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of the Parties to the Kyoto Protocol**  
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Issues relating to joint implementation

**Annual report of the Joint Implementation Supervisory  
Committee to the Conference of the Parties serving as the  
meeting of the Parties to the Kyoto Protocol**

**Note by the secretariat\***

*Summary*

This report covers the work of the Joint Implementation Supervisory Committee (JISC) during the period from 24 October 2010 to 14 September 2011, during which the JISC held three meetings, one round-table consultation with stakeholders and one technical workshop. This report highlights achievements and challenges faced by the JISC in its supervision of the mechanism. In particular, it reports the work of the JISC in response to the request by the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (CMP) at its sixth session. Further, this report contains a number of recommendations for actions by the CMP. Lastly, it reports on the financial status of the resources for the work on joint implementation.

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\* This document was submitted after the due date in order to take into account the outcomes of the twenty-sixth meeting of the Joint Implementation Supervisory Committee, which was held on 13 and 14 September 2011.

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## I. Executive summary

1. This annual report of the Joint Implementation Supervisory Committee (JISC) to the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (CMP) covers joint implementation (JI) activities during the period from 24 October 2010 to 14 September 2011 (hereinafter referred to as the reporting period), the closing date of the twenty-sixth meeting of the JISC. During this period the JISC held three meetings, one round-table consultation with stakeholders and one JI technical workshop. This report does not cover the period between the twenty-sixth meeting of the JISC and the seventh session of the CMP; however, the Chair of the JISC, Mr. Muhammed Quamrul Chowdhury, will highlight any relevant matters during this period in his oral report to the CMP at its seventh session.

2. This report recommends actions to be taken by the CMP at its seventh session. It also refers to work undertaken by the JISC during the reporting period, including the further operationalization of the verification procedure under the JISC (hereinafter referred to as the Track 2 procedure), the associated project caseload and the operation of the JI accreditation process. Based on this information, the CMP may wish to provide further guidance on JI to the JISC.

3. This report highlights the areas of governance, management and resources that are critical to ensuring the efficient, cost-effective and transparent functioning of the JISC. With regard to the status of the Track 2 procedure, it notes that, by the end of the reporting period, 259 project design documents (PDDs) and one programme of activity design document (PoA-DD) had been submitted and published on the UNFCCC JI website, and that 32 positive determinations regarding PDDs had been deemed final. The 218 active JI projects described in the PDDs would achieve emission reductions of approximately 350 million tonnes of carbon dioxide equivalent (t CO<sub>2</sub> eq) during the first commitment period of the Kyoto Protocol. The 32 determinations that have been deemed final would achieve emission reductions of 44 million t CO<sub>2</sub> eq in the same period. Fifty-one verifications of emission reductions regarding 21 projects have been deemed final. These final verifications represent 10 million t CO<sub>2</sub> eq to be issued as emission reduction units (ERUs).

4. The JISC noted that the financial situation of the JISC and its supporting structures has improved considerably compared with the same period in 2010, due to the contributions received from Parties in the period August–December 2010, for which the JISC expressed its appreciation. In addition, the introduction of fees under the Track 1 procedure, and the ongoing process for prioritizing JISC activities and implementing the revised work programme for 2011–2013, contributed extensively to the improvement of the financial situation.

5. Following the requests of the CMP at its sixth session, the JISC's recommendations on options for building on the approach embodied in JI, as part of the first review of the guidelines for the implementation of Article 6 of the Kyoto Protocol (hereinafter referred to as the JI guidelines)<sup>1</sup> in accordance with paragraph 8 of decision 9/CMP.1, and recommendations on amendments to the fee structure to cover administrative costs relating to the activities of the JISC and its support structure, are contained in document FCCC/KP/CMP/2011/9.

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<sup>1</sup> Decision 9/CMP.1, annex.

## **II. Introduction**

### **A. Mandate**

6. The CMP, by its decision 10/CMP.1, established the JISC to supervise, inter alia, the verification of emission reductions or removal enhancements generated by projects under Article 6 of the Kyoto Protocol (hereinafter referred to as JI projects), in accordance with the JI guidelines.

7. The JI guidelines require that the JISC report on its activities to each session of the CMP, and that the CMP provide guidance regarding the implementation of Article 6 of the Kyoto Protocol and exercise authority over the JISC.

### **B. Scope of the report**

8. This report provides information on the work undertaken by the JISC since its written report to the sixth session of the CMP.<sup>2</sup> The JISC has been operating the Track 2 procedure<sup>3</sup> since October 2006, when its operationalization was completed. This report provides information on the decisions and actions taken by the JISC to further improve the operation of the Track 2 procedure and highlights issues that the CMP may wish to consider at its seventh session. It also addresses governance issues, notably measures undertaken to ensure the efficient, cost-effective and transparent functioning of the JISC, as well as the financial status regarding the work on JI during the 2010–2011 biennium.

9. This report covers the period from 24 October 2010 to 14 September 2011. The period after the latter date until the beginning of the seventh session of the CMP will be covered by the Chair's oral report to the CMP at its seventh session, highlighting any relevant matters concerning this period.

