

JISC MEETING REPORT

JISC 39,
20 - 21 September 2016

Disclaimer

This report represents the author's personal observations and views. Its contents have neither been coordinated with the German government, nor do they reflect the standpoint of the Wuppertal Institute. The Wuppertal Institute manages the JIKO programme, which it conducts on behalf of the German Ministry for the Environment, Nature Conservation, Building and Nuclear Safety.

Internet

www.carbon-mechanisms.de
<http://wupperinst.org/p/wi/p/s/pd/592/>

Contact

Florian Mersmann
Tel. + 49 (0)30 / 288 7458-13
Email: florian.mersmann@wupperinst.org

Wuppertal Institute for Climate, Environment and Energy
Döppersberg 19 • 42103 Wuppertal • Germany
www.wupperinst.org

Report

Joint Implementation Supervisory Committee 39th Meeting

20 – 21 September 2016

Florian Mersmann

Contents

- 1 Governance and Management2**
 - 1.1 *Opening of the Meeting and Election of the Chair*2
- 2 Workplan 3**
 - 2.1 *Accreditation of Independent Entities (IEs)*.....3
 - 2.1.1 *Administrative steps to adopt the CDM accreditation process*3
 - 2.2 *Issues regarding determination and verification reports*.....3
 - 2.2.1 *Status of JI projects*.....3
 - 2.3 *Planning*.....3
 - 2.3.1 *JISC Workplan for 2016*3
 - 2.3.2 *Financial resources of the JI Trust Fund*.....3
 - 2.3.3 *Analysis of additional efficiency measures for the operation of the JISC*.....4
- 3 Guidance by the CMP 6**
 - 3.1 *Annual report to CMP 12* 6
 - 3.2 *Reflections and analysis on experiences and lessons learned from JI to be submitted to CMP 12*.....6
- 4 Other Issues..... 8**
 - 4.1 *Relations with Stakeholders*.....8
 - 4.2 *Update on recent UNFCCC sessions*.....8
 - 4.3 *Update on Carbon Market Developments*.....8
 - 4.4 *Next Meeting*.....9

1 Governance and Management

1.1 Opening of the Meeting and Election of the Chair

Konrad Raeschke-Kessler of the Federal German Environment Agency (UBA) opened the 39th meeting of the JISC. Vice-Chair Albert Williams was not able to attend the meeting. The JISC elected Julia Justo Soto as acting Vice-Chair.

Despite a number of absences, the quorum for the meeting could be met.

Chebet Maikut resigned as alternate member. The JISC now has vacancies in one member and two alternate member seats, pending new nominations by the CMP.

2 Workplan

2.1 Accreditation of Independent Entities (IEs)

2.1.1 Administrative steps to adopt the CDM accreditation process

As of 2 August 2016, the joint implementation mechanism relies fully on the accreditation system of the CDM. 12 DOEs have been deemed accredited as acting AIEs. The JI Accreditation Panel has ceased to exist as of now.

2.2 Issues regarding determination and verification reports

2.2.1 Status of JI projects

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

There had been no change in project numbers since JISC 36 in March 2015. There are currently 548 projects under Track 1 and an unchanged 51 projects under Track 2. The biggest share of projects under both tracks is conducted in Ukraine (210 projects (60%) and 27 projects (41%), respectively). With 48% each of the combined total, energy projects still represent the greatest share overall.

37 Annex-I Parties have submitted information on their designated focal points. 32 of these have also informed the JI of their national guidelines and procedures for approval. The five Parties that have not submitted guidelines are Canada, Croatia, the European Union, Norway, and Slovenia.

¹ http://customers.metafusion.com/wcm/160920_6038_UNFCCC_JISC_39_Bonn/download/3.2_6_JISC39_Status_of_projects.pdf

2.3 Planning

2.3.1 JISC Workplan for 2016

The Secretariat gave an update on the status of completion of the JI-MAP and workplan for the year 2016.

