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Preparations for the first session of the Conference of the Parties
serving as the meeting of the Parties to the Kyoto Protocol
Matters relating to Article 6 of the Kyoto Protocol: preparatory work

Article 6 of the Kyoto Protocol – preparatory work by the secretariat

Note by the secretariat*

Summary

This document provides information on preparatory work relating to the implementation of Article 6 of the Kyoto Protocol which the secretariat has undertaken since the ninth session of the Conference of the Parties and which it intends to continue in 2005.

The note reports on the “UNFCCC workshop on the implementation of Article 6 projects under the Kyoto Protocol”, held in Moscow, Russian Federation, on 26 and 27 May 2004, and on a side event held on 18 June 2004, in conjunction with the twentieth sessions of the subsidiary bodies, at which Parties were briefed on the proceedings and the outcome of the workshop. At the same event, the secretariat also provided further information on planned activities relating to the implementation of Article 6 of the Kyoto Protocol in the course of the biennium 2004–2005 if adequate resources become available either from the Kyoto Protocol Interim Allocation under the core budget and/or from Parties making voluntary contributions to the UNFCCC Trust Fund for Supplementary Activities.

* The late submission of this document is due to resource constraints.

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I. Introduction

A. Mandate and background

1. The Conference of the Parties (COP), by its decision 16/CP.7, recommended a draft decision for adoption by the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (COP/MOP), at its first session, and an annex thereto containing "Guidelines for the implementation of Article 6 of the Kyoto Protocol" ("JI guidelines"). By paragraph 2 of the same decision, the COP invited Parties included in Annex I to the Convention (Annex I Parties) to finance the administrative expenses for operating joint implementation under Article 6 of the Kyoto Protocol (JI) by making contributions to the UNFCCC Trust Fund for Supplementary Activities in order to facilitate preparatory work by the secretariat, if necessary.

2. The report of the COP at its ninth session reflected a statement made by the delegation of the Russian Federation with respect to the implementation of paragraph 2 of decision 16/CP.7. In her response, the Executive Secretary confirmed that the secretariat intended to undertake preparatory work once resources became available from extra-budgetary resources and/or from the Kyoto Protocol Interim Allocation which will be activated in 2005 upon entry into force of the Kyoto Protocol.¹

B. Scope of the note

3. The note provides information to the COP at its tenth session on activities undertaken by the secretariat since COP 9 and on its intention to undertake further preparatory work in 2005 subject to the availability of resources as indicated in paragraphs 1–2 above.

C. Possible action by the Conference of the Parties

4. The COP may wish:

- (a) To take note of activities undertaken in 2004 upon the initiative of the secretariat, and of plans for further preparatory work in anticipation of the first session of the COP/MOP and the institution of the Article 6 Supervisory Committee;
- (b) To invite Annex I Parties to make contributions to the UNFCCC Trust Fund for Supplementary Activities in order to facilitate preparatory work by the secretariat, bearing in mind that the Kyoto Protocol Interim Allocation would cover part of the resources required once it is activated in 2005.

II. Preparatory work by the secretariat relating to the implementation of Article 6 of the Kyoto Protocol

5. Based on the provisions relating to work on Article 6 of the Kyoto Protocol in the programme budget for the biennium 2004–2005,² the secretariat drew up a **plan for preparatory work** which could be usefully undertaken in anticipation of the entry into force of the Kyoto Protocol and the convening of COP/MOP 1 at which the Article 6 Supervisory Committee (JISC) is to be established. This plan was prepared in January 2004 and was based on the assumption that COP/MOP 1 would take place in the second half of 2004. The resulting project proposal was made available to Parties potentially interested in funding such work.

¹ FCCC/CP/2003/6, paragraph 142.

² FCCC/SBI/2003/15/Add.1 and decision 16/CP.9.

