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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*

Part I

Summary

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 activities of the JISC during the period from 13 September 2008 to 23 October 2009, the closing date of the eighteenth meeting of the JISC.

The report recommends actions to be taken by the CMP at its fifth session. It also refers to work undertaken by the JISC during this reporting period, including the further operationalization of the verification procedure under the JISC, the associated project caseload and the operation of the joint implementation (JI) accreditation process. The report also highlights the areas of governance, management and resources, in particular noting the need for adequate and predictable resources to ensure effective implementation of JI activities. Based on this information, the CMP may wish to provide further guidance on JI to the JISC.

* This document was submitted after the due date in order to take into account the outcomes of the eighteenth meeting of the Joint Implementation Supervisory Committee.

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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 activities during the period from 13 September 2008 to 23 October 2009, the closing date of the eighteenth meeting of the JISC. During this period the JISC held six meetings and one round-table consultation with stakeholders. In addition, the secretariat organized a technical workshop on joint implementation (JI), to which it invited a wide range of stakeholders. The report does not cover the period from 24 October to 6 December 2009; however, the Chair of the JISC, Mr. Derrick Oderson, will highlight any relevant matters during this period in his oral report to the CMP at its fifth session.
2. The report recommends action to be taken by the CMP at its fifth 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. The report also highlights the areas of governance, management and resources, which 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 197 project design documents (PDDs) have been submitted and published on the UNFCCC JI website and that nine positive determinations regarding PDDs have been deemed final by the JISC. The 197 JI projects described in the PDDs would achieve emission reductions of approximately 320 million tonnes of carbon dioxide equivalent (t CO₂ eq) during the first commitment period of the Kyoto Protocol. The nine projects that have received positive determinations would achieve reductions of 19 million t CO₂ eq in the same period.
4. The JISC, in the JI management plan for 2010–2011,¹ notes that while it has reduced the annual budget compared with 2009, the work on JI for the biennium 2010–2011 will have to rely almost entirely on voluntary contributions by Parties, and reiterates the urgent need for adequate and predictable resources to implement its activities. The JISC notes that a lack of such contributions could result in some of the envisaged work and planned activities with regard to the consideration of determinations and the accreditation of independent entities (IEs) not being undertaken.

II. Introduction

A. Mandate

5. The CMP, by its decision 10/CMP.1, established the JISC to supervise, inter alia, the verification of emission reduction units generated by projects under Article 6 of the Kyoto Protocol (hereinafter referred to as JI projects), in accordance with the guidelines for the implementation of Article 6 of the Kyoto Protocol (hereinafter referred to as the JI guidelines).²
6. 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.

¹ FCCC/KP/CMP/2009/18 (Part II).

² Decision 9/CMP.1, annex.

B. Scope of the report

7. This report provides information on the work undertaken by the JISC since its written report to the fourth session of the CMP.³ The JISC has been operating the Track 2 procedure⁴ since October 2006, when operationalization was completed. The report gives 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 fifth session. It also addresses governance issues, notably measures undertaken to ensure the efficient, cost-effective and transparent functioning of the JISC, as well as resource requirements for the work on JI during the 2010–2011 biennium.

8. The report covers the period from 13 September 2008 to 23 October 2009 (the reporting period). The period from 24 October to 6 December 2009 is not covered; however, the Chair will highlight any relevant matters concerning this period in his oral report to the CMP at its fifth session.

9. The report highlights the work accomplished and challenges faced over the reporting period and summarizes the status of JI-related matters handled by the JISC during this period. 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.⁵

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

10. After reviewing the annual report of the JISC and taking note of all matters agreed by the Committee, the CMP, at its fifth session, may wish:

- (a) To provide further guidance relating to JI, in particular to the JISC;
- (b) To take note of the JI management plan covering the biennium 2010–2011;
- (c) To adopt the revision to the rules of procedure of the JISC (see annex I);
- (d) To endorse the revision to the fee structure adopted by the JISC (see annex II);
- (e) To adopt the joint implementation programme of activities design document form (see annex III);
- (f) To urge Parties included in Annex I to the Convention (Annex I Parties) to make contributions to the Trust Fund for Supplementary Activities for funding the work on JI in the biennium 2010–2011, at a level that would allow the full implementation of the JI management plan for the biennium;
- (g) To elect one member and one alternate member to the JISC from each of the following constituencies for a term of two years, based on nominations received:
 - (i) Annex I Parties that are undergoing the process of transition to a market economy;
 - (ii) Other Annex I Parties;
 - (iii) Alliance of Small Island States.

