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INTERGOVERNMENTAL NEGOTIATING COMMITTEE
FOR A FRAMEWORK CONVENTION ON CLIMATE CHANGE
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MATTERS RELATING TO COMMITMENTS

CRITERIA FOR JOINT IMPLEMENTATION

Comments from Parties or other member States

Note by the interim secretariat

The Committee, at its tenth session, requested the interim secretariat to provide a compilation of interventions on criteria for joint implementation made during that session and any further comments that Parties or other member States may have transmitted to the interim secretariat by 15 November 1994 (A/AC.237/76, para. 62).

The interim secretariat has received submissions from Algeria, Australia, Austria, the Czech Republic, Germany (on behalf of the European Community and its member States), Iran, Japan, Kenya and Nigeria. These submissions are attached, and, in accordance with the procedure for miscellaneous documents, are reproduced in the language in which they were received and without formal editing. Any further submissions will be issued in an addendum.

The attention of the Committee is also drawn to document A/AC.237/Misc.41 (on the implementation of Article 11 (Financial mechanism), paras. 1-4) which contains some comments from States that are relevant to the issue of joint implementation.

A/AC.237/MISC.44

GE.94- 65068

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PAPER NO. 1: ALGERIA

POSITION DE LA DELEGATION ALGERIENNE SUR LE CONCEPT
DE L'APPLICATION CONJOINTE DES ENGAGEMENTS DES
PARTIES A LA CONVENTION-CADRE SUR LES CHANGEMENTS
CLIMATIQUES.

(Octobre 1994)

Le concept de l'application conjointe entre les Parties à la Convention-Cadre sur les changements climatiques est régi principalement par les dispositions de l'article 4 paragraphe 2a et 2b de la Convention .

Au cours des dernières sessions du Comité Intergouvernemental de Négociation d'une Convention-Cadre sur les changements climatiques, la délégation algérienne a eu, à maintes reprises tant en son nom propre qu'au nom du Groupe des "77", à exprimer sa position sur la question de l'application conjointe des engagements contractés par les Parties à la Convention. La position de la délégation algérienne se trouve, contenue dans la déclaration faite le 22 Août 1994 à l'occasion de l'ouverture des travaux de la dixième session du Comité, par le chef de la déLégation algérienne.

Dans la mesure où aucun élément nouveau n'est intervenu depuis qui serait de nature à entraîner un changement de sa position sur cette question, la délégation algérienne tient à confirmer que compte -tenu du principe de la responsabilité commune mais différenciée des Etats reflété, aux termes mêmes des dispositions de la Convention, dans les engagements entre les Parties de l'annexe I et les autres parties, la mise en oeuvre du concept de l'application conjointe devrait exclusivement concerner les pays de l'annexe I c'est à dire les pays industrialisés y compris ceux en transition.

Toute tentative visant à étendre le champ d'application de ce concept aux pays en développement, y compris sur une base volontaire, serait de nature à autoriser les parties de l'annexe I à contourner leurs obligations contractuelles en transférant une partie de leurs engagements aux pays les plus pauvres de la planète dont la responsabilité n'est nullement engagée dans la concentration inquiétante de gaz à effets de serre dans l'atmosphère.

Par ailleurs, toutes les estimations concourent à indiquer que les principaux pays industrialisés émetteurs de gaz à effets de serre ne seront pas en mesure de respecter leurs engagements de stabilisation de leurs émissions en l'an 2000 sur la base des données de 1990. De ce fait, autoriser l'extension du champ d'application du concept de l'application conjointe aux pays en voie de développement c'est encourager ces pays dont la responsabilité se trouve directement impliquée dans leur attitude du non-respect de leurs obligations. C'est aussi commettre une injustice flagrante à l'encontre des peuples du Tiers-Monde en aggravant l'hypothèque déjà très lourde qui pèse sur leurs perspectives de croissance économique et de développement.

