

JI Accreditation Process for Determinators

Joint Implementation Action Group

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1. INTRODUCTION

The Joint Implementation Supervisory Committee (JISC) started the process of accrediting Independent Entities (IE) for the determination and verification of Joint Implementation (JI) activities on 15 November 2006. Two years later, project developers still wait for the first IE to be officially accredited.

As we approach 2009 without any IEs having received accreditation for any scopes, the issue becomes a serious concern for all parties involved. Delays in accreditation affect the ability of JI track II to deliver the intended volumes of emission reductions and project finance. On this backdrop all involved parties, including the JI Accreditation Panel, the JI Supervisory Committee and the COP/MOP, should seek all reasonable means to unlock the bottleneck by streamlining the process of accreditation.

The purpose of this paper is to raise these issues to the JI Accreditation Panel, the JISC and the COP/MOP and propose concrete actions to improve IE accreditation.

2. BACKGROUND

Independent entities have to be accredited in order to determine JI project activities and verify the emission reductions generated by these projects. The general requirements for accreditation are set out in the procedures for the accreditation of Independent Entities contained in the Annex to 9/CMP. At its tenth session, the COP/MOP tasked the JISC to elaborate standards and procedures for the accreditation of independent entities, “*taking into consideration, as appropriate, the procedures for accrediting operational entities developed by the Executive Board of the clean development mechanism (10/CMP.1, paragraph 2(b))*”. At its fourth meeting, the JISC agreed on the relevant procedure and began the accreditation process on 15 November 2006. The JISC revised its procedures at its sixth and later at its ninth meeting (JISC 9, Annex 1).

The accreditation is specific to scopes and activities. The JISC has established 15 scopes ranging from energy industries via transport to agriculture. IEs can only determine and verify projects within the sector for which they are accredited. Fifteen applicant entities have expressed interest in being accredited and ten have received an Indicative Letters from the JISC that start the process of accreditation.

Each accreditation is coordinated by a JI Assessment Team (JI-AT) that is selected by the JISC. The accreditation procedure has to be repeated for each scope and each activity (determination, verification) and comprises the following steps:

- A preliminary desk review of application documents
- An on-site assessment of the applicant independent entity's premises, in order to verify its capacity to undertake determination and verification work
- Verification of the correction of any identified non-conformities with the requirements for accreditation
- Witnessing of a determination and verification activity in relation to a project
 - The IE has to apply for witnessing

- The JI-AP has to accept the witnessing activity
- Project site visit together with the IE for verifications (and for determination only on request of the AT)
- Preparation of a preliminary report
- Preparation of a final report to the Joint Implementation Assessment Panel (JI-AP)

Figure 1 provides an overview of the parties involved in the process. The JI-AP was established to support the JISC in the accreditation of Independent Entities and related functions. The JI-AP recommends the accreditation of an IE to the JISC.

