

**Subject: Submission to the UNFCCC secretariat: Further views by the International Emissions Trading Association (IETA) and the Project Developer Forum (PD-Forum) on how the Joint Implementation (JI) guidelines and other JI decisions should be revised**

18 February 2013

**Office of the Executive Secretary**

UNFCCC Secretariat  
Martin Luther King Strasse 8  
P.O. Box 260124  
D-53153 Germany

Dear Mr. Andrew Howard,

We write to you in response to the invitation by the Conference of the Parties serving as the Meeting of the Parties at its eighth session (CMP-8) for parties and admitted organizations to submit further views on how the Joint Implementation (JI) Guidelines and other CMP decisions pertaining to JI should be revised, for consideration by the Subsidiary Body for Implementation (SBI).

This letter constitutes a joint submission by International Emissions Trading Association (IETA) and the Project Developer Forum (PD-Forum) on private sector views on revising JI Guidelines and other relevant JI decisions. IETA and PD-Forum believe that, as the international community seeks to increase ambition of further mitigation action, it is critical to consider the views of the private sector which will likely be expected to contribute considerably to identifying, financing and implementing mitigation action in the future.

IETA and PD-Forum welcome this opportunity to present further views on the revision of the JI Guidelines. We believe that this is a valuable opportunity to institutionalize accumulated capacity, insights and lessons from the past 14 years of JI development. This submission sets out the IETA and PD-Forums views on JI, in particular:

- JI offers a strong concept with increasing future relevance
- JI needs reform to maximise future potential
- JI reform must be closely coordinated with CDM, NMM and FVA work
- Broad support for draft revised JI guidelines prepared by the JISC<sup>1</sup>

**JI OFFERS A STRONG CONCEPT WITH INCREASING FUTURE RELEVANCE**

**IETA and PD-Forum believe that the underlying concept of JI is very strong and will prove increasingly useful** as more countries move towards sectoral and economy-wide

---

<sup>1</sup> The annex to this submission describes our detailed views on the Draft Revised JI Guidelines



emissions caps under the UNFCCC. IETA and PD-Forum support the continuation of JI into a second commitment period of the Kyoto Protocol. However, we expect the approach and standards embodied in JI to be available beyond the scope and timeframe of the Kyoto Protocol.

**The benefits of JI that were discussed in IETA's position paper in 2009<sup>2</sup> remain valid today**, namely that JI:

- Ensures environmental integrity
- Promotes innovation
- Provides flexibility
- Entails less bureaucracy
- Softens transition to capped environment
- Complements Green Investment Schemes
- Provides de facto link between cap-and-trade schemes

JI is a tool for incentivizing the identification, financing and implementation of cost-effective mitigation action, offering rules for (1) measurement, reporting and verification (MRV) of greenhouse gas (GHG) emission reductions against agreed crediting baselines; and (2) issuing credits for mitigation outcomes in a manner that avoids double-counting within the context of emission targets. These credits are currently tracked and used for compliance under the Kyoto Protocol framework. However, they have the potential to be used to track emission reduction efforts that occur in any capped environment.

**A JI-like mechanism will become more relevant to a wider range of countries and sectors as an increasing number of countries and sectors take on emission targets of different types.** While JI and the Clean Development Mechanism were initially designed to cater for countries with and without binding targets under the Kyoto Protocol, respectively, this dichotomy will be replaced in the future with greater diversity in terms of the scope and nature of targets. JI-like crediting schemes can complement emissions trading schemes (ETSs) in many ways, for example by identifying and incentivizing cost-effective emission reduction activities in sources not covered by a particular ETS, by reducing compliance costs of ETS participants; and by generating data on new sectors that can pave the way to expanding the ETS. Existing and emerging national and regional ETSs increasingly include complementary JI-like crediting schemes, such as the Carbon Farming Initiative in Australia and the Compliance Offset Program in California. This is a testimony to the increasing relevance of JI's underlying concept and shows that there is demand for a single JI mechanism that can be used by all schemes including those that exist outside the Kyoto Protocol, as such JI would help to reduce the fragmentation of the carbon markets.