Pour l'ensemble de ces raisons qui s'ajoutent à celles contenues dans son aide-mémoire en date du 21 septembre 1993, la délégation algérienne continue d'être d'avis que si le concept d'application conjointe venait à voir le jour, sa mise en oeuvre devrait être exclusivement limitée aux pays industrialisés qui se sont formellement engagés à prendre la direction des efforts de lutte contre les effets néfastes des émissions de gaz à effets de serre. Ils doivent faire la démonstration de leurs engagements.

PAPER NO. 2: AUSTRALIA

**SUBMISSION ON JOINT IMPLEMENTATION PILOT PHASE BY AUSTRALIA
TO THE INTERIM SECRETARIAT**

Introduction

Australia has consistently expressed support for joint implementation and has played an active role in developing key concepts. We see joint implementation providing an important means of achieving the objective of the Convention. Joint implementation also has the potential to improve the efficiency and ameliorate the environmental impacts of energy production and use. Early practical steps should be taken to initiate a pilot phase.

Australia broadly supports the paper on a pilot phase of joint implementation prepared by the interim secretariat for INC 10 (document A/AC.237/66) and considers it a useful basis for seeking agreement on the introduction of such a phase. We welcome the decision by the Committee at INC 10 to invite further comments from Parties on the pilot phase for the interim secretariat's consideration and possible distribution to other Parties. The views outlined below address each of the issues raised in the committee's conclusion paper on joint implementation (document AC.237/WG.I/L 24).

Objectives

A pilot phase should build a common understanding of joint implementation and test prospective criteria and guidelines. It would also be a positive step forward in addressing the policy and administrative implications of the concept and the advantages and disadvantages to participating countries. The results of a pilot phase would be taken into account in the development of a mature phase of joint implementation.

A pilot phase will also demonstrate the benefits of joint implementation such as the more rapid transfers of technology and increased investment in ways that are consistent with host country development.

A pilot phase would also be an ideal opportunity to engage the private sector in emission reduction activities.

Criteria and operational guidelines

The pilot phase should be open to all Parties to the Convention. Current activities initiated in expectation of joint implementation could also be included in the pilot phase, provided they meet the criteria to be agreed by the COP.

Australia supports the approach taken by the interim secretariat in identifying a limited number of essential criteria and considers they could form the basis for launching a pilot phase. Australia considers that the interim secretariat, guided by the Committee, will need to do more work to refine these criteria in order to remove possible ambiguities. (Criteria developed by Australia for use in a national pilot program we are currently considering are at Attachment A).

Australia opposes the use of arbitrary limits on the level of joint implementation activity conducted during a pilot phase and considers that efforts should instead be focussed on ensuring projects deliver unambiguous results. Projects should be unrestricted in terms of the range of greenhouse gases that can be addressed.

Funding for joint implementation should be additional to other forms of development assistance, including financial assistance under the Convention.

Functions and institutional arrangements

The institutional arrangements of a pilot phase should be kept as simple as possible. Australia is strongly of the view that a 'bottom-up' approach be pursued. This means that further rules should be developed in the light of experience rather than try to predetermine a complex set of regulations. It would also imply that the responsibility for meeting criteria and guidelines lies with the Parties involved in the projects.

Australia considers that structures to facilitate joint implementation should not be overly bureaucratic.

Any consideration of user pays in relation to these arrangements would have to be consistent with the need to ensure that bureaucratic costs and involvement be kept to a minimum.

While Australia could support a clearing house for joint implementation projects, the budget implications should receive careful consideration, as there is potential to duplicate existing mechanisms. If a clearing house were established, it should be based on voluntary participation, and not prevent individual Parties making their own arrangements. Possible functions of a clearinghouse could include maintaining a register of projects, maintaining a list of areas of expertise and areas of need, and, upon request, acting as a facilitator for project negotiations.

Australia sees a role for the COP in reviewing information and evaluating experiences on joint implementation, as this will provide the basis for consideration of the next phase.