10. This report highlights the work accomplished and challenges faced by the JISC in the reporting period and summarizes the status of the operation of the Track 2 procedure during this period. As requested by the CMP at its sixth session, recommendations on options for building on the approach embodied in JI for the consideration of the CMP as part of the first review of the JI guidelines in accordance with decision 9/CMP.1, paragraph 8, and recommendations on amendments to the fee structure to cover administrative costs relating to the activities of the JISC and its support structure, are contained in document FCCC/KP/CMP/2011/9. Full details on the operation and functions of the JISC are available on the UNFCCC JI website, which is the central repository for reports of JISC meetings and documentation adopted by the Committee.<sup>4</sup>

### **C. Action to be taken by the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol**

11. After reviewing this report and taking note of an oral report by the Chair of the JISC at its seventh session, the CMP, at the same session, may wish:

(a) To initiate the first review of the JI guidelines, including consideration of the recommendations of the JISC on options for building on the approach embodied in JI

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<sup>2</sup> FCCC/KP/CMP/2010/9.

<sup>3</sup> Defined in paragraphs 30–45 of the JI guidelines.

<sup>4</sup> <<http://ji.unfccc.int>>.

contained in the document FCCC/KP/CMP/2011/9 and establishing a process and timeline for the review;

(b) To endorse the fee structure to cover administrative costs relating to the activities of the JISC and its support structure, as recommended by the JISC.

12. In accordance with the JI guidelines, paragraphs 4–6, the CMP is expected to elect the following to the JISC for a term of two years upon nominations being received from Parties:

(a) One member and one alternate member from Parties included in Annex I to the Convention (Annex I Parties) that are undergoing the process of transition to a market economy;

(b) One member and one alternate member from Annex I Parties not referred to in paragraph 12(a) above;

(c) Two members and two alternate members from Parties not included in Annex I to the Convention (non-Annex I Parties);

(d) One member and one alternate member from small island developing States.

### III. Achievements and challenges

13. By decision 4/CMP.6, paragraph 13, the CMP requested the JISC to implement the action areas mentioned in chapter VI of the “Report on experience with the verification procedure under the JISC and possible improvements in the future operation of joint implementation”,<sup>5</sup> included in the JISC report to the sixth session of the CMP with appropriate prioritization, taking into account the latest financial situation, as well as financial projections, with a view to accelerating the JI process without undermining its credibility and environmental integrity.

14. The action areas for reorienting the JISC work programme included the following:

(a) Clarifying and elaborating on a number of issues in the guidance on criteria for baseline setting and monitoring, including the possible use of innovative methodological approaches such as standardized baselines and programmatic approaches;

(b) Further exploring the possibility of setting time limits on phases of the JI project cycle;

(c) Increasing cooperation with designated focal points (DFPs) of Annex I Parties, in particular through the possible establishment of a DFP forum;

(d) Strengthening outreach activities and collaboration with JI stakeholders;

(e) Increasing the number and capacity of accredited independent entities (AIEs).

15. The JISC identified in the same report a number of areas in which JI could be built upon in the longer term, and proposed that Parties consider these as part of their deliberations on a future climate regime under the UNFCCC:

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<sup>5</sup> FCCC/KP/CMP/2010/9, annex 1.

(a) Making changes to the operational model of JI, either by establishing a unified track for JI or by strengthening the current Track 1<sup>6</sup> and Track 2<sup>7</sup> independently;

(b) Carrying out major revisions to the JI procedures, including in relation to the demonstration of additionality, the harmonization of national project approval procedures, and building upon synergies between the JI accreditation process and other accreditation processes;

(c) Carrying out major revisions to the financial model of JI, to ensure the stability and sustainability of the resources available for the work on JI in the future;

(d) Making adjustments to the scope, role and membership of the JISC.

16. In addition, the JISC also recommended the following specific activities to the CMP at its sixth session:

(a) That the CMP clarify issues surrounding the continuation of activities under the Track 2 procedure in the immediate period beyond 2012;

(b) That the CMP initiate the first review of the JI guidelines at its seventh session, on the basis of the full set of recommendations to be submitted by the JISC;

(c) That the CMP consider introducing a new fee to raise funds from projects under the Track 1 procedure to help finance the activities of the JISC and its supporting structures.

17. The JISC adopted, at its first meeting in 2011, a workplan for the JISC for the period 2011–2013, taking into account the mandates from the sixth session of the CMP based on the proposed actions included in the report mentioned above.

18. The overarching vision for the work of the JISC in the period 2011–2013 is to firmly establish JI as an effective tool of international collaboration for developed country Parties in mitigating their emissions of greenhouse gases and to provide a robust basis for building upon JI as a means of mitigating greenhouse gas emissions in the period beyond 2012.

19. To realize the vision above, the JISC will focus on achieving the following three major objectives in the period 2011–2013:

(a) Greater efficiency in the continued operation of JI, by securing the resources required, including the processing of new submissions relating to projects and accreditation, and strengthening its policy guidance to ensure its clarity and improve its usability in both the short and long term;

(b) Enhanced promotion of the mechanism, by strengthening its outreach activities to ensure an enhanced understanding among stakeholders and policymakers of the benefits and contributions of JI to addressing climate change;

(c) Effective contribution to the future development of JI, by enhancing the consideration of Parties and other experts of how JI can be further developed and used in the period beyond 2012, including through contributing to the intergovernmental process in this matter.