All products that the JISC has planned to deliver for this year have been completed. Additionally to the work outlined and agreed upon at the 38th JISC meeting earlier this year, the JISC has also deliberated upon an analysis for additional efficiency measures for the operation of the JISC (see below).

2.3.2 Financial resources of the JI Trust Fund

The Secretariat reported a loss of 972,454 USD of the JI Trust Fund finance due to foreign exchange losses (USD to Euro), as the Trust Fund reserves are held in the Euro reserves of the UN. This means that of the reported reserve of 6.399 million USD only 5.285 million USD remain.

The JISC Chair asked the Secretariat to comment on the possible impact that the foreign exchange losses would have on the operation of the mechanism.

The Secretariat answered that financing of JI under the current circumstances can be ensured until 2021. However, if the JISC were to decide on a reduction of meetings, or to switch to other modes of decision making, This could possibly be extended u to 2023. Another mention was that due to the Trust Fund being managed by the UN Treasury in New York, funds could also increase again due to possible exchange gains in the future.

2.3.3 Analysis of additional efficiency measures for the operation of the JISC

The Secretariat presented an analysis of additional efficiency measures for the operation of the JISC.² The analysis was developed against the background of the difficult market situation for JI and the low level of activity within the mechanism, and the rising challenge of achieving quorum in the JISC. The Secretariat therefore analysed means for the JISC to sustain critical decision-making, and to ensure its core functions, by improving and reforming procedural and practical aspects of the JISC work.

Currently, the JISC mainly relies on physical meetings at least twice a year, electronic means of commenting on draft documents, and electronic decision making under Rule 25 of the Rules of Procedure, to take urgent decisions in between physical meetings.

Virtual participation is possible in principle, but currently not used because of quorum difficulties. If virtual presence were to be counted towards achieving quorum, members of the JISC could attend meetings without incurring travel cost. Extending on this, holding full virtual meetings could be a means to cut costs, if a number of issues were to be addressed - among them the question of quorum, different web functionality across countries, time zones and resulting optimal meeting times, circulation and preparation of meeting reports, and the inclusion of observers and stakeholders.

Through strengthened use of electronic decision-making and consultation, the JISC could advance its work outside meetings, making meetings more streamlined.

Finally, the JISC has flexibility in cutting the number of meetings. Rule 25 of the Rules of Procedure allows for less than two meetings per year, if so decided. If no substantial issues arise that need physical meeting attendance, the JISC could therefore lessen its meeting frequency.

The analysis of the Secretariat shows that for these modes of work, no formal revisions of the current rules are required. The JISC could therefore increase its use of electronic means and modes of communication, and could also recommend to the CMP that under current circumstances, the JISC may meet less than twice a year physically, and instead increase its use of virtual meetings and consultations.

Doing so would render the JISC fully compliant the request of CMP 11 to prudently manage its funds, while retaining sufficient infrastructure and capacity until the end of CP2 of the Kyoto Protocol. The possible means as discussed would incur significant savings, both in terms of monetary costs and emissions. Furthermore, virtual meetings may capacitate more members and alternates to participate in meetings, alleviating quorum challenges.

JISC members discussed the means of virtual participation of the JISC. One member, who actually participated virtually, signalled his full support of virtual means of participation and electronic decision-making procedures. Another member asked if virtual participation were to fully replace personal meetings. He also supported the issue, given that questions like time zones and technical challenges are resolved. Another member asked for clarification if the member's virtual participation could already now be counted towards the quorum of this meeting. He stressed that virtual meetings could not fully replace physical meetings. Another open question remained if the JISC would need consent of the CMP to implement such a mode of meetings.

² http://customers.meta-fusion.com/wcm/160920_6038_UNFCCC_JISC_39_Bonn/download/3.3_9_JISC39_efficiency_measures.pdf

Yet another added that virtual meetings were difficult to maintain over more than a few hours. He therefore suggested that as a rule every first meeting of a year should be physical, whereas later meetings could move to virtual means of participation.

The Secretariat replied to the JISC members' questions, strongly urging that the CMP should be consulted before moving to virtual participation, and be asked to endorse such a change, especially in light of quorum questions.