Communication and review

An open and effective communication and review system should be developed during the pilot phase.

Projects should be listed as a routine, but discrete, part of national communications, which in turn would be publicly available. Developing countries participating in joint implementation activities should have the option of reporting on such activities to the COP.

The pilot phase should not be open ended, but be subject to a review of progress. The timing of the review would depend upon the start of the pilot phase. If a pilot phase were established at COP 1, a review in 1998 coinciding with the first review of commitments by the COP may be appropriate.

The review process should include objectives and performance indicators that are based on the eligibility criteria applied during the pilot phase. The reports should include information on such matters as the cost and level of emissions reductions, non-greenhouse benefits, contributions to the sustainable development of host countries, and the efficiency of administrative and organisational arrangements.

Early experiences

Australia has developed guidelines which are broadly consistent with the eligibility criteria developed by the interim secretariat, to assist Australian government agencies and to facilitate private sector participation in national pilot projects.

Australia's preference, which is reflected in our joint implementation guidelines, is for projects that:

- * improve the efficiency of energy use leading to a reduction in emissions
- * reduce emissions from existing energy suppliers by increasing efficiency through improvements in fuel quality, retrofitment or replacement technologies; and
- * use near-zero emission renewable energy sources.

As yet, no projects have been implemented by Australia.

Issues relating to further phases

Australia considers that emission credits should not be allocated during the pilot phase. Crediting could be addressed at the time of the review in the light of experience with the pilot phase. Accounting procedures however, including suitable methodologies to assess the results with respect to different greenhouse gases, should be progressed in parallel to the pilot phase.

Activities conducted during the pilot phase could address any greenhouse gases or combination of greenhouse gases, and results would be accounted for on both a gas by gas basis and an aggregation of global warming potentials. Also, a pilot phase could cover a full range of projects, including greenhouse sink projects, as this will assist in facilitating the development of acceptable methodologies.

It is important to note that joint implementation is a mechanism which will help achieve progress in emissions reductions and in no way modifies the commitments of each Party to the Convention. Nevertheless, the issue of further joint implementation phases may be considered as part of negotiations on additional commitments and, in this context, joint implementation should be considered as one of a range of policy instruments designed to assist in achieving the Convention's objective.

AUSTRALIAN JOINT IMPLEMENTATION CRITERIA

To be accepted as part of the Australian Pilot Phase joint implementation Program, project proposals will need to meet the following criteria. It should be noted that projects can be stand alone or form part of a larger commercial project. In regards to the latter situation, only that part of the project which meets the following criteria will form part of the pilot program.

- (i) Project proposals need to take account of the economic and social as well as environmental costs and benefits associated with the project.
- (ii) Projects should lead to real and verifiable emissions reductions, determined against reasonable baselines.
 - (a) estimates should be based on reliable and standardised accounting methodologies, taking into account both direct and indirect effects; and
 - (b) a reasonable estimate should be made of the reductions likely to be achieved from year to year. The estimates will have to be assessed periodically against original projections, and adjusted accordingly.
- (iii) Funding for projects should be additional to Overseas Developmental Assistance as well as financial assistance under the Convention.
- (iv) Projects should involve specific measures to reduce net greenhouse gas emissions initiated as a result of the Australian Pilot Phase Joint Implementation Program.
- (v) A high degree of transparency and openness should exist at every stage, especially in regard to agreements reached, reporting and assessment.
- (vi) The national government of the host country must accept the project as a joint implementation project that is consistent with its national priorities.
- (vii) Projects must be consistent with the principles of sustainable development.

PAPER NO. 3: AUSTRIA

I would like to begin this statement by thanking the Secretariat for the very helpful Document 66 which will enable us to continue our discussion on the subject of joint implementation, a possible pilot phase and the elaboration of criteria. We have had a very substantial exchange of views at INC 9 and we have also had the opportunity to receive and review a large number of national submissions contained in Doc.MISC 37.