20. The JISC has already begun work on the following 16 specific actions to achieve these objectives, as described in its workplan for 2011–2013:

(a) Processing of JI project cycle submissions;

(b) Processing accreditation applications and assessments;

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<sup>6</sup> Verification process under the authority of host Parties.

<sup>7</sup> Verification process under the authority of the JISC.

- (c) Developing a contingency plan for JI-MAP 2010–2011;
- (d) Revising fee provisions;
- (e) Preparing recommendations to the CMP on fee structure;
- (f) Revising policy guidance documents;
- (g) Setting time limits for each phase of the JI project cycle;
- (h) Making use of electronic decision-making;
- (i) Revising guidance to support simple and innovative methodological approaches;
- (j) Revising JI accreditation procedure;
- (k) Developing a communication strategy;
- (l) Establishing a DFP Forum;
- (m) Enhancing outreach activities;
- (n) Involving other stakeholders, exploring cooperation with international institutions;
- (o) JISC members' outreach activities, engagement with media;
- (p) Preparing recommendations to the CMP on review of the JI guidelines.

21. As encouraged by the CMP, and to fulfil its first objective in the workplan, the JISC has continued to make efforts to facilitate the process of accrediting independent entities (IEs). During the previous reporting periods, the JISC had accredited only four IEs (of which one has voluntarily withdrawn its accreditation in 2010). To improve these numbers, the JISC at its twenty-fifth meeting adopted transitional measures for accrediting applicant IEs that have been issued an indicative letter in accordance with the JI accreditation procedure.

22. With this approach, eight additional IEs were accredited as of 1 August 2011. In addition, the JISC at the last two meetings accredited two more IEs that finalized the witnessing process. In the meantime, two AIEs have voluntarily withdrawn their accreditation. Thus, the number of AIEs jumped from three to 11.

#### **A. Challenges for joint implementation, with a focus on post-2012 issues**

23. The JISC is of the view that there is a future for the operation of JI beyond the first commitment period of the Kyoto Protocol. At its sixth session, the CMP took note of the JISC's view and decided to initiate, at its seventh session, the first review of the JI guidelines.

24. The CMP also requested the JISC to make "recommendations on options for building on the approach embodied in JI" (see FCCC/KP/CMP/2011/9). These recommendations will be considered by the CMP as part of the first review of the JI guidelines.

25. The overwhelming sense of the JISC is that significant changes in the setup of the mechanism will be needed if JI is to realize its potential and secure its relevance as a mitigation tool beyond 2012.

26. Some of the key recommendations which the JISC believes should be considered by Parties in the context of the review of the JI guidelines are related to the verification

process, the establishment of a new governing body for a single verification process, the national project approval processes, the current eligibility requirements, and the financial resources to fund the governing body. The JISC also believes that any revision of the JI guidelines would have to be followed by some transitional measures that would ensure a smooth transition during the period of its implementation.

27. The JISC believes that the specific value of JI, and in particular JI under the international oversight of the Track 2 procedure, rests in its ability to give integrity and value to the measurement and issuance of offset credits in a way that a single Party working in isolation may not be able to achieve. The JISC is of the view that this two-track approach to JI is not sustainable and is hindering the success of the overall JI mechanism. Therefore, the JISC recommends that the JI guidelines be revised to replace the current two-track approach with a single, unified verification process.

28. As part of the revised JI guidelines, the JISC recommends that the CMP establish a new governing body for the single verification process. The new governing body should set minimum standards and procedures for the generation of offset credits in a capped environment, establish an accreditation process to accredit auditors and report to the CMP on the implementation of JI and the overall conformity of JI activities with the established policy framework. In this manner, the governing body would not be involved in the assessment of individual projects per se.

29. The JISC also recommends that the governing body be kept to a manageable size, with at least half of the members being drawn from Parties active in hosting JI projects. Further membership should draw upon representatives of other Parties, including developing countries, and possibly business and environmental constituencies.

30. With regard to the national project approval, the JISC recommends that only the host Party of a project be required to give its national approval, as this would streamline the process of implementing projects and recognize that the primary interest in approving projects lies with host Parties. It is also recommended that the procedures defined and implemented for the national approval of projects be harmonized and that, upon the acceptance of a project within the JI system, host Parties set aside a quantity of units corresponding to the expected emission reductions or removal enhancements by the project for subsequent distribution to project participants. This may help to accelerate the issuance process once verification has been completed, and reduce the risk taken by project participants with respect to the host Party's fulfilment of any necessary eligibility requirements and its ability to issue and transfer ERUs.

31. Presently, there is no requirement that the fulfilment of the current eligibility requirements by a Party should be reassessed in the context of a second commitment period. The JISC recommends that the CMP consider the possible need for eligibility requirements for participation in JI in light of further clarity emerging on the future international climate regime beyond 2012.

32. The JISC stresses that it would be important to ensure a smooth transition for JI projects from treatment under the current JI guidelines, including the "true-up" period, to the implementation of any revisions, especially in view of the time that would be needed after the adoption of its revised guidelines for the governing body and new standards and procedures to be established. It therefore recommends that such transitional measures be considered in the review of the JI guidelines, with a view to establishing principles to guide the implementation of any revision.

33. With regard to financial resources, the JISC recommends that a mixture of fees on accreditation, registration and verification cases be established to fully fund the work of the governing body and its supporting structures in a sustainable and predictable manner.