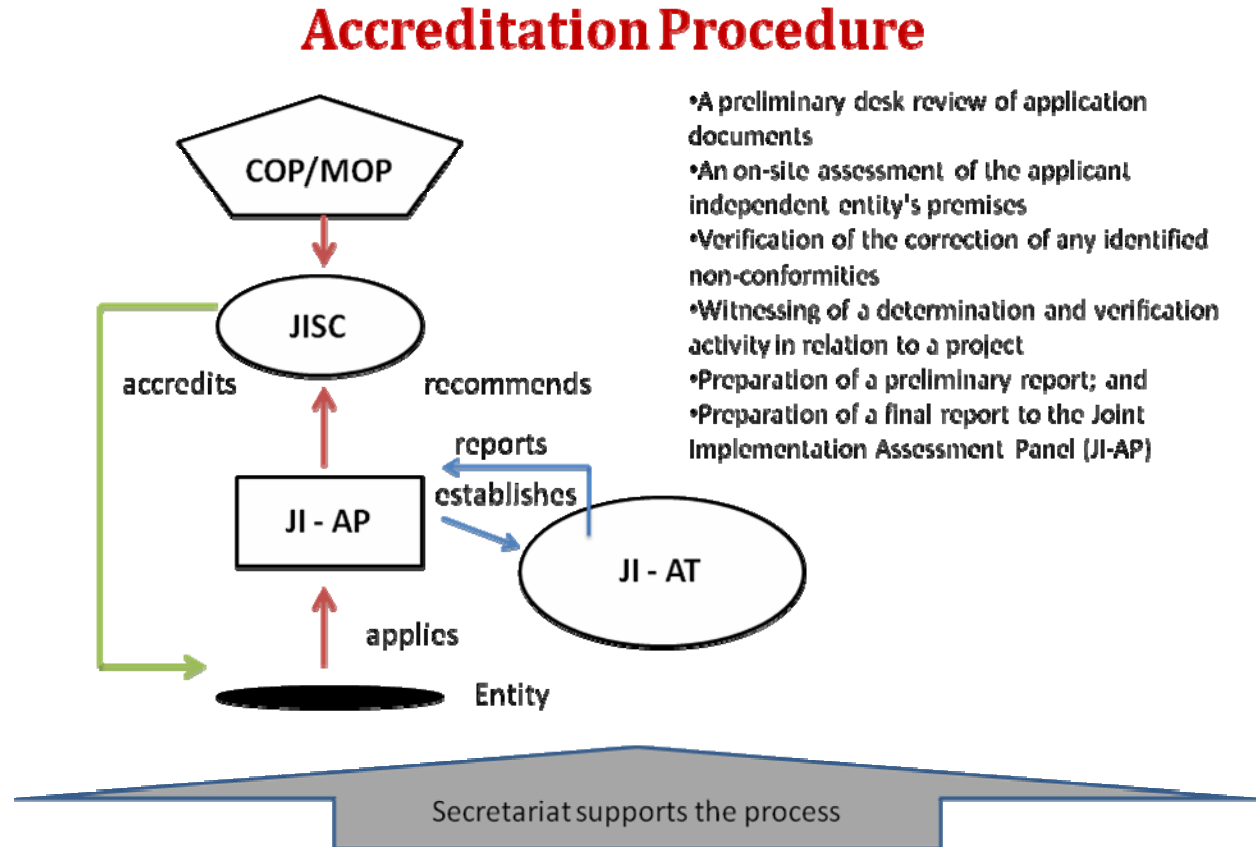


Figure 1: Overview of the IE accreditation procedure.

3. ACCREDITATION STATUS AND BOTTLENECKS

The required number of separate accreditations combined with the time consuming and complicated process between several organizations absorbs – and will absorb for the years to come - an enormous amount of human resources. The accreditation process for the currently applicant entities alone is likely to take years to be completed at the current rate.

Currently 10 of the 15 applicant entities have passed the first two stages of the process (desktop review and on-site assessment by the JI-AT) and are provisionally acting IEs. Each of the current fifteen applicant entities can in principle apply for the accreditation under each of the 15 listed scopes resulting in a theoretical maximum of 225 accreditation processes for determination and another 225 processes for verification. Currently the 10 applicants have applied for accreditation within 88 sectoral scopes in total. However the concepts of “phasing the accreditations” and the

“grouping of scopes” should reduce the total number of required witnessing activities. However there is not enough clarity or transparency on either process to estimate how many project witnessing activities and time could be saved.

Under the current rules the 158 JI project activities that have published their project design documents can not be used for determination accreditation. The reason is that witnessing cannot be initiated on a project, if the global stakeholder consultations and determination has already been started without the IE applying for witnessing. All projects currently uploaded on the JI section of the UNFCCC website will thus be ineligible for witnessing if they have not already applied for witnessing in conjunction with uploading of the PDD. This means that we have to wait for hundreds of new JI projects for usage as witnessing project.

For verification activities each IE has to use one project for each witnessing activity per scope. Only final determined projects can serve as witnessing projects for verification. Similar to determination, the verification cannot be used as witnessing if verification has already been completed and verification activities can only start after the start of the witnessing process. So to satisfy the needs of all ten applicant entities, there would have to be 150 suitable projects that have gone through final determination by an IE that is finally accredited for the correct scope. This should be compared to only five final determined projects that are available at the moment.

