Align the Forum with longer-term JI model
 - Primary interaction among DFPs, secondary interaction with JISC

Next steps

- JISC 25
 - Consider small group recommendations and questions
 - Revise the draft
 - Issue public call for inputs
 - Request small group to revise draft recommendations
- JISC 26
 - Consider/revise small group recommendations
 - Take account of responses to the public call
 - Forward final recommendations to CMP 7 (via annual report)

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