

JISC MEETING REPORT

JISC 36, 12 – 13 March 2015

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Wuppertal Institute
for Climate, Environment
and Energy

Report

Joint Implementation Supervisory Committee 36th Meeting

12 – 13 March 2015

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Steering and Management

Opening and Elections

The Secretariat of the Joint Implementation Supervisory Committee (JISC) opened the meeting and declared that the quorum requirement was met to allow election of the JISC Chair and Vice-Chair, and the JI Accreditation Panel (JIAP). Six members of the JISC were unable to attend the meeting. One alternate member position remains vacant due to the lack of a nomination at CMP10.

The JISC subsequently elected Julia Justo Soto and Konrad Raeschke-Kessler as JISC Chair and Vice-Chair, respectively. The JISC also elected Carlos Fuller and Benoit Leguet as JIAP Chair and Vice-Chair, respectively.

The JISC also decided to extend the JIAP members' membership for a further year.

Workplan

Accreditation of Independent Entities

In closed session, the JISC took note of the request from the AIE JI-E-0013 'Swiss Association for Quality and Management Systems' (SQS) to voluntarily withdraw its accreditation. Accreditation for AIE JI-E-001 'DNV Climate Change Services AS' (DNV) has expired, leaving only two AIEs – AENEOR (JI-E-0009) and TÜV NORD (JI-E-0011) – with accreditation. Both had passed the regular on-site surveillance assessments.

Future development of the JI accreditation system

Some of the agenda items on this topic were addressed in the discussion on the outcome of the CMP (see below).

Matters relating to determination and verification reports

Status regarding JI projects

The Secretariat informed the JISC about the current status of JI projects.¹

There had been no change in the number of projects compared with the previous year. There are currently 548 projects under Track 1 and an unchanged 51 projects under Track 2.

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http://streamstudio.worldtelevision.com/gaia/UNFCCC/jisc36/pdf/3.2_10_JISC36_Status_of_JI_Projects_v2.pdf

Most of the projects in both tracks (210 and 27, respectively) are being implemented in Ukraine. With 48 percent of the overall total, energy projects still make up the largest share. Transport and LULUCF projects play hardly any role in either track.

In the past year, only one project was published online under Track 1 and none under Track 2. The situation is not expected to change in the course of this year or next because the issuance of AAUs that can be converted into ERUs remains uncertain.

The JISC had no questions on this agenda item.

Planning

JI Management Plan 2015

The JISC prepared the Management Plan (JI MAP) for 2015 on the basis of a presentation given by the Secretariat.²

Given the dwindling number of participants in the second commitment period and the general situation on the global economy, the JISC had set itself the task of retaining Joint Implementation as a useful and effective tool for international cooperation in reducing carbon emissions. The JISC had three main objectives for its work in 2014 and 2015:

1. Make an effective contribution to the future of JI
2. Promotion of the mechanism
3. Maintain efficient JI operations

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http://streamstudio.worldtelevision.com/gaia/UNFCCC/jisc36/pdf/3.3_11_JISC36_MAP_presentation_v9.pdf

In line with these goals, the Joint Implementation mechanism should continue to be used in the second Kyoto Protocol commitment period despite all adversities. The JISC believes that JI has the potential to make a significant contribution as a blueprint for market-based mechanisms under the climate change regime currently being negotiated and to be adopted in Paris at the end of the year.

To ensure availability of funds despite this situation, the Secretariat has adjusted the finance plan downwards as far as reasonably possible. The allocated budget now lies at just below USD one million, which more or less matches actual expenditure in 2014. The allocated budget in 2014 was USD 1.2 million. The Secretariat identified savings potential in staffing and operational costs. The JISC currently has financial resources available in the amount of USD 7.5 million.

In the current year, those resources will largely be used to:

Prepare for and organise both JISC meetings and the JIAP meeting, guarantee the JI project cycle (dealing with related questions and providing the necessary expertise), where needed, perform accreditation and provide the associated expertise, maintain the IT systems, provide communications services such as stakeholder interaction, ensure publication of the annual JISC report and perform general management tasks.

The Secretariat offered to request staffing via the Sustainable Development (SDM) programme because many of the tasks involved touched on collaborative and cross-cutting issues.

With regard to the three main objectives identified, the Secretariat proposed the following tasks:

To achieve Objective 1 (effective contribution to the future of JI), the Secretariat proposed

focusing on two key projects alongside current activities:

- 1) Future (further) development of JI
- 2) Synergies between JI and CDM in accreditation

The detailed management plan, including the finance plan, for the current year can be viewed on the JI website.³

The JISC thanked the Secretariat for the presentation and for its efficient and effective management of the mechanism. There was consensus that the objectives set out in the business plan should be further pursued and that opportunities should continue to be sought to ensure wise use of available resources to keep JI operational.

The JISC then discussed planning and strategic issues on the future direction of the JI mechanism. It was noted that there had been a marked decline in JI activities, not least due to Parties' inability to issue ERUs for the second Kyoto commitment period. It was also recognised that the Parties have access to a wide range of policy instruments for use in emission reduction efforts and that JI Track 1 faced difficulties due to its lacking integrity and poor transparency. On the whole, the JISC does not foresee any significant increase in JI activities.