But even if we use an optimistic scenario – by taking into account the ability to reduce the amount of witnessing activities to only eight per applicant entity by using the “phasing the of accreditations” and the “grouping of scopes” – and if we assume that enough projects were available today with final determinations, then the witnessing activities will in reality still take months to complete for each scope and applicant entity. Even if the current system could process **every two weeks** a successful witnessing, then for our example of 8 witnessing activities for 15 applicant entities, this would mean that the accreditation process is completed in **4 - 5 years** (i.e. after the finish of the first commitment period).

JI track I offers a way to relieve the situation since host countries can determine what IEs are eligible for JI project determination and verification. However most host countries require that IEs for track I projects are accredited under track II.

Under the current rules with provisional accreditation of designated operational entities for the CDM the final determination and verification becomes only valid after successful JI accreditation, which postpones the problem. What would really unlock the bottleneck would be allow for determination and verification to be finalized on the basis of CDM accreditation without having to duplicate the effort with a specific JI accreditation. It could be left optional for Designated Operational Entities (DOES) and IEs to get their accreditation under JI or CDM.

Currently, 13 out of the 15 applicant IE’s are already accredited DOE’s for all or some of the scopes that they have applied for in JI. As the functions of validation/determination and certification/verification are so similar it would seem natural that witnessing could by-passed for the scopes whereby applicant IE’s are already accredited for in CDM.

If not, then in general the accreditation bottleneck means that the first IE(s) to be accredited for verification will have a very strong market advantage because few project participants will want to risk further delays of issuance by selecting an IE that is not accredited. Therefore later IE applicants may face problems finding projects for witnessing – the accreditation procedures and JI regulations thus will defacto support establishment of a natural monopoly or oligopoly which with the capacity constraints currently prevailing will only further increase the bottlenecks. From an investment perspective on a global level – perceived risks for JI investment will increase even more compared to CDM.

4. RECOMMENDATIONS

In order to solve the problem of missing accreditation of IEs, JIAG proposes that all accreditations of the CDM should be recognized in JI (and vice-versa). We recognize that Joint Implementation is a mechanism that has a different design than the CDM due to the fact that JI operates within Annex-I countries and no inflation of the Annex-I system occurs. JIAG has argued at earlier occasions that JI is based on a case law system where 'rules' emerge while projects are being developed and assessed. In line with this case law system, JI accreditation should be designed accordingly. We argue that the focus in JI accreditation should be through spot-checks (unscheduled surveillance) of operating (=accredited) IEs while the JI case law emerges. This focus would allow for a swift recognition of CDM accreditation *as a start* and hence remove the bottlenecks in accreditation of IEs. The system is kept integer as the JI case law emerges and spot-checks are performed.

Should such a CDM recognition not be feasible in the short term, we suggest that the JISC at least makes the following changes:

- Witnessing of determination activities should be allowed for *any* projects, even if determination has been completed. Witnessing should not be restricted to new projects that have yet to initiate the 30 day public stakeholder consultation process.
- Witnessing of verification activities should be allowed with *any* JI project for which a project design document has been published. The witnessing activity should not be limited to finally determined projects. Projects that have started or completed the verification process should still be eligible for witnessing;
- The JISC decides on the "grouping of scopes" for accreditation and publicly lists which scopes are grouped. Similar to CDM some scopes can be naturally combined, and a successful witnessing and accreditation for e.g. scope 1, allows accreditation for scopes 2 and 3 automatically.
- Accreditation of a particular activity (determination/verification) will automatically lead to the accreditation of the other activity if the IE has been accredited for the same scope(s) in the CDM;
- Witnessing should only involve a desk review and no project visits are deemed necessary if the IE has been accredited for the same activity and same scope(s) in the CDM;
- The IE should be allowed to perform other determinations/verifications in the same scope while the witnessing process is still ongoing.

5. AUTHORS

Founded in March 2008 by a group of carbon market pioneers, the Joint Implementation Action Group (JIAG) is a consortium of Joint Implementation (JI) practitioners that represent JI projects of more than 100 millions of tonnes of greenhouse gas emission reductions.

The JIAG has been established to promote JI as an effective mechanism for reducing greenhouse gas emissions. We aim to contribute to further improving the way JI works, both in the first commitment period of the Kyoto Protocol, and afterwards in whatever regime follows Kyoto.

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