Virtual participation should not fully replace physical meetings completely for technical reasons, as well as the reasons stated already by members of the JISC. Instead, this mode should be used as a possibility for members that are for any reason unable to participate physically in meetings of the JISC. The implementation of such a mode would need more time than only one year. Instead, the Secretariat proposes a staged approach over the next years.

On the question of the virtually participating member counting towards quorum, she replied that this were for the CMP to decide, but in the Secretariat's view it would at this point not count.

In a second discussion round, a number of members asked for clarification on the actual cost-saving potential, including the cost for the virtual meeting software needed. One member also asked for other practice cases within the UN system, and their

The Secretariat answered that the software was already being bought anyways, so it would not incur additional cost to the mechanism.

The Secretariat has amended the analysis to reflect discussions of the JISC. It is now available

online as part of the recommendations to the CMP.³

3
<http://ji.unfccc.int/UserManagement/FileStorage/K2LYO4NHVW5BP9A63QI0SE17CDUGRM>

3 Guidance by the CMP

3.1 Annual report to CMP 12

The JISC went through its draft annual report (as prepared by the Secretariat) on a paragraph-by-paragraph basis. Already in its previous session, the committee had discussed a concept note detailing the most important aspects of its report (see previous meeting report). The draft annual report is contained in Annex 3 to this meeting of the JISC.⁴

The Secretariat presented the changes made to the previous draft, and asked the JISC to provide additional input as needed. She underlined that this year's report is a rather factual report, as due to the closure of discussions related to the revision of the JI guidelines by the SBI earlier this year. Therefore, there is relatively little for the JISC to do concerning conceptual work.

The JISC discussed the draft annual report in full. One member suggested to add a sentence stressing that the resignation of two members of the JISC in this year meant difficulties for the JISC to attain quorum, and encouraging the CMP member states to replace vacancies as soon as possible. Other members asked for clarification of details. Another suggestion was to urge the CMP to consider budgetary problems that the mechanism is sure to meet in the near future.

The Secretariat provided clarification on issues raised. In her view, questions on prudent financial management within UN Bodies were not part of the report of the JISC to the CMP. However, the JISC Chair reiterated that a sentence

on this matter should be included in this report, as a loss of this magnitude (see above) would seriously jeopardize future operations of the JISC.

The Secretariat will update the annual report before the start of CMP 12, and make it public on the JI website.

3.2 Reflections and analysis on experiences and lessons learned from JI to be submitted to CMP 12

As detailed in our report of the previous JISC meeting, the CMP in Paris had requested that the JISC give thought to potential synergies between JI and other mechanisms, and to analyse the experience gained with and lessons learned from JI to assist the design of the future mitigation mechanisms, their interrelationships and possible interactions with other instruments. The Secretariat had presented to the JISC a concept note⁵ on that matter (see previous report). After some deliberations, the JISC had decided that a working group should work with the Secretariat to draft a new version of the recommendations.

The Secretariat now presented an updated version of the recommendations to the JISC.⁶

Most changes to the previous draft were made to reflect the closure of the JI guidelines review by the SBI. The draft now contains a new chapter on JI's potential to mobilise investment.

4

<http://ji.unfccc.int/UserManagement/FileStorage/YV0SRT5W1L7QBA2OU89G34CINFMZK6>

5 <http://ji.unfccc.int/UserManagement/FileStorage/G6C2WVMPOTDSRF5EHX4KAQJZLB371Y>

6 http://customers.metal-fusion.com/wcm/160920_6038_UNFCCC_JISC_39_Bonn/download/4.1_11_JISC39_Analysis_on_experiences_and_lessons_learned_from_JI.pdf

The JISC then went through a reading exercise of the document. JISC members provided general comments, including a laudation of the newly-added chapter on mobilisation, and a number of editorial changes to the document. It was further proposed to define the concept of "proportionality", which was used but not explained in the document. Another member proposed to refrain from using the term "capped environments" in the text, and instead use "systems with limited emissions", in order to better reflect NDC targets.

