

## Revision of the Joint Implementation guidelines

### SBI 38

Switzerland welcomes the progress made at CMP 8 for the revision of the Joint Implementation (JI) guidelines with the adoption of key attributes and welcomes the opportunity to provide further input with a view to adopt the revised guidelines at CMP 9.

The first review of the JI guidelines pursuant to decision 9/CMP.1 needs to draw upon the experience and lessons learnt so far with JI and the CDM. Switzerland is of the view that JI should continue in the context of robust accounting rules, mandatory standards that ensure environmental integrity and strong MRV rules. Therefore, Switzerland supports the revision of the JI guidelines in view of enhancing the environmental integrity of this mechanism so that global mitigation action can be increased and confidence in market mechanisms can be reinforced. Switzerland is of the view that an incremental approach to the revision of the JI guidelines is needed, so that consistency between market mechanisms, both under the Kyoto Protocol and the Convention can continuously be increased. All market mechanisms will benefit both from increased coherence in rules and structures across mechanisms and from efforts to streamline and simplify rules and procedures, and to increase predictability for the private sector.

The following submission outlines Switzerland's views on: 1) General considerations on the "Draft revised joint implementation guidelines" by the Joint Implementation Supervisory Committee (JISC); 2) Implementation of the key attributes agreed upon at CMP 8; 3) Further elements to be integrated in the revised JI guidelines; and 4) Transitional measures.

#### **1. General considerations on the "Draft revised joint implementation guidelines" by the JISC**

Switzerland commends the JISC for its work and recommendations regarding the revision of the JI guidelines and supports many elements proposed by the JISC in its "Draft revised joint implementation guidelines" dated 19<sup>th</sup> October 2012 (FCCC/KP/CMP/2012/5), especially:

- Functions and role of the governing body for supervising JI: the governing body should be placed under the authority and guidance of the CMP and should perform functions such as setting mandatory standards and procedures (in relation to the approval of baselines, demonstration of additionality, MRV requirements, among others), assessing the conformity of JI activities and related processes with the mandatory modalities and procedures, as well as informing the Compliance Committee of any non-conformity;
- Criteria for eligibility of host Parties for hosting JI projects and having ERUs issued for the JI projects they host;
- Requirements for monitoring and verification of emission reductions of JI projects;
- Issuance of ERUs by the governing body based on the verification of emission reductions;
- Definition of standards applicable for the accreditation of the Accredited Independent Entities (AIE) by the governing body.

## **2. Implementation of the key attributes agreed upon at CMP 8**

With regards to the key attributes agreed upon at CMP 8, Switzerland would like to specify how these key attributes should be translated into modalities and procedures in the revised JI guidelines.

### **(a) A single unified track for JI projects**

In the context of a single unified track for JI projects, JI should evolve into a mechanism implemented by host Parties at the national level under international guidance and with mandatory standards in order to ensure the environmental integrity of the mechanism and the confidence in the emission reductions resulting from JI projects.

### **(b) Closely aligned or unified accreditation procedures between JI and the CDM that take into account differences in the respective modalities and procedures of the two mechanisms**

The competence and independence of the entities that validate and verify emission reductions is essential to promote confidence in the mechanism. The modalities regarding the accreditation of these entities should include the possibility for suspending or withdrawing the accreditation to an AIE, with clear rules regarding prior hearing of the entity and no consequences for already validated projects. The accreditation procedure for JI should be unified with the accreditation of the CDM to enhance effectiveness and to lower costs.

### **(c) Clear and transparent information in English on the UNFCCC website regarding all relevant public information required for JI projects by stakeholders, AIEs and host Parties**

All documents must be published on the UNFCCC website, respectively by Parties hosting Article 6 projects, AIEs, project participants and the secretariat, and must include downloadable electronic versions in English of the project design document (including information on baseline setting), and validation, monitoring and verification reports, as well as data on the issuance of ERUs for each JI project.