34. Finally, with regard to the continuation of activities under the Track 2 procedure in the immediate period beyond 2012, the JISC recommends that the CMP clarify that the determination of projects and the verification of emission reductions and removal enhancements can continue. Furthermore, the JISC recommends that the CMP, with regard to emission reductions and removal enhancements that occur after the first commitment period, either:

(a) Allow emission reductions and removal enhancements achieved by existing and new projects between 1 January 2013 and either the end of the “true-up” period or the establishment of assigned amount for a host Party for a second commitment period under the Kyoto Protocol, whichever is sooner, to be issued by host Parties as ERUs under the Track 2 procedure by converting assigned amount units (AAUs) or removal units (RMUs) from the first commitment period; or

(b) Decide to adopt, at its eighth session, modalities and procedures for the issuance of offset credits under the Track 2 procedure and their subsequent deduction from future emission reduction or limitation targets adopted by Parties hosting such activities.

## **B. Recommendations to the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol**

35. The JISC has agreed on recommendations on options for building on the approach embodied in JI as a part of the CMP’s first review of the JI guidelines at its seventh session. For these recommendations the JISC has considered stakeholders’ comments through a call for public input and comparative analysis of national guidelines and procedures for approving JI projects under JI Track 1 and Track 2, including the key differences between the tracks.<sup>8</sup>

36. Following the request from the CMP at its sixth session, the JISC considered options to revise the level and structure of its fees, and agreed to recommend to the CMP not to change them while noting the possibility of revisiting the need for fee adjustments at its seventh session. In this context, the JISC also invites the CMP to maintain the mandate given to the JISC at its last session regarding the possibility of recommending the reviewing and revising of the level and structure of the fees in the future.

## **IV. Work undertaken in the reporting period**

### **A. Verification procedure under the Joint Implementation Supervisory Committee**

37. During the reporting period, the JISC focused on the operation of the Track 2 procedure. At the same time, the JISC continued to improve the Track 2 procedure, through consultations with, and taking into account the needs of the stakeholders concerned, where appropriate. The JISC issued standards, procedures, guidance and clarifications, when necessary.

38. By 14 September 2011, 259 PDDs and one programme of activity design document (PoA-DD) had been submitted and made publicly available on the UNFCCC JI website in accordance with paragraph 32 of the JI guidelines. During the first commitment period of

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<sup>8</sup> During the twenty-sixth meeting of the JISC.

the Kyoto Protocol, the 218 active projects combined would achieve emission reductions of approximately 350 million t CO<sub>2</sub> eq.<sup>9</sup>

39. In total, 34 determinations regarding PDDs have been published on the UNFCCC JI website in accordance with paragraph 34 of the JI guidelines, of which:

(a) Thirty-two positive determinations for projects located in five host Parties<sup>10</sup> were deemed final in accordance with paragraph 35 of the JI guidelines. During the first commitment period of the Kyoto Protocol, these projects would achieve emission reductions of approximately 44 million t CO<sub>2</sub> eq;<sup>11</sup>

(b) One determination was rejected by the JISC;

(c) One determination is open for review.

40. By 14 September 2011, 51 verifications of emission reductions had been deemed final in accordance with paragraph 39 of the JI guidelines and were published on the UNFCCC JI website. These verifications are from 21 projects that had determinations deemed final. These final verifications allow for 10 million t CO<sub>2</sub> eq of units to be issued as ERUs.

41. Detailed information on the determinations and verifications referred to in paragraphs 39 and 40 above is available under “JI Projects” on the UNFCCC JI website.

42. The CMP at its sixth session clarified in decision 4/CMP.6, paragraph 10, that the secretariat may accept for publication PDDs of JI projects hosted by an Annex I Party whose quantified emission limitation or reduction commitment for the first commitment period has not yet been inscribed in Annex B to the Kyoto Protocol, and that the JISC may consider these projects in accordance with the JI guidelines, before the amendment to include the respective host Party in Annex B to the Kyoto Protocol enters into force. By 14 September 2011, no such PDDs of JI projects had been submitted yet for publication.

43. In response to decision 4/CMP.6, paragraph 13, the JISC has implemented the action areas in chapter VI of the “Report on experience with the verification procedure under the JISC and possible improvements in the future operation of joint implementation”<sup>12</sup>, referred to in paragraph 13 above, in particular by further improving the verification procedure under the Committee, enhancing the clarity of its documents, setting time limits in the JI project cycle, making use of electronic decision-making, in particular in relation to reviews, and encouraging and supporting project-based innovative methodological approaches. The JISC also adopted the following revised procedures:

(a) “Procedures on public availability of documents under the verification procedure under the Joint Implementation Supervisory Committee” (version 02);

(b) “Procedures for reviews under the verification procedure under the Joint Implementation Supervisory Committee” (version 04);

(c) “Procedures for appraisals of determinations under the verification procedure under the Joint Implementation Supervisory Committee” (version 02);

(d) “Guidance on the criteria for baseline setting and monitoring” (version 03).

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<sup>9</sup> This figure is based on the indications given in the PDDs.

<sup>10</sup> Bulgaria, Lithuania, Romania, the Russian Federation and Ukraine.

<sup>11</sup> This figure is based on the indications given in the PDDs, as determined by the AIE.