## **JI NEEDS REFORM TO MAXIMISE FUTURE POTENTIAL**

---

<sup>2</sup> Available at:

[http://www.ieta.org/index.php?option=com\\_content&view=article&catid=25%3Aarchived-position-papers&id=239%3Aieta-position-paper%3A-the-joint-implementation-mechanism-post-2012&Itemid=107](http://www.ieta.org/index.php?option=com_content&view=article&catid=25%3Aarchived-position-papers&id=239%3Aieta-position-paper%3A-the-joint-implementation-mechanism-post-2012&Itemid=107)



**IETA and PD-Forum believe that significant changes to the organization and regulation of JI are needed** to realize its full potential and to secure its relevance as a mitigation tool beyond 2012 and beyond the Kyoto Protocol.<sup>3</sup> We call for the revision of the JI Guidelines to enable the use of JI as a transition and frontier mechanism for countries as they first commit to emission targets, then implement and extend climate change policies such as cap-and-trade schemes.

**We believe that a reformed JI can serve as a robust UNFCCC standard** for measuring, reporting and verifying the greenhouse gas impact of mitigation activities, and as a framework for issuance and accounting of associated GHG units in a way that avoids double counting and thus provide a useful basis for crediting and/or providing UNFCCC recognition of mitigation activities carried out in contexts that are subject to economy-wide or sectoral targets.

**We believe that JI should be reformed and expanded in a way that provides greater guidance to host Parties and Activity Participants, a clear re-distribution of responsibilities between the governing body, host Party and Accredited Independent Entity (AIE), and stability and predictability to potential JI investors.** Our detailed view on how this could be achieved is presented in the annex to this submission. We see the reformed future JI as a transitional frontier mechanism that integrates typical bottom-up elements, such as baseline setting, additionality and MRV, with a top-down targets that are differentiated e.g. by their source of support (domestic vs. international) and nature (binding vs. voluntary) and type (absolute vs. intensity). We support the reform of JI into a single verification process. The single verification process must maintain high standards of transparency and environmental integrity while allowing for national flexibility. We believe that the single verification process will increase the likelihood of a reformed JI being utilized as a basis for domestic crediting within domestic emission trading systems if it strikes an appropriate balance between national flexibility and adherence to high standards of transparency and environmental integrity.

#### **JI REFORM MUST BE CLOSELY COORDINATED WITH CDM, NMM AND FVA WORK**

**IETA and PD-Forum call on the Subsidiary Bodies for Implementation and for Scientific and Technical Advice to maximise coordination of the JI revision process with the processes to review the Clean Development Mechanism (CDM) and to elaborate the rules of a new market-based mechanism (NMM) under the UN Framework Convention on Climate Change (UNFCCC) and a framework for various approaches (FVA).** To remain on track to limiting global warming to two degrees and to avoid lock-in of high-emitting infrastructure, it is critical that early mitigation actions are encouraged and rewarded. Thoughtful coordination of existing and emerging incentive mechanisms is required to ensure uninterrupted incentives for early and extensive mitigation action.

---

<sup>3</sup> See: FCCC/KP/CMP/2012/4



**IETA and PD-Forum believe that, during these processes, Parties should be open to considering options beyond current legal frameworks and country/sector groupings to develop a synergistic, streamlined international toolkit of market-based approaches** that caters for the full range of national situations and avoids unnecessary overlap, competition and duplication as well as harmful disruptions or discontinuities, while safeguarding environmental integrity and incentivizing cost-effective, up-scaled mitigation activities worldwide.