³ FCCC/KP/CMP/ 2008/3 (Part I).

⁴ Defined in paragraphs 30–45 of the JI guidelines.

⁵ Further details on operations, functions, agreements and decisions of the JISC are also available on the UNFCCC JI website <<http://ji.unfccc.int>>.

- (h) To elect two members and two alternate members to the JISC from Parties not included in Annex I to the Convention (non-Annex I Parties) for a term of two years, based on nominations received.

11. As at the date of this report, the JISC was not able to appoint a new member to replace the member who had resigned as of 30 September 2009, since no nomination had been received from the constituency concerned. The CMP may, therefore, need to elect an additional member from an Annex I Party that is undergoing the process of transition to a market economy to replace the resigned member for the remainder of his term (see para. 45 below).

III. Work undertaken since the report of the Joint Implementation Supervisory Committee to the fourth session of the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol

A. Summary of the work undertaken

12. With the official launch of the Track 2 procedure in October 2006, the JISC shifted its focus to the operation of the procedure. Over the past three years it has handled project-related submissions and worked, including through its accreditation panel (JI-AP), on the accreditation of IEs. Moreover, it has issued guidance and clarifications, where necessary, with regard to both the Track 2 procedure and the accreditation procedure.

13. To ensure that information on decisions by the JISC and the processes leading thereto was effectively communicated, members and alternate members of the JISC, and the secretariat, convened and/or took part in a number of events at which the processes were explained and results presented. The JISC took note of the interests and concerns of stakeholders and, wherever feasible and appropriate, sought to take them into account through improvements to the processes and procedures.

14. The JISC has prepared a JI management plan⁶ for the biennium 2010–2011, taking into account a proposal by the Executive Secretary and with the assistance of the secretariat. This plan has been formulated to ensure adequate support to the JISC and its work, aiming to make best use of time and resources in handling the workload and meeting future challenges.

15. In summary, the JISC has performed its functions and tasks efficiently and effectively.

B. Verification procedure under the Joint Implementation Supervisory Committee

16. Since the launch of the Track 2 procedure, the work of the JISC has focused largely on the consideration of project submissions. However, the JISC has continued to improve upon the Track 2 procedure, through consultations with and taking into account the needs of the stakeholders concerned, where appropriate.

⁶ FCCC/KP/CMP/2009/18 (Part II).

1. Operation of the Track 2 procedure

17. As at 23 October 2009, 197 PDDs 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 the Kyoto Protocol, all these projects combined would achieve reductions of emissions by sources of approximately 320 million t CO₂ eq.⁷

18. In total, 14 determinations regarding PDDs have been published on the UNFCCC JI website in accordance with paragraph 34 of the JI guidelines, of which:

- (a) Nine positive determinations regarding PDDs for projects located in three host Parties⁸ 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 reductions of emissions by sources of approximately 19 million t CO₂ eq;⁹
- (b) One determination was rejected by the JISC;
- (c) Three determinations are open for review and one is under review.

19. Detailed information on the determinations referred to in paragraph 18 above is available under "JI Projects" on the UNFCCC JI website.

2. Further operationalization of the Track 2 procedure

20. During the reporting period, the JISC also considered ways to enhance the efficiency and smooth operation of the Track 2 procedure, as follows:¹⁰

- (a) At its thirteenth meeting, the JISC adopted:
 - (i) Glossary of joint implementation terms (version 01);
 - (ii) Procedures for the withdrawal of submissions under the verification procedure under the Joint Implementation Supervisory Committee (version 01);
 - (iii) Procedures for requests for clarification under the verification procedure under the Joint Implementation Supervisory Committee (version 01);
 - (iv) Clarification regarding overlapping monitoring periods under the verification procedure under the Joint Implementation Supervisory Committee (version 01);
- (b) At the same meeting, the JISC agreed on revisions to four existing documents and adopted:
 - (i) Clarification regarding the public availability of documents under the verification procedure under the Joint Implementation Supervisory Committee (version 03);
 - (ii) Guidelines for users of the joint implementation project design document form (version 03);
 - (iii) Guidelines for users of the joint implementation project design document form for small-scale projects and the form for submission of bundled joint implementation small-scale projects (version 03);

⁷ This figure is based on the indications given in the PDDs, as determined by the IE.