### **(d) An appeal process under the authority of and accountable to the CMP against decisions of the JISC**

An independent appeal process against decisions of the governing body should be put in place, in order to ensure confidence in JI and consistency and transparency of the decision-making process. The appeal process should be based on the principles of rules of law and due process, such as independence and impartiality, transparency, prevention of conflict of interests, timely decisions and fairness. The appeal process for JI should be the same as the appeal process for the CDM, in order to promote synergies between structures and efficient use of resources.

### **(e) Clear, transparent and objective requirements to ensure that projects are additional to what would otherwise occur**

See section 3 (b) below.

**(f) Mandatory requirements for host Parties with respect to the approval of baselines, monitoring and reporting, including clear, transparent and objective requirements for the setting of standardized baselines by host Parties**

See section 3 (b) below.

**3. Further elements to be integrated in the revised JI guidelines**

**(a) The level of oversight needed to assure a common approach among host Parties**

Switzerland sees JI as a mechanism implemented by host Parties at the national level under international guidance and with mandatory standards that will strengthen the environmental integrity of the mechanism and the confidence in the emission reductions resulting from JI projects.

In this constellation of a single unified track for JI projects, a governing body will have an important role for supervising JI, setting mandatory standards and procedures, requesting a review of implemented activities relating to the validation or verification by an AIE, assessing the conformity of JI activities and related processes with the mandatory modalities and procedures, as well as informing the Compliance Committee of any non-conformity.

The governing body should consist of members which can act as independently as possible in a non-politicized manner and without conflicts of interests. As such, members should not have any negotiating mandate under the UNFCCC and should not take instructions from Parties. Political issues should be deferred by the governing body to the CMP. The governing body should have broad representation of Annex I Parties with a commitment under Article 3 for the current commitment period, but also include Annex I Parties without a commitment under Article 3 for the current commitment period as well as non-Annex I Parties. In addition, representatives of the private sector and from accredited NGOs, both from Annex I and non-Annex I countries, should be represented in the governing body, in order to enhance cooperation with the private sector and civil society. In order to keep the committee as efficient as possible, the current size of the JISC (20 persons) should not be exceeded. Therefore, adding representatives of the private sector and from accredited NGOs should imply the replacement of the current alternates by these new representatives. We suggest to have half of the members of the governing body representing the private sector and NGOs (10 persons).

Switzerland supports a harmonization and unification of governing bodies for JI and the CDM, for reasons of efficiency and consistency. The process for selecting candidates should be transparent. Nominations should include written documents highlighting qualifications and relevant background of the nominees. Several years of significant technical, regulatory, climate change and/or financial experience should be required for an application as a member. Drawing upon the experience of stakeholder involvement, interactions between the governing body and stakeholders should be fostered.

Independent entities that are accredited by the governing body through the accreditation procedure will play an important role for validation and verification tasks.

**(b) The additionality of JI projects, recognizing such concepts as positive lists of project types that would automatically be deemed additional and prior consideration of JI projects, taking into account, as appropriate, the application of standardized baselines**

It was decided at CMP 8 that a key attribute of the revised JI guidelines is that clear, transparent and objective requirements have to ensure that projects are additional to what

would otherwise occur. To do so, mandatory standards regarding additionality are needed. Switzerland suggests to using standards regarding additionality in the CDM also for JI so that standards for JI and the CDM can be unified. In general, such procedures should be standardized and streamlined, both in the CDM and JI.

Minimum standards for baseline setting are needed so that baselines are more stringent than business-as-usual scenarios. These standards include that JI must have been considered as necessary for the implementation of the emission reduction activity and that such consideration is decisive for the undertaking of the implementation of the project. The requirement of prior consideration, like in the CDM, is needed in order to avoid retroactive crediting of non-additional activities. JI emission reduction activities must be additional to existing policies and measures. Policies must be reflected in the baseline. Baselines must be validated by an AIE, approved by the host Party, and the conformity of the baseline with the mandatory standards must be confirmed by the governing body.

For positive lists, mandatory standards for their establishment must also be set, and conformity with the standards must be confirmed by the governing body.