**IETA and PD-Forum encourage Parties to identify common elements of JI, CDM, NMM and/or FVA and consider the establishment of joint “modules”** that ensure consistency and transparency across the various mechanisms and efficient use of expert and administrative resources. For example, methodological issues could be addressed by common panels of technical experts, accreditation overseen by a common accreditation panel, information published in a joint web portal and units tracked by a common transaction log. Governing bodies could limit their focus to mechanism-specific issues such as the issuance of units. Application of aligned standards for environmental integrity would aid in leveling the playing field and transparency of emissions accounting across mitigation activities.

#### **BROAD SUPPORT FOR DRAFT REVISED JI GUIDELINES PREPARED BY THE JISC**

**IETA and PD-Forum generally support the Draft Revised JI Guidelines presented by the JISC to CMP-8 (“Draft Guidelines”)<sup>4</sup> and welcome the agreement by Parties at CMP-8 on key attributes** that shall characterize the future operation of JI, including, *inter alia*, merging the current two-track verification process into a single unified track and establishing an appeals process.<sup>5</sup>

**Our view on the Draft Revised JI Guidelines developed by the JISC during 2012 is annexed to this submission.**

**The views expressed in our earlier submissions remain valid and relevant also in the context of the submission at hand.** Earlier submissions include:

- the IETA response to the call for input on the JI Supervisory Committee’s (JISC) “Draft Recommendations on Options for Building on the Approach Embodied in Joint Implementation” from June 2011<sup>6</sup>;
- the joint IETA and PD Forum response to the invitation by the Conference of the Parties serving as the Meeting of the Parties (CMP) at its seventh session to submit views on the revision of the joint implementation (JI) guidelines, submitted in April 2012<sup>7</sup>, and

---

<sup>4</sup> FCCC/KP/CMP/2012/5

<sup>5</sup> Draft decision -/CMP.8 “Guidance on the implementation of Article 6 of the Kyoto Protocol”

<sup>6</sup> Available at: [http://ji.unfccc.int/CallForInputs/draft\\_rec\\_cmp/cfi/ieta.pdf](http://ji.unfccc.int/CallForInputs/draft_rec_cmp/cfi/ieta.pdf)

<sup>7</sup> Available at: <http://unfccc.int/resource/docs/2012/smsn/ngo/246.pdf>



- the joint IETA and PD Forum response to the JISC call for inputs on the draft revision of the JI Guidelines, submitted on 31 August 2012<sup>8</sup>.

### ABOUT IETA AND PD-FORUM

IETA is dedicated to the establishment of market-based trading systems for greenhouse gas emissions that are demonstrably fair, open, efficient, accountable, and consistent across national boundaries. IETA has been the leading voice of the business community on the subject of emissions trading since 2000. Our member companies include some of the world's largest industrial and financial corporations, as well as leading firms in the data verification and certification, brokering and trading, offset project development, legal, and consulting industries.

The PD-Forum is the biggest grouping of investors in emission reduction projects. Our members have on-the-ground experience in investing and implementing clean technology projects throughout the developing world.

### FINAL REMARKS

Thank you very much for taking the time to review IETA's and PD-Forum's recommendations with respect to these issues. Please do not hesitate to contact us should you have comments or questions on the views expressed above.

Sincerely,

Dirk Forrister  
President and CEO, IETA

---

<sup>8</sup> Available at:

<http://ji.unfccc.int/CallForInputs/Call%20for%20inputs%20on%20draft%20revision%20of%20the%20JI%20Guidelines/cf/WE06RKUTUQXTMUYWGXOC5PD64INR15>



FINAL DRAFT: VERSION 15.2.2013

**PROJECT  
DEVELOPER  
FORUM**

Rachel Child  
Co Vice Chair, Project Developer Forum



## ANNEX: IETA AND PD-FORUM VIEWS ON THE REVISION OF THE JI GUIDELINES

This section builds on the JISC's Recommendations to the CMP<sup>9</sup> and the Revised Set of Key Attributes and Transitional Measures and Draft Revised Joint Implementation Guidelines ("Draft Guidelines")<sup>10</sup>.