Nonetheless, the JISC believes that the JI approaches will have relevance in implementing the new climate change agreement, especially as an increasing number of Parties can be expected to take on quantified emission commitments.

The JISC would thus like to promote the JI approach among emerging economies in order

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<http://ji.unfccc.int/UserManagement/FileStorage/1IQSY8LAHJBN2TXDWOV4P73UF0CG9R>

to bring JI into the ADP debate. In doing so, it will focus on the benefits of Track 2, as this track enjoys greater integrity and transparency as well as international supervision by the JISC. Emphasis will also be placed on the value of the draft JI modalities and procedures which are currently being prepared as a potential blueprint for new mechanisms under the new climate change regime.

The JISC believes that consolidation of existing market mechanisms for the post-2020 period would be advantageous. While this would take account of the comprehensive nature of the planned agreement, it would still be necessary to distinguish between the different mechanisms for internal purposes.

The JISC considers it would be premature to implement further improvements in the way the JI mechanism works before the emergence of the new agreement in Paris. It is expected that the Paris COP will provide clearer guidance regarding future development of international mechanisms under the new regime.

JI Workplan 2015

Based on the Business Plan 2014–2015 and the JI MAP 2015, the JISC outlined its workplan for 2015. The plan will be amended to incorporate changes, JISC decisions and the status of work in progress. The current version of the workplan is contained in Annex 2 of the JISC Report.⁴ The Secretariat will present the 2015 workplan in the very near future.

One JISC member asked about formalised rules on interaction with the CDM EB. The Secretariat explained that such interaction is of an informal nature and largely serves information exchange. Another member recommended that the informal nature be retained. The JISC

adopted the workplan with no further discussion.

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<http://ji.unfccc.int/UserManagement/FileStorage/OTIR2SB3K94JL7CNWVU8D6X1EY0PMF> **m**

Guidance from the CMP

Outcome from CMP10

The Secretariat provided an overview of the outcome from COP20/CMP10 in Lima.⁵ Apart from the CDM and JI, the agenda included potential new instruments and those under the ADP. The following focuses on JI-related issues only.

In Lima, the CMP had adopted a decision on JI (Decision 5/CMP.10). Among other things, this required the Secretariat to produce a concept note for presentation at the upcoming SBI in June, outlining the options for cost-savings and increased efficiency in JI. The note was also to outline experience gained with the CDM.

The Parties were also requested to submit examples of technical approaches used in JI to support other countries in meeting their Kyoto targets. The Secretariat will present a synthesis report on these submissions at the upcoming meeting of the SBI.

The proposed review of the JI guidelines, which had formed the core of the meetings in recent years, was discussed in greater detail although no decision was reached. The review was forwarded as an Annex to the Conclusions to the upcoming SB meeting in Bonn in June. The JISC was requested to submit a revised set of recommendations to the SBI based on what had been discussed (see next section).

One underlying difficulty in performing JI involves the ongoing negotiations on issuance of ERUs. The JISC had issued recommendations,

because the situation regarding distribution of AAUs for the second Kyoto commitment period remains unclear. In Lima, only a procedural decision was reached, because no agreement was forthcoming. This will also be on the agenda at the upcoming SB talks. The longer those talks go on, the more likely it will be that distribution of AAUs will be finalised in the meantime. If this happens, the interim rules will be made redundant.

At the SBI meeting in June 2014, a decision had been adopted to harmonise the CDM and JI accreditation systems. This decision has since been confirmed by the CMP.

This agenda item was closed following a brief Q&A session.

Synergies between CDM and JI accreditation

The Secretariat gave the JISC an overview of Decision 6/CMP adopted by the CMP.⁶

In this decision, CMP10 requested the CDM EB and the JISC to work together on the question of whether a joint accreditation committee could be established. The two bodies were also requested to present a joint report at the upcoming CMP on the progress made so far.

At its first meeting in 2015, the CDM EB had criticised the idea, saying that a joint accreditation committee may not be the most appropriate form for generating synergy and invited the JISC to work in unison to find ways to imple-

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http://streamstudio.worldtelevision.com/gaia/UNFCCC/jisc36/pdf/4.1_14_JISC36_Lima_mandates_v3.pdf W

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http://streamstudio.worldtelevision.com/gaia/UNFCCC/jisc36/pdf/4.1_15_16_JISC_36_Analysis_of_the_decision_on_synergy_after_CMP_10.pdf W

ment the CMP mandate. The JISC expressed disappointment that the CDM EB had taken such a negative stance. If it was so clearly against greater collaboration, the EB could not be forced to accept it.

To avoid potential conflict, it was agreed to draw on existing proposals containing options for full use of the CDM accreditation system. The Secretariat was requested to develop another concept note outlining the potential impacts and measures to minimise risk, and setting out an implementation plan. The note is to be discussed at the next JISC meeting to allow a final decision to be made.

Review of the JI guidelines

The Secretariat presented its proposals for further revised recommendations on the review of the JI guidelines.⁷ The review has been in progress for several years and has not been finalised to date. The JISC has in recent years adapted and enhanced its recommendations to reflect prevailing conditions.