<sup>12</sup> FCCC/KP/CMP/ 2010/9, annex 1.

## B. Accreditation of independent entities

44. Since the announcement on 26 October 2006 that the JI accreditation process would start on 15 November 2006, 15 applications for accreditation from IEs have been received. Of these, three applications have been withdrawn.

45. The JISC has continued its efforts to facilitate the process of accrediting IEs, in response to decision 4/CMP.6, paragraph 5. In this regard, the JISC has considered streamlining measures and has agreed to align the steps of the JI accreditation procedure with those of the CDM accreditation procedure as well as in general align the JI accreditation process with the CDM accreditation process, where easily implementable. Based on this, the JISC agreed to the removal of witnessing activities both pre and post accreditation, and to replace them with performance assessments post accreditation. The JISC has also agreed to improve its cooperation with the CDM Executive Board in order to capitalize on the experience gained in the CDM accreditation process, including by the use of experienced human resources and some of the applicable documentation.

46. In the meantime, based on a recommendation by the Joint Implementation Accreditation Panel (JI-AP), the JISC adopted transitional measures for accrediting applicant IEs that were already in the JI accreditation process. Based on this, the JISC accredited the following IEs that had already received an indicative letter and subjected them to a focused on-site assessment after accreditation:

- (a) Japan Quality Assurance Organization (JQA);
- (b) Deloitte Tohmatsu Evaluation and Certification Organization (Deloitte-TECO);
- (c) Lloyd's Register Quality Assurance Ltd (LRQA);
- (d) JACO CDM., LTD (JACO);
- (e) Japan Consulting Institute (JCI);
- (f) Swiss Association for Quality and Management Systems (SQS);
- (g) KPMG Advisor N. V. (KPMG);
- (h) TÜV NORD CERT GmbH (TÜV NORD).

47. In addition, the JISC accredited two IEs during this reporting period through a regular accreditation process (i.e. based on successful initial witnessing activities):

- (a) Spanish Association for Standardisation and Certification (AENOR);
- (b) TÜV Rheinland Japan Ltd. (TÜV Rheinland).

48. Two AIEs withdrew from accreditation during this reporting period:

- (a) Deloitte Tohmatsu Evaluation and Certification Organization (Deloitte-TECO);
- (b) Japan Consulting Institute (JCI).

49. The JISC adopted the revised "Procedure for accrediting independent entities by the Joint Implementation Supervisory Committee" (JI accreditation procedure). The revision further streamlines the JI accreditation process and aligns its main steps with those of the CDM accreditation process, replacing initial and ex post witnessing activities with performance assessments to be conducted after accreditation is granted. The revision also introduces the complaints procedure to be used by stakeholders and IEs.

## **V. Governance matters**

### **A. Outreach activities**

50. In response to decision 4/CMP.6, paragraph 20, in order to strengthen outreach activities to improve overall understanding of JI and collaboration with stakeholders, the JISC adopted the “JISC communication and outreach work plan for 2011”, which builds on the previous workplan, and covers the period up to the first meeting of the JISC in 2012. Taking into consideration the financial status of the JISC, the workplan is intended to increase awareness about, and participation in, the Track 2 procedure through timely and effective communication and outreach activities. The main activities included in this workplan are:

- (a) Enhanced media outreach;
- (b) Working with DFPs to reach policymakers and potential project participants;
- (c) Participation in carbon market events;
- (d) Production of communication tools, services, products;
- (e) Monitoring and evaluation.

51. The JISC held a round-table consultation on 20 June 2011 in conjunction with its twenty-fourth meeting. Interested stakeholders with practical experience and knowledge of JI were invited to participate in an open discussion with the JISC and to share their views on the following:

- (a) Future development of JI – review of JI guidelines and post-2012 scenarios;
- (b) Ways to achieve greater efficiency in the continued operation of JI prior to 2012;
- (c) Ways to enhance the promotion of the mechanism.

52. The JISC also held a JI technical workshop on 12 September 2011 in conjunction with its twenty-sixth meeting. Interested stakeholders with practical experience and knowledge of JI were invited to participate in an open discussion with the JISC and to share their views on the following:

- (a) JI governance;
- (b) Proposals to the CMP at its seventh session on options for building on the approach embodied in JI;
- (c) Proposals to the CMP at its seventh session on options to revise the level and structure of fees;
- (d) Criteria for baseline setting and monitoring.

53. The inputs from the stakeholders at the round table and technical workshop were considered by the JISC in its decision-making process at its twenty-fifth meeting and twenty-sixth meeting, respectively.

### **B. Interaction with bodies and stakeholders**

54. Taking into account decision 10/CMP.1, paragraph 5, the JISC agreed that it would collaborate with other bodies as and when needed. With regard to collaboration with the

CDM Executive Board, communication has continued in the area of accreditation through the accreditation panels under the JISC and the CDM Executive Board.

55. The JISC noted the information on DFPs and national guidelines and procedures for approving JI projects submitted by Parties in accordance with paragraph 20 of the JI guidelines, and, in line with decision 4/CMP.6, paragraph 1, encouraged the Parties that have not submitted the information to do so.

56. The JISC invited DFPs to the round-table consultation and to the JI technical workshop referred to in paragraphs 51 and 52 above. Although participation was limited, this allowed for some interaction between the JISC and DFPs and other JI stakeholders.