In general, IETA and PD-Forum support the Draft Guidelines prepared by the JISC for consideration by the CMP-8. Below, we present additional points that we wish to be included in the revised JI Guidelines besides those proposed by the JISC.

To achieve an orderly transition, IETA and PD-Forum expect the revised JI Guidelines to consist of:

- New rules for approving mitigation activities that start after 31.12.2012 under a single unified verification track;
- Specific transitional measures, including guaranteeing the continuation of the existing guidelines until the new guidelines are operational, providing sufficient grace period for the transition, and grandfathering activities registered under either track into the new single track system;
- Interim measures to deal with the (inevitable) gap between the first commitment period and (ratified) post-2012 commitments.

### I. Definitions

In general, IETA and PD-Forum support the definitions contained in section I of the Draft Guidelines.

However, in its current form, JI is associated exclusively to the Kyoto Protocol framework. Considering that the Kyoto Protocol's first Commitment Period (CP1) ended on 31.12.2012 and the second commitment period (CP2) ends within a further 8 years and covers only some 10-15% of global emissions, IETA and PD-Forum believe that JI has a role in providing medium-to-long-term incentives for new investments in mitigation action also in countries or sectors with targets outside the Kyoto Protocol, where much of the mitigation potential lies.

While IETA and PD-Forum support the continuation of JI into a second commitment period of the Kyoto Protocol, we also strongly support the expansion and encouragement of emission reduction activities in capped environments under whatever post-2012 international climate regime the Parties agree to create, as well as the application of compliance-grade UNFCCC standards (i.e. JI standards) in national and regional contexts outside the UNFCCC.

---

<sup>9</sup> Section III of FCCC/KP/CMP/2012/5

<sup>10</sup> FCCC/KP/CMP/2012/5



Hence, IETA and PD-Forum encourage the SBI to consider means to include in the revised JI Guidelines provisions for extending the scope and applicability of a reformed JI so that it could potentially serve as a mechanism for any capped environment, provided that the caps meet basic eligibility criteria (for example, they have been internationally recognized under the UNFCCC) and are accompanied by the use of compatible accounting standards and the other relevant procedures.

## **II. Role of the CMP to the Kyoto Protocol**

IETA and PD-Forum support the proposed text contained in section II of the Draft Guidelines.

## **III. Governing body**

IETA and PD-Forum agree with the JISC that a new governing body for the single verification process will be required to assure a common approach among host countries and the quality of the reformed JI standard. We see one major change for this governing body (compared to the JISC) in that it should avoid involvement in the considerations of individual activities and, instead, focus on setting mandatory procedures and standards and non-mandatory best practice guidelines for validating JI activities; setting mandatory accreditation standards and accrediting independent entities; managing the JI Registry and issuing ERUs; assessing the conformity of the JI processes implemented by the host Party with mandatory JI standards and procedures; and dealing with possible non-conformities. Specifically, we welcome the option of allowing the governing body to suspend ERU issuance for the host Party in case of serious non-compliance.

IETA and PD-Forum believe that the mandatory standards and procedures and non-mandatory best practice guidelines issued by the governing body should include guidance on the national approval procedures, including number of stages, required documents, processing times, etc. to ensure that national guidance is sufficiently elaborated to incentivize private sector participation. We propose that this element is explicitly included in the revised JI Guidelines.

As pointed out in an earlier submission, IETA and PD-Forum believe that two good options are available to ensure the separation of powers between the function of setting standards/procedures and the function of providing impartial oversight over the conformity of national JI implementation with those standards/procedures. Either the governing body could create subordinate bodies tasked with undertaking the technical work of setting standards/procedures and enforcing standards/procedures, with the governing body providing high level guidance on both, or the governing body itself could be separated into two committees, one to set standards/procedures and the other to provide oversight. IETA and PD-Forum propose that this separation of power is elaborated in the revised JI Guidelines.