6. The **main activities** covered in this project proposal include:
- (a) In 2004:
 - (i) One technical workshop to be held in May 2004
 - (ii) A basic JI section on the UNFCCC web site to be maintained
 - (iii) The first JISC to be prepared and convened upon the conclusion of COP/MOP 1
 - (b) In 2005:
 - (i) One JISC meeting to be convened (two meetings to be funded through the Kyoto Protocol Interim Allocation)
 - (ii) Two technical panels to be set up and serviced, each meeting twice, to assist the JISC in operationalizing the JI guidelines, in particular regarding methodologies and the accreditation of independent entities
 - (iii) Two technical workshops to be held
 - (iv) Further development of the JI section on the UNFCCC web site and information system.

7. Thanks to the kind invitation issued by the Government of the Russian Federation to host a **technical workshop on JI**, and generous contributions from the Governments of Canada and Denmark as well as from the Nordic Council of Ministers, the first “UNFCCC workshop on the implementation of Article 6 projects of the Kyoto Protocol” took place in Moscow, Russian Federation, on 26 and 27 May 2004. Even though the workshop had to be prepared within a short period, it attracted great interest and drew more than 100 participants from 39 Parties and intergovernmental and non-governmental organisations.³ The workshop was opened by Ms. Joke Waller-Hunter, Executive Secretary, and Mr. Victor Blinov on behalf of Mr. Alexander Bedritsky, UNFCCC national focal point of the Russian Federation. The workshop was chaired by Ms. Sushma Gera (Canada).

8. The purpose of the workshop was to bring together experts to discuss how best to promote, anticipate and facilitate the implementation of projects under Article 6 of the Kyoto Protocol. Presentations – made by Parties engaged in setting up Article 6 programmes and projects and by the secretariat, as well as by the Chair of the Executive Board of the clean development mechanism (CDM) presenting the Board’s experience in implementing the CDM – provided the background for lively interactions among participants.⁴

9. The first presentations recalled the context in which the agreement on the JI guidelines had been reached at COP 7 (Marrakesh Accords) and provided details on the key provisions of the JI guidelines, in particular spelling out the modalities for participating in this mechanism depending on whether a host Party meets or does not meet the set of eligibility requirements, often referred to as “track 1” and “track 2”:

³ Among the participants were representatives from potential JI host and investor Parties and from Parties potentially hosting CDM project activities. Twenty three of the 30 Parties eligible to receive funding for their participation in the workshop accepted the invitation.

⁴ The agenda of the workshop and presentations are available on the UNFCCC web site: <http://unfccc.int/meetings/workshops/other_meetings/items/2942.php>.

- (a) **Track 1** of JI has participation requirements which are the same as for emissions trading under Article 17. Under this track, the host Party determines national rules for JI projects and issues the emission reduction units (ERUs)
- (b) **Track 2** can be characterized as the CDM-like track of JI for a host Party that cannot meet all eligibility requirements. This track therefore requires more international oversight and the host country must adhere to an independent verification procedure administered by the JISC. Before issuing and transferring ERUs, the host Party must, however, be a Party to the Protocol, its assigned amount must be calculated, and a national registry must be in place for tracking the assigned amount.

10. Participants expressed their particular appreciation for this review of the JI provisions in the Marrakesh Accords and engaged in a detailed exchange on national experiences regarding the likely use of the two tracks.

11. Presentations on the **status of work and national experiences** in preparing for the implementation of Article 6 programmes and projects were made by representatives from Bulgaria, Canada, the Czech Republic, Denmark and the Russian Federation. Related capacity-building needs and initiatives were covered in presentations by Canada, Denmark and the Netherlands, and by representatives from the Nordic Council of Ministers, the International Bank for Reconstruction and Development (IBRD) and the European Bank for Reconstruction and Development (EBRD). The presentations highlighted the particular national circumstances of countries, including those which recently joined the European Community and their likely potential for implementing JI. A considerable level of facilitating activities was reported to be taking place. Many participants stressed that efforts were needed to minimize differences in national procedures, rules and information requirements to make this mechanism more attractive. Variations in procedures and reporting often meant that transaction costs increased due to the need to know about these procedures and to the time and effort required to comply with them. In particular, modalities for providing information on a project could be harmonized as, under either track, there were standard elements to be made publicly available in accordance with Article 6 requirements.