Austria's position has been repeatedly explained by my delegation during the last meetings of INC. A detailed submission is also contained in document Misc. 37. Since these considerations still represent our general position on the subject of JI I would not undertake to reiterate those statements but would like to highlight specific points which we think are of critical importance in our further deliberations.

We have the view that the contents and conclusions of the secretariate document rightly point us in the direction that a decision by COP 1 on a fully elaborated scheme for joint implementation will not be possible. All we can aim for will be at the maximum an agreement on an initial time-limited pilot phase beginning at COP 1. In particular we consider that the issue of "crediting" for the commitments under this convention can only be successfully tackled after we dispose of the results of the evaluation of a possible future pilotphase.

We therefore support option b(ii) in para 6 of the Secretariat paper, that is to follow a phased approach starting with a pilot phase, but without dealing with the question of "crediting" and the question of JI in additional commitments.

We do in general agree with the objectives concerning the pilot phase as lined out in section II. C of the document 66. Particular emphasis should be placed on sub-para 15 f with regard to institutional arrangements. The question here arises whether we should not give convention bodies an enhanced role in the ex-ante-evaluation of the eligibility of projects.

We still maintain our view, that at the present stage - even in a pilot phase - only parties, which are bound by the same level of commitments (whether they are bound under the convention or do this on a unilateral basis) should be allowed to participate in joint implementation projects under this convention. We think that the COP 1, and the decision that will be taken at that time should be considered as the starting date for the pilot phase.

However we should not exclude the consideration of joint implementation in our work on a future protocol on additional commitments, in particular concerning reductions of emissions of CO₂ and other green house gases after the year 2000. But eventually forthcoming JI activities on additional commitments should not be included in a pilot phase.

With regard to the possible list of criteria for the pilot phase contained in section III B of the document we consider that the secretariat has presented us a with realistic and workable set of criteria. Certain additions appear nevertheless necessary to my delegation.

Criterion A

As the pilot phase should only relate to existing commitments, reference should be made to Annex I-Parties only .

Criterion C

JI should bring about real and measureable results; we see these results especially in the terms of incremental environmental benefits. We would like to see a text in this criterion, to the effect that JI activities should have a higher environmental benefit in each of the involved countries than individual activities would have.

With regard to the institutional arrangements for a pilot phase Austria supports a Top-Down approach, because this approach ensures, that activities are performed under full control of the supreme bodies of the Convention

In closing let me now come to issues relating to further phases of JI. Results of JI activities should be accounted for on a gas by gas basis only. An aggregation of results based on the concept of GWPs should not be allowed. The introduction of this concept would lead to a serious lack of clarity and transparency.

The Secretariats paper in its para 47 makes mention of the provisions for joint implementation in the 2. Sulphur protocol negotiated and adopted recently under the Convention on Long-Range-Transboundary Air Pollution. It could be of interest to the further discussion in this group if more information on the subject could be provided to the INC.

PAPER NO. 4: CZECH REPUBLIC

Comments on a Pilot Phase of Joint Implementation

In accordance with the draft conclusions of Working Group I at the tenth session of the UN INC/FCCC on criteria for joint implementation (document A/AC.237/WG.I/L.24), in which the INC requests the intertim secretariat to complete interventions and other comments on matters relating to commitments criteria for joint implementation, we submit the following comments relating to joint implementation in the pilot phase:

I. General Objectives of Joint Implementation

Joint implementation (JI) addresses the need for global solutions to the risks of climate change. It is a way to build global partnership among Parties which have mutual interests in working together in this area. JI projects are based on the principle of mutual benefit among the participants.

A pilot phase provides the critical testing ground for the development of well-prepared JI projects and for the development of criteria and guidelines for full implementation phase.