IETA and PD-Forum believe that members of the governing body should act in their individual capacities. Parties should be encouraged to nominate representatives of the business community on the governing body as regular members of the body in their personal capacities. It is important to note that representatives of the business community currently serve on the JISC and have made valuable contributions to the development of JI since its inception. We believe that the same should continue and support allowing the nomination of governing body members by UNFCCC admitted non-governmental observer organizations.

We propose to that the membership of the governing body reflects the normal UN distribution and includes private sector representatives.

#### **IV. Host Parties**

In general, IETA and PD-Forum support the proposed text contained in section IV of the Draft Guidelines. We especially welcome the requirement to elaborate national procedures for challenging decisions by the Designated Focal Point (DFP) as part of the national JI procedures.

To provide a stable investment environment for JI, IETA and PD-Forum believe that it is crucial for host Parties to commit to prompt publication of clearly elaborated national criteria and procedures, including timelines for decision-making and a procedure for challenging such decisions. Furthermore, the SBI may consider elaborating procedures and timelines for integrating revisions in the mandatory procedures and modalities, developed by the governing body and approved by the CMP, into national JI procedures.

IETA and PD-Forum expect the revised JI Guidelines to clearly indicate which criteria apply only to Parties hosting JI activities and which to all Parties participating in JI activities.

#### **V. Eligibility to transfer**

IETA and PD-Forum believe that the purpose of JI is to provide a common basis for countries with quantified emission targets to collaborate in the mitigation of climate change and that, at minimum, it requires compatible accounting standards and procedures among participating countries to secure transparency and environmental integrity of the mechanism.

We believe that certain eligibility requirements are best elaborated jointly for the Clean Development Mechanism (CDM) and International Emissions Trading, taking also into account eligibility requirements for a NMM and FVA. Thus, we urge the SBI to consider the relationship between JI and the ongoing negotiations under the Durban Platform for Enhanced Action (AWG-LCA and AWG-DP, respectively) as well as forthcoming work to elaborate rules for a NMM and a FVA, including means to enable smooth transition from JI to possible new market mechanisms under the UNFCCC and/or utilization of JI also by



countries that are not Parties to the Kyoto Protocol but who have adopted legally binding emission caps unilaterally and/or under the Durban Platform for Enhanced Action.

IETA and PD-Forum believe that the revised JI Guidelines should provide for possible future adjustments in eligibility requirements for participation in JI in light of further clarity emerging on the future international climate regime beyond 2012.

IETA and PD-Forum believe that host Parties should meet basic minimum eligibility requirements pertaining to their GHG accounting at a country level and, if JI is utilized under a system other than the Kyoto Protocol, also pertaining to the nature of their caps. However, some eligibility concerns may be addressed if a mandatory set-aside of the (total) estimated quantity of credits for approved activities is implemented.

## **VI. Design, validation and registration**

In IETA's and PD-Forum's view, the revised JI Guidelines should contain an elaborated validation process and related communication between the governing body, an AIE and the host Party.

We generally support the provisions for design, validation and approval of JI activities set forth in section VI of the Draft Guidelines.

### **Baseline setting**

We welcome explicit confirmation that a baseline can be established on an activity-specific, programmatic or sectoral basis and wish to point out that the use of standardized baselines under JI is already possible and should remain so. The further development and use of standardized baselines under JI does not require CMP action and can be addressed at the level of the governing body and/or host Party.

IETA and PD-Forum believe that the validity of the baseline should correspond to the commitment periods of the Kyoto Protocol whereby, for activities registered during the first commitment period, the validity of the baseline should constitute no less than five years and up to ten years. To avoid extensive reviews of baselines upon the beginning of the new commitment period, we recommend the baseline validity period to start from the registration date of a particular JI activity. For activities registered or having their starting date in the second commitment period, the baseline validity should be no less than the length of the second commitment period of the Kyoto Protocol and no more than ten years.

