

Agenda item 4a

Recommendations on Amendments to the Fee Structure for JI Activities

JISC 26

Bonn, 13-14 September 2011



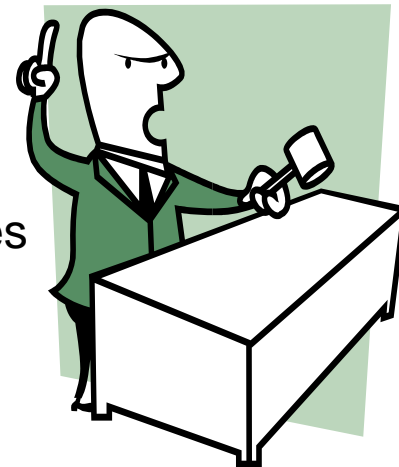
Overview

- **Mandate**
- **Possible Amendments to the Fee Structure**
- **Presentation of Options**
- **Conclusions**



Mandate

- 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



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
Track 1 fees¹	850,000	850,000	1,290,000	0
Track 2 fees^{2,3}	1,250,000	1,330,000	1,500,000	0
Parties' fees⁴	0	0	0	2,100,000
Annual JISC budget	2,100,000	2,100,000	2,100,000	2,100,000
Balance	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

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)



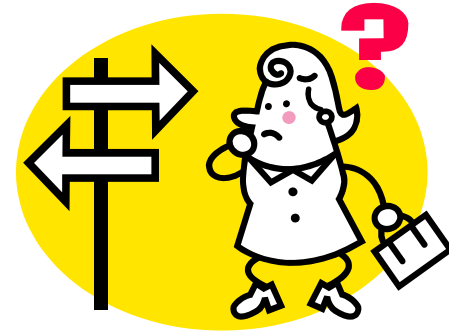
Option 3 & Option 4

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/tCO₂e**, or
 - Establish a single fee of **USD 0.25/tCO₂e** 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

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

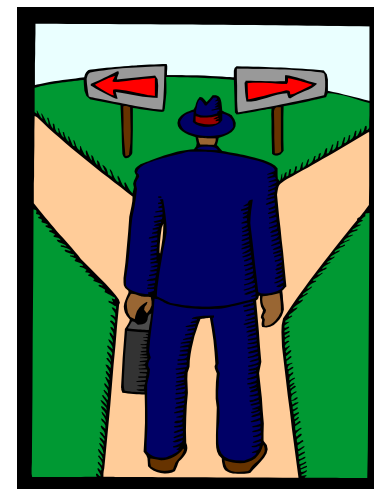
Option for Future

- 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

- 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



Thank you