The Secretariat redrafted the draft document according to the suggested edits of the JISC. The JISC then adopted the document. It is now available on the JI website.⁷

⁷

<http://ji.unfccc.int/UserManagement/FileStorage/PO3CZX9F5QYRWKHBJND46ALE7MU2GS>

4 Other Issues

4.1 Relations with Stakeholders

No input by stakeholders was received at this meeting.

4.2 Update on recent UNFCCC sessions

The JISC heard an update on SBI 44, held in Bonn in May.⁸

The review of the JI guidelines has been concluded at SBI44. The draft JI modalities and procedures have been recorded as an annex to the SBI conclusions, and CMP12 is recommended to adopt a decision that the SBI conclusions represent experience gained and lessons learnt from the implementation of JI.

4.3 Update on Carbon Market Developments

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

The European climate targets remain unchanged. While a number of EU states would support going beyond the current 40% targets, this being opposed by others. The use of forestry offsets is being considered, but there is no decision yet.

In Latin America, Chile, Jamaica and Peru are introducing carbon taxation, at different stages of readiness.

South Africa has released draft rules for governing the use of offsets under its carbon tax (still to be introduced this year). All sectors will be covered, excluding HFC, N₂O and Renewable Energy projects. Existing standards (GS, VCS, CDM) will be used, but a local standard can be used as well.

The Chinese national emissions trading system is expected to start in 2017. The covered sectors have to report historical emissions data for 2013-2015. High energy-consuming companies may be included in the scheme. Meanwhile, the CCER scheme is growing, with 500 listed projects, and 27 MT worth of credits issued, at a price of 2-5 USD per ton CO₂e.

Japan has signed cooperations with 16 countries under the JCM now, and has registered 13 projects. The JCM is expected to issue 100 MtCO₂e by 2030. The first issuance of JCM credits occurred in May this year. Furthermore, Japan is developing a Climate Action Plan. In it, the country mentions an 80% reduction of emissions by 2050, though it does not specify a base year. Coal-fired electricity generation is to be limited to a 26% share of total generation - at the same time, 40 new coal-fired power plants are being planned. An ETS is also being considered on the national level.

Korea's ETS has finished its first operational year, with high compliance despite a unit price of about 15 USD. At least 11.8 million CERS have been cancelled and converted. The Korean government has introduced some changes to the original ETS though, doubling the amount of borrowing allowances, and changing the original 2020 target with the 2030 NDC target. Possible future changes include an increased use of international offsets to alleviate future shortages of Korean units and resulting high

⁸ http://customers.meta-fusion.com/wcm/160920_6038_UNFCCC_JISC_39_Bonn/download/4.3_15_JISC39_Update_on_SB44.pdf

⁹ no downloadable slides

prices., which may lead to an increase in demand for CERs.

Both Thailand and Vietnam are exploring possibilities for ETS systems. Both countries do not plan to launch systems earlier than 2020 though.

In Australia, market-based solutions are being proposed across the political divide, though no concrete proposals are on the table.

In New Zealand, new ETS rule now require a one-to-one surrender of units - in previous rules, one unit had been worth 2 emission units. The ETS is restricted to domestic units, which are still oversupplied.

Within ICAO, an offsetting scheme has been decided upon. The Carbon Offsetting Scheme for International Aviation (COSIA) will be implemented in the coming years, with an adoption of emissions unit criteria by 2018. Under COSIA, CDM and the Art. 6 mechanism are recommended for use.

The Marine Environmental Protection Committee of the IMO has proposed "Intended IMO Determined Contributions" for the international shipping sector. The proposal is being forwarded to the next meeting of the MEPC to set a sector-wide emissions target. As a first step, a mandatory system for ships' fuel consumption data collection will be implemented.

4.4 Next Meeting

The fortieth JISC meeting is scheduled to take place on 19 May 2017 in Bonn. The JISC's Side Event at the CMP, 'Lessons learned from JI towards Article 6 of the Paris Agreement', is going to take place on 8 November in Marrakech.