We believe that further flexibility should be allowed for early mover activities, that is, registered JI activities with a start date in 2006 or earlier. We recommend allowing a two year grace period in addition to the approved baseline validity period for the activities that have a confirmed start date of 31.12.2006 or earlier.



## Additionality

IETA and PD-Forum believe that the issue of additionality should be significantly reconsidered at the level of the CMP. Demonstrating additionality on a project-by-project basis is complex and costly and adds little value in the context of JI. Issuance of emission reduction units to a JI project results in the conversion of AAUs into ERUs and therefore there is no possibility of non-additional credits leading to a net increase in global emissions. As such we believe that additionality should be determined by the host Party. Wherever possible, host Parties should utilize positive lists of activity types that are automatically deemed additional. Parties should be encouraged to engage with the private sector when determining such positive list to ensure that the mechanism continues to promote innovation.

We support the additionality requirements set forth in paragraph 31 of the Draft Guidelines.

While we welcome additionality determination based on positive lists of activity types defined by the host Party, we believe that, to promote innovation, the private sector should be allowed to seek crediting of mitigation activities also outside positive lists in accordance with relevant procedures and criteria.

## Validation and registration

We support the JISC proposal that an Accredited Independent Entity (AIE), accredited by the governing body, shall validate whether a JI activity meets mandatory JI requirements.

We also support the JISC proposal that host Parties make the decision of registering the JI activity, subject to a positive validation report by an AIE. The registration would also serve as the national approval of the host Party. We believe that no further national approvals are required apart from the registration of the activity by the host Party.

IETA and PD-Forum propose that the validation report is considered to be submitted to the host Party upon formal notification by the validating AIE or the secretariat to the host Party of the publication of the validation report and Activity Design Document through the secretariat. The date of such formal notification should be considered the starting date of the 30-day period for considering registration. Upon the approval of the JI activity by the host Party, a positive determination by the AIE should lead directly and automatically to registration.

We propose the elaboration of a review process in the revised JI Guidelines, whereby, in the event of a negative registration decision, the host Party shall be required to substantiate the reasons behind the rejection, with clear reference to the relevant standards, procedures and guidelines, to publish it via the secretariat, and to initiate a review process which offers Activity Participants an opportunity to address the issues raised in the negative decision and to submit additional documentation in support of the registration of the activity. We believe that the revised JI Guidelines should elaborate procedures mandating the governing



body to set mandatory procedures for such as review process, including standard timelines for processing such reviews and standard procedures for communication and exchange of information between the Activity Participants, validating AIE and host Party DFP.

In addition to the abovementioned review process, we support the establishment of a process enabling Activity Participants to appeal against decisions made by the host Party with respect to registration.

IETA and PD-Forum further propose that the revised JI Guidelines contain a requirement for host Parties to apply the “Standard for Applying the Concept of Materiality in Verification” when considering activity registration. Omissions or inconsistencies in an Activity Design Document, which are not material in the sense of the abovementioned Standard, should not be considered as a reason to deny registration.

As stated in a previous submission, IETA and PD-Forum believe that, upon positive validation by an AIE and registration by the host Party, host Parties should be required to set aside the estimated quantity of AAUs or ERUs for the activity to a JI Registry administered and maintained by the governing body, for subsequent distribution to Activity Participants upon positive verification and issuance. Should the emission reductions not occur to the extent predicted, the governing body should transfer any un-issued credits back to the host Party.

### **Information, communication and stakeholder consultations**

IETA and PD-Forum believe that, to ensure the mechanism’s credibility and transparency, it is crucial that all relevant information on JI activities is publicly available in standardized format in English through a dedicated JI website.

