

Further views on how Joint Implementation guidelines and other Joint Implementation decisions should be revised

Introduction

The World Bank Group appreciates the opportunity to contribute to Parties' important work on the first review of the Joint Implementation (JI) guidelines in response to the invitation to submit further views on how the JI guidelines and other CMP decisions pertaining to JI should be revised, requested by the Conference of Parties serving as the Meeting of the Parties at its eighth session (CMP8) in the Guidance on the implementation of Article 6 of the Kyoto Protocol (FCCC/KP/CMP/2012/L.7, paragraph 12).

This submission draws from insights and lessons derived from the World Bank Group's carbon finance experience across many different types of projects, programs and sectors over the past decade, including JI projects. It also builds on our previous submissions made on April 13, 2012 and August 31, 2012. It is hoped that this will be considered as constructive input to Parties' deliberations. The World Bank Group would be pleased to elaborate further and contribute to this important work as needed.

The submission is divided into two parts: (i) transitional measures; and (ii) draft revised joint implementation guidelines.

I. Transitional measures

1. A prompt decision on the recommendations of the Joint Implementation Supervisory Committee (JISC) relating to the immediate issuance of Emission Reduction Units (ERUs) resulting from Joint Implementation (JI) projects registered in the first or second commitment period of the Kyoto Protocol would ensure continuity of projects from both tracks.
2. With a view to encouraging the continuous use of JI, it is recommended to provide for a long enough transitional period (more than one year). This period will allow project activities (registered prior to the date that new JI guidelines become effective) to be brought fully into accordance with the new JI modalities and procedures and take into account that a different time period may be required for Parties to design and make public their national implementation procedures for a single unified track for JI.
3. To ensure cost effectiveness of the transition to a single unified track for JI, host Parties may define fast track simplified procedures (e.g., not requiring a full re-determination of the project activity), to ensure compliance of project activities registered prior to the date when new JI guidelines become effective.

II. Draft revised Joint Implementation guidelines

Functions and membership of the governing body

4. The efficiency of the governing body may benefit from a clear definition of its functions as a strategic and policy making body. The governing body should delegate the administrative and operational responsibilities of JI to the full time bodies/panels under its authority, in particular relating to the functions of accreditation (paragraph 5(b)(iv)), issuance (paragraph 5(b)(v)) and registry (paragraph 5(e)).
5. The guidelines would benefit from more clarity on the scope and applicability of mandatory vs non-mandatory standards and procedures for JI. For example, there is an overlap of topics covered in paragraph 5(b) and paragraph 5(c). Clear definitions of the scope of mandatory standards and procedures would avoid any subjective interpretations and ensure transparency and predictability of the regulation.
6. The members of the governing body shall have the appropriate professional qualifications to enable them to effectively perform their role as part of the governing body. Such qualifications of members to be nominated under paragraph 18(b) and their experience in public sector and private sector areas related to the sector scopes of the JI should be clarified.

Ensuring efficiency of JI procedures and appropriate level of international oversight

7. A single unified track for JI is fundamentally based on a national implementation, supported by independent entities accredited by the governing body. In this context, to avoid any duplication of assessment and redundancy of verification efforts at the level of each individual activity, it is suggested that the review process by the governing body established in paragraph 5(h) and paragraph 48 may be omitted. The integrity of the mechanism would still be fully maintained by the governing body, given that it places emphasis of its international oversight on:
 - a) The initial assessment, monitoring and enforcement of the conformity of the processes implemented for JI in host Parties with the JI guidelines (e.g., as defined in paragraph 5(f)). To implement these functions, the relating scope and criteria of assessments, as well as the required expertise of the members of the governing body and of the members of the Compliance Committee, shall be clearly defined in the JI guidelines;
 - b) The assessment, monitoring and enforcement of the conformity of the services provided by the Accredited Independent Entities (AIEs) to the requirements of the JI guidelines;
 - c) The information pertaining to the assessments defined above shall be made publicly available.
8. The governing body shall continue to improve the efficiency and predictability of JI modalities and procedures by establishing simplified and streamlined project cycles for some categories of projects (e.g., projects using standardized baselines or deemed additional based on positive lists). For example, the governing body may consider suitability of the following non-mandatory modalities and procedures that can be deployed at the national level, as appropriate:

- a) For small-scale individual activities: New non-mandatory modalities and procedures for automatic registration of projects in the view to further reduce transaction costs and promote efficiency and predictability for small-scale JI projects deemed additional or using standardized baselines with embedded additionality demonstration. The modalities and procedures could be simplified as follows: (i) a project cycle is simplified to enable automatic registration of eligible projects on the basis of the standardized project design documents (check lists); and (ii) a verification stage would combine ex post determination by the AIE of project compliance with the requirements of the registered standardized project design document (check lists) and of the monitored emission reductions.
 - b) For Programmes of Activity: Recognizing that simplification will promote predictability, efficiency and transparency and improve the attractiveness of the Program of Activity (PoA) concept, the PoA modalities and procedures shall allow for automatic inclusion of small and micro-scale activities (without validation by an AIE). Removing the concept of the JI Programme Activity (JI-PA) and applying the small and micro scale thresholds at the level of the individual activity could avoid inefficient stratification, as well as provide for simplified and streamlined monitoring approaches. Such modalities and procedures would combine ex post verification by the AIE of PoA activity compliance with the eligibility requirements of the registered PoA and of the monitored emission reductions.
9. Standards and procedures defined by the governing body relating to baseline setting and demonstration of additionality, including through positive lists and the validation of JI activities shall be practicable and tolerant to various national contexts in order to incentivize their effective deployment and implementation by Parties.
 10. The governing body shall undertake efforts in developing relevant provisions into the modalities and procedures relating to policy-driven actions under JI and make relevant suggestions to the Conference of Parties. It is recommended that the definition of “joint implementation activity” is clarified, to include a wide range of activities, including those at project, programmatic, sector and policy levels. Promoting practicable and conservative modalities and procedures for policy-driven actions could help increase the relevance of the mechanism in the context of a capped environment.
 11. The governing body shall develop, in close coordination with Parties, new non-mandatory guiding principles for baseline setting, monitoring and verification, in particular for policy-driven and sector-wide interventions under JI. Such approaches, if established in a conservative and robust way, may further improve credibility, consistency and transparency of mitigation actions implemented at the sectoral/national level.

Host Parties

12. Host Parties may authorize eligible JI project activities to use non-mandatory simplified modalities and procedures deployed at the national level in accordance with the guidelines provided by the governing body.

Participation requirements

13. The participation requirements for a single unified track should be set to accommodate countries that are not in full compliance with JI Track 1 eligibility requirements. This would increase geographic coverage of JI, as well as stimulate countries to improve their institutional setting to fully comply with the complete set of eligibility requirements.

Baseline setting

14. The draft guidelines say, in paragraph 33, that “the baseline shall be reviewed at regular intervals that shall not exceed five years, and shall, if necessary, be updated”. A periodical update of the baseline ensures that the creditable emission reductions are real and conservative. However, a timeline with regard to baseline review should take into account the specificity of sectors and economic and regulatory circumstances. It could, for example, rely on periodic cross-checking of pre-defined thresholds that would trigger the review of the baseline. In the case of forestry and other land-use activities, the review of the baseline should coincide with the 10 years crediting period as inventories of such activities often take place at 5 or more year intervals.
15. The definition of leakage provided in paragraph 41(f) shall include the notion of “significance,” as is the case for the other building blocks of the monitoring plan.

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