

# VIEWS ON THE REVIEW OF THE JOINT IMPLEMENTATION GUIDELINES

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Carbon Market Watch welcomes the opportunity to provide input on discussions on the review of the joint implementation guidelines – agenda item 6(b)

A decision to initiate the first review of the Joint Implementation (JI) guidelines was taken by Decision 4/CMP.6. At CMP.8 in Doha, Parties agreed on key attributes that would characterize the future operation of JI and requested the SBI to draft revised JI Modalities and Procedures (M&P). These new M&P will replace the existing JI Guidelines which were adopted by Decision 9/CMP.1. The draft text “[Review of the joint implementation guidelines. Draft conclusions proposed by the Chair](#)” will provide the basis for negotiations at SBI 41 in December 2014 in Lima. In our view, the draft text contains several critical points that need to be addressed before it should be adopted, in particular:

- International oversight should be improved
- Existing projects should be reassessed and then operate under new rules
- Crediting periods should end in 2020
- Retroactive crediting should be stopped
- Stakeholder consultations should be strengthened
- Atmospheric benefits should be achieving
- No ERUs should be issued during the interim period

For more detailed information on how these recommendations can be implemented, please see below.

## **INTERNATIONAL OVERSIGHT SHOULD BE IMPROVED**

JI projects can be implemented under either Track 1 or Track 2. Track 1 projects are approved by the host country whereas Track 2 projects are approved by the UN’s Joint Implementation Supervisory Committee (JISC). Well over 90% of the Emission Reduction Units (ERUs) have been issued under Track 1. Experience with JI implementation under Track 1 shows that when host Parties have little or no international supervision, they will prioritize credit maximization and not environmental integrity. Millions of “hot air” offsets have been issued under JI.

- **It is therefore vital that the JISC provides strong oversight to ensure that countries comply with the rules set out by the M&P and the JISC. The bracketed paragraphs 13e and 36 should be accepted.**

We welcome that the draft text includes language that would ensure that the JISC should be able to request a review both at project registration and before ERU issuance (paragraph 48 and 55). But the draft rules do not specify what the consequences of a review would be.

- **The consequences of a review at project registration and at issuance should be specified. Paragraph 13(f) should be accepted to enable the JISC to withhold issuance in case of non-compliance with mandatory requirements.**

## EXISTING PROJECTS SHOULD BE REASSESSED AND THEN OPERATE UNDER NEW RULES

The draft rules propose that all registered JI projects (both Track 1 and Track 2) could continue operation without the need to be re-registered and allows them to continue using the old JI Guidelines (paragraphs 8-10). The potential of ERU generation by existing projects is enormous and already exceeds the demand, while their environmental integrity is in most cases very low. Hundreds of millions of ERUs were issued retroactively to projects that were implemented well before 2008 but only registered as JI projects in 2012. If such projects can continue to generate ERUs they would further compromise the integrity of JI and undermine climate targets.

The co-existence of new and old rules also creates legal inconsistency between the current and the new JI M&P, because they establish different procedures, and it will not be clear which of them will supersede in certain areas. For example, the issue of the extension of the crediting periods is not regulated in the current JI Guidelines. If the new Modalities and Procedures are not applicable to already registered projects, it is not clear how long their crediting periods could be.

- **Existing projects should only be able to continue receiving ERUs once their additionality and baseline scenario are reassessed. Only projects that would stop operating without the incentives from JI should be re-registered. All projects registered or re-registered should operate under the new rules.**

## CREDITING PERIODS SHOULD END IN 2020

The draft rules propose an initial crediting period of either 7 or 10 years with the possibility of renewal for periods of 7 or 10 years (Paragraph 43). The current draft rules only require a baseline update (if needed) and verification but do not reconsider project additionality.

- **Renewal of crediting period must require the re-assessment of additionality as well as the baseline scenario.**

The issuance of ERUs is tied to the availability of AAUs for the same commitment period when the emission reductions occurred. However, AAUs will very likely cease to exist under the new agreement post 2020. Thus allowing project participants to establish crediting periods beyond 2020 prejudices the result of the negotiations of the future agreement and could attach intrinsic value to ERUs beyond the framework of the Kyoto Protocol.

- **The bracketed text that specifies the crediting period ending upon expiration of the current commitment period of the Kyoto Protocol should be approved.**

## RETROACTIVE CREDITING SHOULD BE STOPPED

The majority of ERUs were issued to projects that were registered in 2012, long after they had been implemented. Some projects had been operational for many years until they decided to register as JI projects. Retroactive crediting to such projects led to a large number of non-additional ERUs being issued.

- **To stop the abuse of retroactive crediting by clearly non-additional projects, the bracketed text in paragraph 43 should be approved. The text in brackets specifies that the crediting period should not start before the submission of the activity documentation to an AIE or to the Secretariat.**

## STAKEHOLDER CONSULTATIONS SHOULD BE STRENGTHENED

We welcome that the draft changes to the JI rules include local and global stakeholder consultation as well as the establishment of an appeals procedures (Paragraph 12).

- **A public commenting period should be added during the verification process. In addition, rules on how stakeholder consultations should be conducted and how the raised concerns have to be addressed should be added to ensure that stakeholder concerns are sufficiently addressed. Moreover, a work programme should be initiated to establish an appeals procedure.**

## ATMOSPHERIC BENEFITS SHOULD BE ACHIEVED

The draft JI rules include several bracketed text suggestions that aim to achieve atmospheric benefit through cancellation of ERUs (Paragraph 11(b)). Achieving an atmospheric benefit means realizing more emissions that would be achieved by the sum of all reduction commitments made.

- **The text on how to achieve atmospheric benefit should be clarified by initiating a work programme on achieving net atmospheric benefit taking into account environmental integrity of ERUs and the host country's reduction target.**

When a host country discounts ERU issuance, the discount simply assists the host Party in achieving its Kyoto mitigation target. In addition, atmospheric benefit can only be achieved if JI projects have high environmental integrity, i.e. are additional and not over-credited. Only when ERUs from projects with high environmental integrity are cancelled can an atmospheric benefit be achieved.

## NO ERUs SHOULD BE ISSUED DURING THE INTERIM PERIOD

Under the current rules, ERUs can only be issued by countries that have a ratified reduction commitment under the Kyoto Protocol and were then able to issue their Assigned Amount. Accordingly, emissions reductions from JI projects that were achieved after 2012 need to be converted from CP2 AAUs. It is therefore currently not possible

to issue ERUs for emissions reductions achieved after 2012 until Parties have received their CP2 AAUs – the so called interim period.

Parties agreed to consider possible changes to the rules that would allow for the issuance of AAUs before countries have received their CP2 AAUs. The issue was further discussed at CMP 9 and at SBI 40. The [draft text prepared by the co-chairs of SBI](#) suggests that after the ratification of the Doha Amendment a Party would be allowed to issuance a limited number of CP2 AAUs [up to 1% of CP1 assigned amount] for the conversion to ERUs.

Given the current oversupply of credits and low prices, the need to expedite the issuance of ERUs in the 2nd commitment period is limited. Given the low environmental integrity of JI projects, early issuance would pose a threat to the integrity of the mitigation targets.

→ Therefore, **issuance of CP2 ERUs should only be allowed once Parties have received their CP2 AAUs, as was the case in CP1.**

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