IETA and PD-Forum commend the JISC for open and responsive communication with stakeholders through workshops, calls for input and other channels for communication. We believe that the continued open and responsive communication between the governing body, host Parties and stakeholders is crucial for ensuring the relevance of JI as a mitigation tool for national policy-makers, private sector investors and the international community alike. Specifically, IETA and PD-Forum support close collaboration between the governing body, host Parties and stakeholders to develop best practice guidelines for determination and verification requirements that go as far as possible to meet the needs of all host Parties.

IETA and PD-Forum support open and transparent stakeholder consultation and we believe that the mandatory global stakeholder process under the standards and procedures set by the governing body successfully ensures a sufficient level of stakeholder engagement. We believe that any additional consultation process that is specifically for local stakeholders is a national sovereign issue and therefore host nation approval of a project should be considered to be proof that all local stakeholder consultation requirements have been met. Introducing an additional mandatory local stakeholder process would lead to unnecessary



duplication. However, in the interest of transparency and consistency, we urge host Parties to publish clear guidance on their local stakeholder consultation requirements and process.

## **VII. Monitoring, verification and issuance**

IETA and PD-Forum generally support the JISC's proposal set forth in section VII of the Draft Guidelines.

We support the verification of monitored emission reductions by an AIE accredited by the governing body and the automatic issuance of ERUs against a positive verification report by the AIE.

We believe that issuance has been one of the main bottlenecks of the JI process and a disincentive to participate in the mechanism and thus welcome the JISC's proposal whereby the governing body assumes responsibility for issuing ERUs against a positive verification report by an AIE. We believe that this change will be very important to ensure that greater investments flow through the JI mechanism post-2012. We propose that the revised JI Guidelines elaborate a procedure for AAU transfer from the host Party registry to the JI registry, and the authorization of the conversion of AAUs into ERUs and their subsequent issuance, and to mandate the governing body to manage these functions.

We support the review process contained in paragraph 48 of the Draft Guidelines whereby the host Party or at least three members of the governing body request a review within 15 days after the verification is made publicly available through the secretariat.

We propose that the revised JI Guidelines contain a section detailing how the governing body shall issue ERUs on and after 1.1.2013 against emission reductions achieved during the first commitment period. This issue is discussed in further detail under the section "Transitional Issues" below.

To date, JI activities have taken place within a capped environment. As long as this remains the case, IETA and PD-Forum do not believe that it is appropriate to consider amending guidelines to facilitate net overall reductions in emissions as they should be achieved by the agreed targets themselves by setting them at a meaningful level. However, IETA and PD-Forum do not object to the provision set forth in paragraph 50 of the Draft Guidelines, whereby host Parties may determine that a lower amount of ERUs shall be issued than the actual monitored emission reductions. Such adjustment would need to be reflected in the baseline of the registered activity. Ideally, such adjustments would be reflected in an ex-ante established sectoral baseline, or standard 'discount factor'.

We support the introduction and elaboration of an appeals process regarding decisions on ERU issuance, as provided for in paragraph 52 of the Draft Guidelines.

## **VIII. Accreditation of independent entities**



IETA and PD-Forum support alignment between the JI and CDM accreditation standards and procedures, set forth in the paragraph 53 of the Draft Guidelines, up to a certain extent.

As communicated in a previous submission, we are concerned over the lack of interest among auditors to seek JI accreditation. The limited availability of AIEs could lead to near-monopolization of JI auditing market and thus harm the efficiency of the mechanism. While we believe that alignment of CDM and JI accreditation could increase the efficiency and decrease the costs of accreditation, and consequently, of both mechanisms, we also believe that the CDM and JI are separate mechanisms with different functions and should remain so.

Furthermore, IETA and PD-Forum members have noticed that AIEs that have teams dedicated to JI tend to better understand the mechanism and be more familiar with, and open to JI-specific approaches. In cases where determination is performed by auditors who mainly focus on CDM projects, IETA and PD-Forum member companies have observed that CDM requirements are often unnecessarily applied to JI activities and the use of approved CDM methodologies is insisted upon.