57. In response to decision 4/CMP.6, paragraph 19(b), the JISC further enhanced its interaction with DFPs, IEs and project participants, including through DFP-specific events. The JISC at its twenty-fourth meeting established a DFP Forum and agreed on its terms of reference at its twenty-fifth meeting. The first informal meeting of the DFP Forum is planned to be held in Durban, South Africa, in conjunction with the seventh session of the CMP. Nevertheless, members of the JISC, as well as representatives of the secretariat, participated in DFP events organized by third parties during the period 2010–2011 on different aspects related to the JI mechanism.

58. The JISC continued its regular interaction with applicant IEs and AIEs by encouraging them to provide written inputs and by inviting the Chair of the DOE/AIE Coordination Forum to JISC meetings, to the round-table consultation and to the JI technical workshop, referred to in paragraphs 51 and 52 above. The secretariat also continued to provide support to the activities of the forum.

59. The JISC continued its interaction with project participants and invited project participants to JISC meetings, the round-table consultation and the JI technical workshop, referred to in paragraphs 51 and 52 above. At its nineteenth meeting, the JISC decided to recognize two groups (the Joint Implementation Action Group and the Project Developer Forum) as communication channels between the JISC and project participants, and allowed for interaction with these groups at its meetings, without preventing communication between the JISC and entities not affiliated with these groups and the public.

60. The JISC continued to meet for question-and-answer sessions with registered observers at each of its meetings. The JISC also held question-and-answer sessions as side events at the sixth session of the CMP and at the thirty-fourth session of the Subsidiary Body for Implementation and the Subsidiary Body for Scientific and Technological Advice, which were open to all participants of the sessions. All of these question-and-answer sessions are available as webcasts.<sup>13</sup>

61. In addition, JISC members and representatives of the secretariat continued to interact with stakeholders by, inter alia, attending conferences and workshops on JI and/or carbon markets, making presentations on JISC activities and exchanging views on JI.

### **C. Membership issues**

62. The CMP, by its decision 9/CMP.1, established the JISC and subsequently elected members and alternate members of the JISC in accordance with paragraphs 4, 5, 6 and 8 of the JI guidelines.

63. At its sixth session, the CMP elected new members and alternate members of the JISC to fill vacancies arising from the expiration of terms of tenure of outgoing members

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<sup>13</sup> <[http://ji.unfccc.int/Sup\\_Committee/Meetings/index.html](http://ji.unfccc.int/Sup_Committee/Meetings/index.html)>,  
<<http://ji.unfccc.int/Workshop/index.html>>.

and alternate members. During the reporting period, the JISC comprised the members and alternate members listed in table 1.

Table 1

**Members and alternate members of the Joint Implementation Supervisory Committee as elected by the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol at its sixth session**

<i>Members</i>	<i>Alternate members</i>	<i>Constituency</i>
Mr. Wolfgang Seidel <sup>a</sup>	Mr. Olle Björk <sup>a</sup>	Other Annex I Parties
Mr. Evgeny Sokolov <sup>b</sup>	Mr. Hiroki Kudo <sup>b</sup>	Other Annex I Parties
Mr. Benoît Leguet <sup>b</sup>	Mr. Anton Beck <sup>b</sup>	Other Annex I Parties
Mr. Muhammed Quamrul Chowdhury <sup>a</sup>	Mr. Momin Agha <sup>a</sup>	Non-Annex I Parties
Mr. Carlos Fuller <sup>a</sup>	Ms. Carola Borja <sup>a</sup>	Non-Annex I Parties
Mr. Denis Lansana <sup>b</sup>	Mr. Evans Njewa <sup>b</sup>	Non-Annex I Parties
Mr. Andrew Yatilman <sup>a</sup>	Mr. Derrick Oderson <sup>a</sup>	Small island developing States
Ms. Agnieszka Gałań <sup>a</sup>	Mr. Oleg Pluzhnikov <sup>a</sup>	Annex I Parties with economies in transition
Mr. Mykhailo Chyzenko <sup>b</sup>	Ms. Milya Dimitrova <sup>b</sup>	Annex I Parties with economies in transition
Ms. Irina Voitekhovitch <sup>b</sup>	Ms. Miriana Roman <sup>b</sup>	Annex I Parties with economies in transition

<sup>a</sup> Term: two years, ending immediately before the first meeting of the JISC in 2012.

<sup>b</sup> Term: two years, ending immediately before the first meeting of the JISC in 2013.

#### **D. Election of the Chair and the Vice-Chair of the Joint Implementation Supervisory Committee**

64. At its twenty-fourth meeting, the JISC elected by consensus Mr. Muhammed Quamrul Chowdhury, a member from a non-Annex I Party, as its Chair and Mr. Wolfgang Seidel, a member from an Annex I Party, as its Vice-Chair. The tenures of the Chair and Vice-Chair will end immediately before the first meeting of the JISC in 2012.

65. The JISC, at its twenty-sixth meeting, expressed its appreciation to the Chair, Mr. Muhammed Quamrul Chowdhury, and the Vice-Chair, Mr. Wolfgang Seidel, for their excellent leadership of the JISC during the year.

