

Agenda item 4 a

Paragraph 11 of the annotated agenda

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

JISC 26

Bonn, Germany, 13-14 September 2011



Overview

- Strategic position of JI
- Overall vision
- CMP process recommendations
- Mapping out a single verification process
 - Regulation
 - Governance
 - Financial resources
- Transitional issues
- Feedback from the JI Workshop
- Specific issues for clarification

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 key features of JI in the future
 - 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

Transitional issues

- 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
- In the meantime, need certainty of JI track 2 continuation through any period without targets (gap period)
 - CMP 7 should reaffirm that JI activities may continue, including registration of projects and verification of reductions and removals
 - CMP 7 should decide to adopt, at CMP 8, modalities and procedures for issuance of offset credits and their subsequent deduction from future targets adopted by Parties hosting such activities

- General support for the substantive proposals
 - Single track, host Party role, oversight/issuance by governing body
 - Greater verifier roles, with appropriate safeguards
- Acceptance of the two-phase approach to the CMP review, giving time for resolution of technical and legal issues
 - Adaptation to future approaches for targets and accounting
 - Provisions for issuance of offset credits and eligibility requirements
- Stressed the use of JI as a domestic policy instrument
 - Clarify additionality requirements as a host Party choice
 - Clarify scope of mandatory standards and procedures (MRV)
 - Scope for moving “beyond offsetting”



Specific issues for clarification

- Expectations as to CMP 7 outcomes
- Registration of activities
 - By host Party or governing body
 - Acceptance of findings by accredited verifiers
- Devolution of choices regarding additionality and moving “beyond offsetting” to host Parties in approving activities
- Scope of mandatory standards and procedures (MRV)
- Size and composition of the new governing body
- Ensure gap period ERU issuance is consistent with reductions and removals reflected in national emission inventories
- Various edits: eg increasing “set aside” for over-performance

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