⁸ Bulgaria, Lithuania and Ukraine.

⁹ This figure is based on the indications given in the PDDs, as determined by the IE.

¹⁰ See <http://ji.unfccc.int/Sup_Committee/Meetings/index.html>.

- (iv) Guidelines for users of the joint implementation land use, land-use change and forestry project design document form (version 03);¹¹
- (c) At its fifteenth meeting, the JISC agreed on the scope of a determination and verification manual (DVM) and considered the first draft of procedures for programmes of activities (PoA) under the verification procedure under the JISC. The JISC made progress on the development of a DVM and procedures for PoA over the course of the sixteenth, seventeenth and eighteenth meetings. The JISC undertook calls for public inputs on these matters and engaged stakeholders in two consultations, that is, at the round-table consultation in June 2009 and during the UNFCCC technical workshop on JI in Kiev, Ukraine, 8–9 September 2009;
- (d) At the same meeting, the JISC agreed on revisions of two existing procedures and adopted:
 - (i) Procedures for communication of the public with the Joint Implementation Supervisory Committee (version 2);
 - (ii) Procedures for the withdrawal of submissions under the verification procedure under the Joint Implementation Supervisory Committee (version 02);
- (e) At its eighteenth meeting, the JISC agreed on the procedures for PoA and adopted:
 - (i) Procedures for programmes of activities under the verification procedure under the Joint Implementation Supervisory Committee (version 01);
 - (ii) Joint implementation programme of activities design document form (version 01) provided as annex III to this report for adoption by the CMP;
 - (iii) Guidelines for users of the joint implementation programme of activities design document form (version 01);
 - (iv) Glossary of joint implementation terms (version 02);
- (f) During the course of the development of a DVM, both the JISC and stakeholders identified the need for further revision to or clarification of existing documents adopted by the JISC. The JISC identified priority areas in this respect at its seventeenth meeting, and at its eighteenth meeting started considering revisions to some of the existing documents. In this context, the JISC, at its eighteenth meeting, agreed on revisions of five existing documents and adopted:
 - (i) Guidance on criteria for baseline setting and monitoring (version 02);
 - (ii) Provisions for joint implementation small-scale projects (version 03);
 - (iii) Guidelines for users of the joint implementation project design document form (version 04);
 - (iv) Guidelines for users of the joint implementation project design document form for small-scale projects and the form for submission of bundled joint implementation small-scale projects (version 04);

¹¹ The documents mentioned in paragraph 20 (b) (ii–iv) were adopted to ensure consistency with existing JISC documents and the glossary of JI terms adopted at the same meeting.

- (v) Guidelines for users of the joint implementation land use, land-use change and forestry project design document form (version 04).