#### **E. Calendar of meetings in 2011**

66. The JISC adopted a tentative meeting schedule for 2011 at its twenty-fourth meeting and revised it at its subsequent meetings as necessary (see table 2).

Table 2  
**Joint Implementation Supervisory Committee meetings in 2011**

<i>Meeting</i>	<i>Date</i>	<i>Location</i>
Twenty-fourth	23–25 March	Bonn, Germany
Twenty-fifth	21–22 June	Bonn, Germany (in conjunction with the meetings of the subsidiary bodies)
Twenty-sixth	13–14 September	Bonn, Germany
Twenty-seventh	24–25 November	Durban, South Africa (in conjunction with the meeting of the CMP)

67. The annotated agendas for the JISC meetings, documentation supporting agenda items and reports containing all agreements reached by the JISC are available on the UNFCCC JI website.

68. The JI-AP held four meetings during the reporting period as part of its work in support of the JISC. At its twenty-fourth meeting, the JISC appointed Mr. Benoît Leguet and Mr. Carlos Fuller as the Chair and the Vice-Chair of the JI-AP, respectively.

69. The JISC expressed its appreciation for the efficient work of the JI-AP and for the resulting progress made in the JI accreditation process during the reporting period.

## **VI. Report on the status of financial resources for the work of the Joint Implementation Supervisory Committee and its supporting structures**

70. During the reporting period, the JISC monitored and reviewed through reports by the secretariat the status of resources for the work on JI. Information and resource requirements were developed and maintained by the secretariat on the major activity areas: meetings and activities of the JISC; activities relating to the project cycle, including the handling of submissions of PDDs, determinations, monitoring reports and verifications of Track 2 projects, and Track 1 project submissions; activities relating to the accreditation of IEs, including meetings of the JI-AP; and technical workshops and stakeholder consultations. This information was used for fund-raising and has been included in the JI management plan.<sup>14</sup>

71. This budget performance report contains information on income and expenditure for the reporting period and includes a status of income, a listing of voluntary contributions and a status of expenditure against budget.

72. Table 3 shows a summary of income in 2010 and table 4 shows the income in the reporting period.

<sup>14</sup> The CMP, by its decisions 3/CMP.2, 3/CMP.3, 5/CMP.4, 3/CMP.5, 4/CMP.6 requested the JISC to keep the JI management plan under review and to make adjustments as necessary to continue ensuring the efficient, cost-effective and transparent functioning of the JISC.

Table 3  
**Income in 2010**  
 (United States dollars)

<i>Status of income in 2010</i>	<i>Amount</i>
Carry-over figure from 2009	801 443
Contributions received in 2010	2 457 027
<b>Total income</b>	<b>3 258 470</b>

Table 4  
**Income in 2011**  
 (United States dollars)

<i>Status of income in 2011<sup>a</sup></i>	<i>Amount</i>
Carry-over figure from 2010	1 440 270
Contributions received in 2011	22 574
Total JI Track 1 fees 2011	453 841
<b>Total income</b>	<b>1 916 685</b>

<sup>a</sup> Note: The financial reporting period in 2011 is from 1 January 2011 to 31 August 2011.

73. In addition to the income shown in tables 3 and 4, determination and verification fees under the Track 2 procedure amounted to USD 433,402 in 2010. In 2011 these fees amounted to USD 824,438. These funds are still held in reserve (until the end of 2011) and as such are not included in the tables.

74. Tables 5 and 6 provide an overview of the voluntary contributions received in 2010 and 2011. The totals of voluntary contributions for 2010 and 2011 together amount to USD 2,479,601. These contributions are acknowledged with appreciation by the JISC.

Table 5  
**Contributions in 2010**  
 (United States dollars)

<i>Status of voluntary contributions in 2010</i>	<i>Amount</i>
Denmark	59 970
Finland (EUR 15 000) <sup>a</sup>	20 188
Germany <sup>a</sup>	500 000
Japan (for 2010–2011)	82 965
Netherlands <sup>a</sup>	100 000
Norway <sup>a</sup>	1 200 000
Romania (EUR 15 000)	20 833
Sweden (SEK 400 000)	54 911
United Kingdom <sup>a</sup> (GBP 270 968)	418 160
<b>Total Contributions 2010</b>	<b>2 457 027</b>

<sup>a</sup> Transferred from corresponding CDM Prompt Start funds (~USD 2.3 million received in the period August–December 2010).



Table 6  
**Contributions in 2011**  
 (United States dollars)

<i>Status of voluntary contributions in 2011</i>	<i>Amount</i>
Belgium (EUR 6 464 and EUR 13 681)	27 287
Japan (EUR 48 623)	66 790
EC <sup>a</sup> (EUR –52 054)	–71 503
<b>Total Contributions 2011</b>	<b>22 574</b>

<sup>a</sup> Reimbursement from Agreement Reference number 2006/440747.

### Budget and expenditure

75. The approved budget for 2010 amounted to USD 3,423,597, with the total expenditure amounting to USD 1,818,212, yielding a difference of USD 1,605,385, which is detailed in table 7. As the level of income in 2010 was below what was required to fund the activities described in the JISC's management plan (MAP) for 2010, activities were subsequently reduced by the JISC, in line with the level of income received.