### **(c) The issuance of ERUs**

Availability, clarity and transparency of all documents and information on JI projects (e.g. verification reports and information on the issuance of ERUs for each project) is a fundamental requirement for the credibility in the mechanism and for building international confidence that mitigation efforts do take place. This key requirement is however not sufficient to demonstrate that JI projects are additional. It requires mandatory standards on baseline setting that Parties comply with, independent verification of emission reductions and international oversight that ERUs are issued in conformity with the verification reports.

It is essential that there is international oversight by the International Transaction Log (ITL) regarding the issuance of ERUs for each JI project based on the amount of emission reductions that have been verified by the AIEs. Therefore, issuance should be done by the governing body itself or by host Parties under control of the governing body and the ITL.

The way how issuance should be done under the revised JI guidelines should not prejudice other decisions related to access to JI (such as the need for Parties of the Kyoto Protocol with a QELRO for the second commitment period to have ratified the second commitment period) before the issuance of ERUs for emission reductions after 1<sup>st</sup> January 2013 can take place.

In addition, the issuance of ERUs should imply a lower amount of ERUs to be issued to project participants, so that the host country hosting JI projects can use this mechanism as a contribution to meet domestic mitigation targets. Indeed, synergies are needed with the new market mechanisms under the Convention that aim at achieving a net mitigation effect, e.g. when the host Party and the investor Party share the emission reduction, with clear rules for avoiding double-counting. Both JI and the CDM need now to evolve and reflect the new situation where nationally adequate mitigation actions are required by all countries, both developed and developing countries, either under the Kyoto Protocol or under the Convention.

### **(d) The consistency of the accounting of JI projects aimed at enhancing anthropogenic removals by sinks with decision 9/CMP.1, paragraph 4, and Article 3, paragraph 4, of the Kyoto Protocol**

The consistency of accounting rules and use thereof for the accounting of JI projects is important for the coherence of reporting and for tracking progress made toward the

achievement of emission reduction objectives. Therefore, JI projects must be allowed only for activities that are included in the Kyoto objective of the host Party: LULUCF JI projects must be allowed only in LULUCF activities that the host Party has elected under Article 3, paragraphs 3 and 4 of the Kyoto Protocol.

In addition, the non-permanence of LULUCF projects must be reflected through the conversion of RMUs into ERUs for these projects. Therefore, the conversion of AAUs into ERUs for LULUCF JI projects should not be allowed. This principle is in accordance with decision 9/CMP.1 (Guidelines for the implementation of Article 6 of the Kyoto Protocol, paragraph 4) that mentions that projects under Article 6 aimed at enhancing anthropogenic removals by sinks shall conform to definitions, accounting rules, modalities and guidelines under Article 3, paragraphs 3 and 4, of the Kyoto Protocol.

#### **4. Transitional measures**

Switzerland supports the transitional measures proposed by the JISC in its Annual Report to CMP 8 (FCCC/KP/CMP/2012/4, paragraph 25 (c)), in particular that: the revised JI guidelines should be effective on 1<sup>st</sup> January 2014, all JI projects registered prior to 1<sup>st</sup> January 2014 shall be governed by the revised JI guidelines from that date and those projects must be brought fully into accordance with the revised JI guidelines and any further guidance by 31<sup>st</sup> December 2014.

Transitional measures for existing JI projects are necessary to ensure coherence of the accounting system and environmental integrity of the mechanism. For JI projects for which ERUs were already issued for emission reductions until 31<sup>st</sup> December 2012 and which are seeking continuation or extension or renewal of the crediting period into the second commitment period, the validity of the original baseline need to be assessed according to the mandatory standards and their baseline need to be updated as appropriate, as it is the case for the renewal of the crediting period in the CDM. These projects must also demonstrate conformity with the requirements on transparency and public availability of information (such as monitoring and verification reports, as well as information on the amount of issued ERUs for each project), as set in decision 9/CMP.1 and subsequent decisions.