Therefore, while there are similarities, and efficiencies and cost reductions in accreditation need to be achieved, to secure the efficient functioning of JI, it is critical that auditors that engage in both CDM and JI auditing are fully aware of the differences and similarities between CDM and JI processes and criteria. The possibility to directly communicate with the governing body of JI would be useful in resolving differences in interpretation between JI Activity Participants and the AIE.

## **FURTHER ISSUES PERTAINING TO THE REVISION OF JI GUIDELINES**

### **Nature of the revised JI Guidelines**

Some elements of the revised JI Guidelines should be binding and some non-binding, and IETA and PD-Forum believe that the Parties and the JISC should undertake further consultation with Parties and stakeholders to determine which elements need to be binding to improve the efficiency, transparency, and environmental integrity of the mechanism.

The non-binding elements should be considered “best practice guidance” and should at least include guidance on the national approval procedures, including number of stages, required documents, processing times, etc. Countries should have the ability to tweak the procedures in their countries where necessary to meet their policy objectives but alignment with the best practice guidance should be strongly encouraged.

### **Appeals process**

As stated in a previous submission, IETA and PD-Forum believe that there is a need for further consultation on the issue of appeals under post-2012 JI, and that the decision on whether and where to place an appeals body will be based largely on the final distribution of decision-making power under JI, among the governing body, host party and AIE. IETA



and PD-Forum believe that it is very likely that a multi-level appeals process would be necessary to ensure that host countries, AIEs and Activity Participants all have access to recourse for decisions taken against them. IETA and PD-Forum believe that it will likely not be appropriate that such an appeals mechanism builds upon appeals processes for other offset credit systems at the international level, for example that currently under consideration for the CDM, but we remain open to further consideration of this suggestion once the final distribution of decision-making power is decided.

### Transitional issues

IETA and PD-Forum wish to highlight the urgent need to elaborate procedures for issuance of ERUs in the period after the end of the first commitment period and before second commitment period AAUs are established.

As noted in a previous submission, IETA and PD-Forum support the transitional measures put forward by the JISC with regard to the continuation of activities under the Track 2 procedure in the immediate period beyond 2012. If and when Parties decide to move forward with a different form of international climate regime post-2012, IETA and PD-Forum believe that they should then consider how to bring JI, or a mechanism for crediting emission reductions in a capped environment, into that regime.

We recommend that provisions for the transition are included in the revised JI Guidelines.

Furthermore, there is a pressing need to provide clarity on the future treatment of JI activities that are registered and implemented under the current JI Guidelines. IETA and PD-Forum believe that the introduction of revised JI Guidelines should not impact the eligibility of those JI activities that were registered before the new JI Guidelines come into effect.

In this context, we propose that:

- All JI activities that have received final determination (registration) status under Track 2 prior to the adoption and entry into force of, and before the end of a reasonable grace period for the application of the revised JI Guidelines shall maintain their registration status and baseline validity without need for further action. For example, if a PDD of a JI activity registered under Track 2 provides for emission reductions beyond 2012, these reductions may earn ERUs in CP2 against CP2 AAUs, in accordance with revised standards and procedures for verification.
- All JI activities that have achieved final determination (registration) status under Track 1 prior to the adoption and entry into force of, and before the end of a reasonable grace period for the application of the revised JI Guidelines shall be considered as registered, unless a review is requested under Track 2 procedures within a specified time period from the date of entry into force of the revised JI Guidelines. For example, if the crediting period of a JI activity registered under Track 1 continues beyond 2012, these reductions may earn ERUs in the second



- commitment period against CP2 AAUs, in accordance with revised standards and procedures for verification.
- For existing JI activities under Track 2 whose PDDs have been published via the JI website and who confirm the aim to seek final determination under Track 2 procedures within a specified time period from the date of entry into force of the revised JI Guidelines shall be allowed to finalize the registration process under Track 2.