Further review of the recommendations is now necessary because it appears increasingly more likely that the revised guidelines will not be implemented before the end of the second Kyoto commitment period. This will no doubt result in very little demand for JI in the period up to 2020. At the same time, market mechanisms will be an integral part of the new climate change agreement expected to be reached this year, under which a greater number of states are expected to take on quantified reduction commitments. Joint Implementation could serve as a blueprint here.

The Secretariat's proposed recommendation:

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http://streamstudio.worldtelevision.com/gaia/UNFCCC/jisc36/pdf/4.1_17_JISC36_JI_guidelines_v3.pdf

The Parties should keep the JI guidelines review in mind for the new market mechanisms.

Another point involved the debate on a possible net atmospheric benefit from JI. According to the proposal from the Secretariat, the most promising option for JI would be that more ERUs be cancelled than is actually necessary for compliance. This could occur through either the host or the buyer country. If this were to be made binding, it must be included in the modalities and procedures.

Proposed recommendation:

Binding cancellations should be kept at relatively small quantities, but the host and buyer countries should be given the opportunity to cancel greater quantities as they see fit. Should this option be taken up, cancellations should be clearly regulated and communicated.

A new function of the JISC could involve evaluation of JI host countries' conformity with the modalities and procedures, and the minimum requirements. Where non-conformity occurs, the countries must remedy the situation. To ensure the environmental integrity of JI, non-conformity must meet with appropriate consequences.

Proposed recommendation:

Non-conformity must be dealt with before ERUs can be issued. The JISC should be given the mandate to develop the necessary rules for conformity evaluation.

Another suggested function of the JISC sees it monitoring registration of JI activities and the issuance of ERUs. The current text suggests that monitoring should be performed at random.

Random selection might not, however, be robust enough to do justice to the proposed international supervision role of the JISC.

Clarity is also needed regarding the consequences should problems occur.

Proposed recommendation:

Remove the random element and clearly define the possible consequences.

With regard to the joint functions of the CDM and JI, a number of synergies had been identified in respect of technical requirements and accreditation. Looking to the longer term, greater convergence of the mechanisms themselves appears possible.

Proposed recommendation:

The Parties should discuss in-depth possible synergies between the CDM and JI, and other, new mechanisms under the new regime.

Ideas are also available on previous recommendations on making crediting periods more flexible. The existing recommendations involved coupling crediting periods with commitment periods.

The length of the commitment periods is, however, dependent on setting reasonable periods for financial feasibility and the environmental integrity of projects. It would thus be helpful to identify the crediting periods that would be most suited to different activities.

Proposed recommendation:

The JISC should be given the opportunity to make crediting periods flexible. References in the text to linking these with commitment periods should be removed.

To date, the proposals on the modalities and procedures have allowed for every JISC decision to be contested by the stakeholders they affect. This requirement could potentially be misused and result in an objection process that is both too complex and too complicated. A restriction to final decisions could remedy the situation.

Proposed recommendation:

The proposals on the objection process should be restricted to final decisions.

After all proposals had been reviewed, the JISC members were critical of the net atmospheric benefits model. One member raised the rhetorical question of whether the Parties who submitted the proposal are the same Parties who use the mechanism. He feared that a model of this kind would make JI less attractive. He believed it unsuitable for JI because the mechanism was used in a capped environment. It was thus up to the participating Parties to agree to more stringent targets. Another member commented that the model amounted to more than the cancellation of ERUs.

The Secretariat replied that the underlying idea was to provide a solid technical basis for the highly controversial debate in the SBI. It was up to the JISC to decide whether or not to issue recommendations.

Another member found the model to be very good in principle, because the mechanism is also designed to protect the environment. It was, however, a highly political issue. In the end, the JISC agreed not to issue recommendations on net atmospheric benefits. The Secretariat's other proposed recommendations attracted no criticism and were adopted once a few brief questions had been answered. The full recommendations text can be viewed on the JISC website.⁸

⁸ <http://ji.unfccc.int/UserManagement/FileStorage/TLDOW4XIKBNFY63UEMPC25JSV98Z10> m

Interaction with Forums and Process Participants

The meeting involved no interaction with
process participants.

Miscellaneous

The Secretariat gave the JISC its regular update on developments in the carbon market.⁹

Instruments for carbon pricing remain popular and are developing into a key tool in emission reduction efforts. However, the flexible mechanisms have lost in importance as pricing instruments increasingly focus on national measures and markets (as in China). Also, there is increasing competition from alternative flexible mechanisms such as the Japanese JCM and from other reduction instruments like direct climate financing. The Kyoto mechanisms could be an interesting tool for use in establishing links between the national markets.

The JISC decided to continue its informal meetings with the CDM EB. The upcoming SBI meeting was seen as an ideal forum for the purpose.

The JISC Chair closed the 36th meeting. The next JISC meeting is scheduled for 29 – 30 September 2015.

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http://streamstudio.worldtelevision.com/gaia/UNFCCC/jisc36/pdf/4.3_21_JISC36_carbon_market_presentation.pdf .