II. Criteria and Guidelines for Full Implementation of JI

The criteria and guidelines for stages of JI following the pilot phase should remain open until the end of the pilot phase. A sound basis has been established from which to build further understanding of the criteria and their complex implications and ramifications by documents A/AC.237/49, Misc. 37 and Add. 1, A/AC.237/66, and by the discussions on this subject at the INC meetings. The compilation of interventions and other comments on this subject being prepared by the intertim secretariat according to document A/AC.237/WG.I/L.24 will be very helpful in this regard as well.

III. Criteria and Guidelines for a Pilot Phase

JI criteria, and guidelines and procedures to make the criteria operational, should retain broad definitions until the end of the pilot phase. Using criteria which are somewhat general will enable the flexibility which is necessary. Broad criteria can also encourage initiative. For the purpose of COP during the pilot phase, and in view of the possibility of national governments' developing and implementing national JI programs with detailed criteria for reviewing, endorsing and evaluating JI projects within their territories, the criteria should be limited to the following:

- (i) JI projects must be mutually beneficial in the context of the FCCC and to the environment in general.

(ii) JI projects should involve two or more voluntary partners and be established on a bilateral or multilateral intergovernmental basis, using appropriate legal instruments such as Statements of Intent or Memoranda of Understanding.

In connection to these criteria, we support the following considerations regarding notification and review:

- Notification should be made to the appropriate FCCC body
- Full review of JI projects must be made and reported in accordance with FCCC guidelines (prepared by the intertim secretariat or other FCCC body).

IV. Institutional Arrangements

We support a "bottom-up" approach to developing institutional mechanisms for JI in the pilot phase. The role of national governments should be established during JI pilot phase, in order to build experience within relevant institutions for later full implementation of JI. Government review panels for JI could be very useful mechanisms, particularly if established with a view to functioning in similiar ways from country to country. An useful way to establish the legal basis between Parties on concrete projects which contribute to the goals of the FCCC is to establish bilateral agreements on JI.

V. Review of the Pilot Phase

Thorough review and evaluation of the pilot phase is essential. FCCC evaluation should be based on national evaluations of individual JI projects. It would be useful to include such national evaluations with national communications to the FCCC. The national evaluations should be carried out according to FCCC guidelines, which should contain (at least) the following elements:

- (i) A full description of the project's results, including technical details and financial arrangements.
- (ii) Quantitative evaluation of benefits accrued relevant to commitments under the FCCC, namely the reduction of emissions of greenhouse gases or amount of carbon sequestered.
- (iii) Quantitative and qualitative evaluation of other environmental benefits accrued as a result of the project.
- (iv) Assessment of the benefits gained for each of the participants relevant to their national policies.
- (v) Evaluation of the impacts (if any) on parties not involved in the JI project.

VI. Experience with JI in the Czech Republic

The Czech Republic is currently implementing a project which can serve as a model for other JI projects. Three U.S. utilities are investing in a fuel-switching project, which will convert a brown coal district heating plant to a natural gas heating and electricity co-generation plant in the North Bohemian town of Děčín. This region has suffered some of the worst environmental pollution in the country. In addition to reducing emissions of carbon dioxide (over 65%), the project will eliminate sulphur dioxide emissions (96 tons/year) and emissions of flying ash (3,190 tons/year).

PAPER NO. 5: GERMANY (On behalf of the
European Community and its member States)

On behalf of the European Union I would like to thank and congratulate the interim INC Secretariat for its excellent paper (A/AC.237/66) which in our view covers all relevant aspects of a pilot phase for joint implementation. We believe that the paper provides a very good basis for continuing the discussion on joint implementation and for making considerable progress during the current session with a view to preparing the decisions to be taken by COP 1. The European Union also notes with interest the work of several NGOs and other organisations on the issue of joint implementation.

At INC 9 the European Union has already presented a detailed paper giving an outline of its position on joint implementation. Since INC 9, we have focused our common considerations on further developing the concept of a pilot phase. A position paper expressing the outcome of this is available at the back of the room.

In addition to this paper, I would like to make some comments on the document prepared by the Secretariat.