C. Accreditation of independent entities

21. The JI-AP held seven meetings during the reporting period. 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. All of these applications are from entities that also applied for accreditation under the clean development mechanism (CDM); 13 of these may act provisionally as accredited independent entities (AIEs) under JI for at least one function (determination regarding a PDD or determination of reductions of emissions by sources or enhancements of removals by sinks) in at least one sectoral scope until the JISC takes a final accreditation decision on these entities, in accordance with decision 10/CMP.1, paragraph 3, and the JISC clarification regarding conditions for designated operational entities for acting provisionally as AIEs.¹²
22. The JI-AP has established JI assessment teams (JI-ATs) for all 15 applications for accreditation by selecting experts from the roster of experts established for this purpose. There are currently 41 experts on the roster, selected from five public calls in total, of which two calls were conducted during the reporting period. Based on the assessment work of the JI-ATs, the JI-AP issued an indicative letter (a letter indicating successful completion of the desk review and the on-site assessment) to six applicant IEs during the reporting period, leading to the issuance of an indicative letter to 14 applicant IEs in total by the end of the reporting period.
23. The JISC, based on the recommendations by the JI-AP, accredited the following three IEs at its fourteenth, fifteenth and sixteenth meetings, respectively:
- (a) TÜV SÜD Industrie Service GmbH;
 - (b) SGS United Kingdom Ltd.;
 - (c) Bureau Veritas Certification Holding SAS.
24. At its thirteenth meeting, the JISC, following the recommendation by the JI-AP, adopted:
- (a) “Procedure for accrediting independent entities by the Joint Implementation Supervisory Committee (version 04)”, modifying, inter alia, the accreditation term from three to five years, and the timing of witnessing activities, allowing for accreditation for all sectoral scopes applied for upon successful completion of a single witnessing activity, subject to subsequent confirmation of accreditation through successful completion of an ex-post witnessing activity for each sectoral group that has not been witnessed;
 - (b) List of sectoral scopes (version 02);
 - (c) Clarification regarding identification of witnessing opportunities by designated operational entities acting provisionally as accredited independent entities (version 02).
25. At its fourteenth meeting, the JISC agreed to appoint Ms. Fatou Gaye and Mr. Oleg Pluzhnikov as Chair and Vice-Chair of the JI-AP, respectively.
26. At the same meeting, the JISC, based on the recommendation by the JI-AP, agreed on revisions to two existing clarifications and adopted:

¹² <<http://ji.unfccc.int/Ref/Guida.html>>.

- (a) Clarification regarding scopes and steps of witnessing activities under the JI accreditation procedures (version 03);
- (b) Clarification regarding responsibility of accredited premises of accredited independent entities (version 02).

27. Following the resignation of a JI-AP member, Mr. Massamba Thioye, as of 31 March 2009, and based on the result of a subsequent call for experts, the JISC, at its fifteenth meeting, selected Mr. Dmytro Paderno as a new JI-AP member. Mr. Paderno took up his duties on 27 April 2009 and started participating in JI-AP meetings from the seventeenth meeting.

28. At its fifteenth meeting, the JISC, based on the recommendation by the JI-AP, adopted “Indicative level of fees to be paid to joint implementation assessment teams by applicant independent entity or accredited independent entity (version 03)”, intending to accommodate the cases where JI-AT members are requested to perform additional tasks after the completion of an on-site assessment or a witnessing activity.

29. At its seventeenth meeting, the JISC elected the following three experts as members of the JI-AP for a term starting from its twentieth meeting for two years, replacing three existing members whose term ends on the day before the twentieth meeting: Mr. Pierre Boileau, Ms. Anastasia Moskelenko and Mr. Takashi Otsubo.

30. At its seventeenth meeting, the JISC, following the recommendation by the JI-AP, adopted “Procedure for accrediting independent entities by the Joint Implementation Supervisory Committee (version 05)”, introducing/revising provisions to strengthen the monitoring of performance of AIEs and streamline some assessment steps.

31. The JISC noted that the JI-AP has been considering measures to further improve the JI accreditation process, inter alia:

- (a) Elaboration of JI accreditation standards/requirements;
- (b) Management of JI-AT experts, including the development of an on-line training course for experts on the roster.

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

IV. Governance matters

A. Provisions for charging fees

1. Mandate and background

33. The CMP, by its decision 10/CMP.1, requested the JISC to develop provisions for charging fees to cover administrative costs relating to the activities of the JISC. The JISC developed these provisions and subsequently reported to the CMP at its second session. By its decision 3/CMP.2, the CMP endorsed the fee structure developed by the JISC and requested the JISC to report annually to the CMP on the revenue received by the secretariat to cover administrative costs relating to the activities of the JISC, with a view to reviewing these arrangements as necessary.

34. At its eighth meeting, the JISC revised the fee structure to incorporate preferential treatment of JI small-scale projects and subsequently submitted it to the CMP for endorsement at its third session. By its decision 3/CMP.3, the CMP endorsed the revised fee structure proposed by the JISC. In the same decision, the CMP noted that income from fees to cover administrative costs relating to the activities of