76. At its twenty-fourth meeting, the JISC approved a MAP for 2011, including the related budget of USD 2,194,670, taking into account the status of income and expenditure. In addition, the charging of fees for projects under the Track 1 procedure was approved. The total expenditure for the 2011 reporting period has amounted to USD 901,497. This is expected to increase in the latter half of the year.

Table 7  
**Budget less expenditure for 2010 and 2011**  
 (United States dollars)

<i>Comparative status of expenditure against budget</i>	<i>2010<sup>a</sup></i>	<i>2011<sup>b</sup></i>
Budget	3 423 597	2 194 670
Expenditure	1 818 212	901 497
<b>Difference</b>	<b>1 605 385</b>	<b>1 293 173</b>

<sup>a</sup> Operating income was insufficient to cover all activities envisaged in the 2010 Management Plan. As a consequence, activities were reduced by the JISC.

<sup>b</sup> Note: The financial reporting period in 2011 is from 1 January 2011 to 31 August 2011.

77. Table 8 details the carry-over from 2010 (Parties' contributions received in the period August–December 2010), and the contributions received in 2011 and income from Track 1 fees. The subtraction of expenditure for 2011 (see table 4) results in a balance of USD 1,015,188 for the reporting period.

Table 8  
**Financial status 2011**  
 (United States dollars)

<i>Summary of current financial status as at 31 July</i>	<i>Amount</i>
Carry-over from 2010	1 440 270
Plus: 2011 contributions from Parties	22 574
Plus: Track 1 fees	453 841
<b>Subtotal</b>	<b>1 916 685</b>
Less expenditure in 2011	901 497
<b>Balance</b>	<b>1 015 188</b>

78. In response to a JISC recommendation included in the annual report for the previous year, the CMP at its sixth session decided to establish provisions for the charging of fees for activities under the Track 1 procedure, by introducing a fee payable upon publication of project documentation on the UNFCCC JI website. The decision was based on the fact that the income from the charging of fees accrued was significantly lower than the level required to cover the estimated administrative costs relating to the activities of the JISC, and the JISC’s opinion that the costs incurred by the work of the JISC are directly or indirectly contributing to the development and implementation of the Track 1 procedures administered by host Parties.

79. In response to decision 4/CMP.6, paragraphs 28–30, the JISC finalized the “Provisions for charging of fees to cover administrative costs relating to the activities of the Joint Implementation Supervisory Committee and its supporting structures” (version 04) at its first meeting in 2011 (JISC 24, 23–25 March), on the basis of an estimate of the administrative costs relating to the activities under Track 1, taking into account the existing provisions for the charging of fees for activities under the Track 2 procedure. The JISC started to apply a fee of USD 20,000 for each large-scale project activity and a fee of USD 3,000 for each small-scale project activity and for each programme of activities for which documentation was submitted to the UNFCCC secretariat for publication from 1 March 2011 onwards, as provided for in the decision.

80. Considering the CMP mandate and that the JISC has not increased the level of fees requested for registering Track 1 projects, the JISC decided to keep the date of publication of JI Track 1 projects as of 1 March 2011 for applying the fee provisions as provided for by the CMP decision. Twenty-three Track 1 projects were published and registered with the international transaction log (ITL) between 1 March 2011 and the first meeting of the JISC in 2011 (23–25 March 2011), when the JISC finalized the CMP mandate regarding the establishment of the level of fees for activities under the Track 1 procedure. As the new provisions were not in place at that time, the necessary fees were only requested to be paid for these 23 projects after they had been registered. The seven projects registered in the period 1–25 March 2011 that still have to pay the fees are presented in table 9.

Table 9

**JI Track 1 projects registered in March 2011 for which the fees still need to be paid**

<i>ID number</i>	<i>Title of project</i>	<i>Host Party</i>
RU1000231	Reduction of perfluorocarbons emissions from RUSAL Krasnoyarsk Aluminium Smelter	Russian Federation
RU1000237	Landfill gas recovery and flaring at the municipal solid waste site "Shirokorechenskiy", Ekaterinburg, Russian Federation	Russian Federation
RU1000238	Reconstruction of the steelmaking at JSC "Ashinskiy Metallurgical Works", Asha, Russian Federation	Russian Federation
RU1000239	SNG gas gathering	Russian Federation
CZ1000243	AVE CZ - Benatky	Czech Republic
CZ1000244	AVE CZ - Fedrpus	Czech Republic
RO1000253	Hidroelectrica Hydropower Development Portfolio Track 1 JI Project	Romania

81. While considering options for recommendation on revision of the level and structure of fees, in accordance with the CMP mandate at its sixth session, the JISC agreed to recommend that no changes be made in the next period considering that the financial situation of the JISC and its supporting structure has improved compared to the same period in 2010, in particular due to the introduction of fees under the Track 1 procedure. There is also a likelihood that the resources for administrative costs of the JISC and its supporting structures are fully covered by the already accrued fees and expected fee income for the period 2012–2013, if the pace of submissions of verifications for the existing determined projects under the Track 2 procedure will continue, and at least half the level of Track 1 project submissions received in 2011 will occur in 2012.

## VII. Summary of decisions

82. In accordance with paragraph 16 of the JI guidelines, decisions of the JISC are made publicly available in all six official languages of the United Nations by including the decisions or referring to them (indicating their location on the UNFCCC JI website) in the JISC annual report to the CMP.