1. We agree to the Secretariat's proposals on possible action by the Committee. We would like to achieve an agreement during the current session at least on the following elements:
 - * A pilot phase for joint implementation as a first step.
 - * The purpose and objectives for a pilot phase.
 - * A set of criteria or guidelines for the pilot phase which might have to be elaborated in more detail to make them more operational and applicable.
 - * Starting date and duration of a pilot phase
 - * Range of participation

2. We reaffirm our position that was reiterated during INC 8 and INC 9 that Annex I parties in order to fulfil their present specific commitment must limit their greenhouse gas emissions at home through their own actions and that this commitment should not be met by joint implementations activities. Therefore, during a pilot phase crediting with regard to the present commitment under the Convention should not be used.
3. During the pilot phase regular progress reports should be submitted by participants to the Secretariat and/or the subsidiary body entrusted with the evaluation of the pilot phase. After 3 years, an evaluation of the pilot phase should take place and a report containing recommendations should be submitted to the COP. This should not prevent further discussions or decisions on the possible incorporation of a "crediting procedure" into a protocol before the end of the pilot phase. In addition, it would be helpful to make use of the experience gained by activities already under way on the condition that such activities will be evaluated against the criteria to be agreed.
4. In addition to the purpose and objectives listed in the Secretariat's paper, we would like to be more specific with regard to some conceptual and practical issues which should be addressed.

The pilot phase should develop and test methods to calculate the reductions of anthropogenic greenhouse gas emissions to be attributed to a particular project. There is also need to gain experience with accounting emission reductions including the sharing of benefits. A "simulation of sharing the benefits" could be part of pilot projects. Furthermore, the pilot phase would have to provide certain indications of what general institutional and procedural conditions will be required for a later phase of joint implementation and what reporting and monitoring requirements will then be necessary.

5. In its position paper to INC 9, the European Union already expressed its opinion that joint implementation should, in principle, not be restricted to Annex I or even Annex II Parties. With a view to gaining as much experience as possible, participation in the pilot phase should be open to all Parties. Moreover, by encouraging investments in efficient technologies, joint implementation could generate substantial flows of investments, new technology and know-how.

6. In general we can accept the list of possible criteria for the pilot phase presented by the Secretariat. However, we would like to stress that "possible criteria" 2 (joint implementation is distinct from the provision of assistance to other Parties) and 9 (joint implementation activities could address any greenhouse gas or any combination of gases) contained in the list that was proposed by the Secretariat in document A./AC. 237/49 are also relevant for a pilot phase. In our position paper available at the back of the room we propose a set of six guidelines or criteria which we consider as essential for a pilot phase and could be mentioned when describing the concept as done in Section II A of document 66.

Specific criterion D should give clear priority to the assessment of the environmental effects. Joint implementation activities should, if possible, have positive environmental impacts beyond the reduction of greenhouse gases. The economic and social impacts of joint implementation activities should be assessed during an ex-post evaluation of pilot projects but in the pilot phase should not be an eligibility criterion in the context of accepting an activity as joint implementation by the Parties involved.

We also have some problems with the commentary to possible specific criterion C. It would be desirable to take into account all relevant factors including effects over the full fuel or life cycle of an activity and all its secondary effects. However, for the time being this might be too heavy a burden for the preparation of project submissions. Therefore, there is a need for some pragmatic guidance.

7. The European Union supports in principle the idea of a formal recognition for joint implementation pilot phase activities but in the sense of determining and confirming that the criteria are being met. In addition, we would like to ask the Committee to consider whether such recognition or registration should be connected to the option that only benefits attributed to the remaining life span of ongoing registered projects should be credited to further commitments after the COP has decided on final criteria. For more details, please see our position paper.
8. With respect to institutional and other arrangements necessary for a pilot phase the European Union is in favour of a "bottom-up" approach which leaves the prime

responsibility for ensuring coherence of activities with criteria and guidelines more with the participants and the Parties.