12. Participants were also presented with developments relating to **market factors and lessons learnt from the prompt start of the CDM**, on whose implementation experience the JI regime is to draw, wherever possible. A representative of the European Commission presented the European Union emissions trading system and in particular provisions contained in the linking directive for CDM and JI which opens a market for these project-based mechanisms. The Chair of the CDM Executive Board, in addition to presenting a status report on progress in the area of methodological work and accreditation, shared the experience gathered since the establishment of the Board at COP 7. He stressed that essential ingredients for achieving efficiency, cost-effectiveness and transparency in operating a constituted body were good governance, good technical inputs from project participants and frequent interaction with stakeholders and the public.

13. In closing the workshop, the Executive Secretary noted that the event had occurred at the right time as a number of Parties had advanced considerably in their planning and implementation of JI. This provided a good basis for experts to exchange views and share experiences. Challenges ahead of Parties were potential impacts from joining the European Community and the need to clarify national arrangements and/or strategies before using this mechanism. The workshop helped to identify areas in which preparatory/facilitation work by the secretariat could be most helpful, such as harmonizing information for projects and providing information.

14. In order to share the proceedings and the outcome of the workshop with Parties and interested observers, Ms. Sushma Gera (Canada), who had chaired the workshop, presented its main conclusions at a side event held on 18 June 2004, in conjunction with the twentieth sessions of the subsidiary bodies. Contributions were also made by participants to the workshop representing Bulgaria, Canada, the Czech Republic, the Netherlands, the Russian Federation and the CDM Executive Board. The participants exchanged views on the rules for operating projects; shared information on setting up the required national institutional infrastructure and creating a supportive environment; shared experiences on the development of projects from a technical and financial perspective, and identified useful lessons that can be learnt from the implementation of the CDM.⁵

15. The secretariat has also been preparing for a **JI module on the UNFCCC web site** which can be fully developed once sufficient resources become available. Until the JI module is installed, JI information is available on the UNFCCC web site in the section Kyoto Mechanisms.⁶

16. Additional preparatory work which was planned to be undertaken in 2004 in the context of the project proposal – provided that JISC would be launched in 2004 and sufficient resources were available – has been rescheduled to 2005. Although several Parties have made contributions in the course of 2004, these resources were insufficient to carry out work in a systematic and sustainable manner. For example, no staff could be recruited to further develop the JI web presence or to undertake technical tasks, such as preparing first drafts of a JI-project design document or of rules of procedure for the JISC.

17. Subject to the availability of resources and once the dates for the first session of the COP/MOP, and thus the date for the first meeting of the JISC, are confirmed, the secretariat envisages focusing on the following **activities in 2005**:

- (a) Preparations for the establishment of JISC (setting up a JI support unit in the secretariat to make substantive, administrative and logistical preparations to service the JISC and any technical panels it may wish to set up)
- (b) Development of a fully fledged JI module on the UNFCCC web site
- (c) Preparations for two technical workshops on JI.

18. The secretariat would also like to draw to the attention of Parties the need to anticipate consultations by regional groups as well as Annex I and non-Annex I Parties so that **nominations for members and alternate members⁷ of the JISC** would be readily available at the first session of the COP/MOP.

⁵ The video of the event can be found on the UNFCCC web site in the section Meetings/Web cast & Videos <<http://unfccc.int>>. The side event was also covered by the Earth Negotiations Bulletin: <<http://www.iisd.ca/climate/sb20/enbots>>.

⁶ See <http://unfccc.int/kyoto_mechanisms/ji/items/1674.php>.

⁷ See “Guidelines for the implementation of Article 6 of the Kyoto Protocol”, annex to the draft decision -/CMP.1 recommended by decision 16/CP.7.