The European Union has some reservations regarding the proposed role of the Secretariat. We believe that the roles of broker, project developer and portfolio manager can be adequately fulfilled by the market and that additional institutional arrangements in this area are not needed. We do however feel that an information mechanism to match supply and demand could be useful. CC:INFO could be considered for that purpose. The European Union does not favour the suggestions for an insurance system, dispute resolution mechanism or special provisions for the withdrawal of Parties as suggested in paragraph 44. Such project related risks are the sole responsibility of Parties involved. If, as a consequence of these suggestions, costs can be limited, there will be no need for a "user fee" to cover the costs of Convention institutions.

As far as certain functions will have to be fulfilled by Convention institutions, the setting up of new bodies should be avoided. Some proposals on the allocation of functions to the bodies of the Convention are included in our position paper.

9. COP 1 should adopt some broad guidelines for the format and content of regular reports by participants in order to provide for a consistent basis for the evaluation of the pilot phase.

A combination of more aggregate reports as part of the communications pursuant to article 12 of the Convention with more detailed reports on particular projects might be useful.

With respect to a thorough preparation of the further discussion at INC 11 we would appreciate the preparation of more detailed guidelines on the proposed criteria which aim to make them more operational and on possible arrangements for fulfilling those functions the Committee may identify as necessary.

In addition we would welcome a compilation of information by the Parties on ongoing activities and projects.



Deutschland 1994

**Position paper
of the European Union
"Pilot Phase of Joint Implementation"**

Introduction

1. The results of the discussions on joint implementation (JI) achieved so far at the 8th and 9th Sessions of the INC and at a number of international conferences and workshops have shown that there are different opinions on evaluating the possible benefits and risks of JI. Hereon, as well as on some central methodological, procedural and institutional aspects a clarification will have to be achieved.
2. Against this backdrop, during the 9th Session of the INC the idea of a phased approach beginning with a pilot phase was widely endorsed. Consequently, INC 9 in its conclusion requested the INC Secretariat to develop options for such a phased approach as part of the documentation for INC 10. Such pilot phase documentation should address the objectives, a list of possible criteria and institutional arrangements for the pilot phase.
3. In its statement at INC 9, the EU endorsed the idea of a pilot phase and emphasised that a thorough evaluation of the experience gained during the pilot phase by the COP and its subsidiary bodies would be useful for the development of detailed criteria which could be adopted by one of the subsequent COPs. Moreover, in its position paper submitted to INC 9, the EU presented a number of ideas concerning the aspects that the Conference of the Parties and its subsidiary bodies should refer to in particular in the evaluation of the pilot phase. In order to further develop and complement the rather provisional considerations in the position paper, the following sections are to serve as a proposal for a specification of the pilot phase. Particular emphasis will be given to individual elements for which decisions of the 1st COP would be required or desirable. Individual EU Member States will further examine the concrete specification of JI through studies until the 1st COP.

I. **Objectives of the pilot phase**

4. The discussions on JI have so far been mainly characterised by two problems:
 - (a) Opinions on the benefits to be expected of JI and on the eventual risks associated with it differ considerably. The benefits are to be seen inter alia in an intensified transfer of technology and know-how with positive impetus for the development process in the countries involved and a more efficient use of scarce resources to reduce anthropogenic greenhouse gases worldwide. In this context, it is expected that JI will serve as an incentive and give the Contracting Parties room to take on more stringent commitments to reduce anthropogenic emissions of greenhouse gases. On the other hand, there is concern that greater flexibility given by JI might delay necessary action and changes in the developed countries, e.g. with regard to technical innovations and economic structures.
 - (b) There are considerable uncertainties about resolving important methodological matters in particular with respect to the calculation of reductions of greenhouse gases achieved by a JI project that is necessary for a crediting process. Moreover, the ideas concerning the organisational and institutional framework are still fairly vague, not least with regard to the inclusion of the private sector.

Against this background, the pilot phase has to cover the following tasks in particular:

5. It is necessary to evaluate the broadest possible range of various specific pilot projects in order to develop a better understanding to see what conditions need to be created in order to actually emphasise the benefits expected of JI and to control possible adverse effects and repercussions. An objective of the pilot phase will be to clarify the conditions and provisions for future JI arrangements.

From the evaluation of pilot projects it will be possible to draw conclusions for example as to how projects can be integrated into a country's development strategies,

what secondary economic and environmental effects are associated with the projects and what the relation is between the costs of emission reductions by the hosting participant and those for similar reductions by the investing participant. As opposed to that, the possibilities to draw conclusions on the long-term effects for example on technological development and structural change of a future JI regime might be limited.

6. As one task, the pilot phase should focus on the development and testing of different organisational models which provide for the necessary accommodation of interests between the Parties involved in the JI projects.
7. A second task of the pilot phase could be to identify project categories particularly suitable for JI. In this context, the evaluation of already existing projects from a JI perspective might also be helpful.
8. A third central task of the pilot phase is to develop and test methods to calculate the reductions of anthropogenic greenhouse gas emissions to be attributed to a particular project (respectively the reduction effects with respect to sinks), because the availability of internationally accepted methods for this purpose is one precondition for any future crediting arrangement. In this context, it is particularly important to develop methods to determine reasonable baselines for particular projects. With regard to the development and testing of methods project simulations supplementary to real pilot projects might be useful.
9. A fourth task of the pilot phase is to consider what general institutional and procedural conditions are required for a later JI phase. The pilot phase would have to provide certain indications, e.g. what requirements should be determined for reporting and monitoring or whether it would make sense to establish a coordination and information exchange mechanism to help find suitable partners or projects for cooperation (reduction of transaction costs). To clarify the general institutional and procedural conditions, the individual Contracting Parties should consider among other things the question of the national organisation of JI.

II. Necessary decisions by the 1st COP

10. Pursuant to Article 4.2 d of the Framework Convention on Climate Change, the 1st COP is called upon to decide on the criteria for JI as indicated in Article 4.2 a. In view of the discussions in the committee so far it is likely that a phased approach of JI will be chosen, starting with a pilot phase. This would mean that the 1st COP would decide on the initiation of a pilot phase and on criteria, guidelines and provisions for that pilot phase.
11. The 1st COP is expected to set requirements for the following aspects of a pilot phase:
 - preliminary guidelines
 - participation
 - length of pilot phase
 - reporting by Contracting Parties on Joint Implementation pilot projects
 - registration of Joint Implementation pilot projects
 - organisation of the pilot phase, in particular tasks of the Secretariat and the subsidiary bodies and possible establishment of a coordination and information exchange mechanism.

II.1 Preliminary Guidelines

12. In its document A/AC 237/49, the INC Secretariat proposed twelve possible criteria for JI to the 9th INC. These proposals were, in principle, widely endorsed at the 9th INC as a good basis for the necessary further elaboration of the concept of JI. It therefore makes sense to consider to what extent these possible criteria are suitable as guidelines for the pilot phase. Firstly, guidelines for the pilot phase should provide the Contracting Parties with ideas for the selection and specification of pilot projects without setting strict requirements which would exclude certain options from the outset. Secondly, criteria and guidelines for the pilot phase are expected to provide some sort of orientation for the evaluation of the pilot phase and thus for the requirements for reporting on pilot projects by Contracting Parties.

13. In its position paper submitted to the 9th INC, the EU expressed its view that Annex I Parties should fulfil their present commitment contained in Article 4.2 (a) and (b) of the FCCC only through their own national action and that the reductions of anthropogenic emissions of greenhouse gases achieved by JI projects should not be credited to the present commitment. Therefore during a pilot phase, crediting with regard to the present commitment should not be used.

Against this backdrop, all criteria associated with such crediting become irrelevant for the pilot phase. This applies to possible criteria 1, 4 and 11 contained in document A/AC 237/49. However, it would be useful for future decision making on the issue of crediting in the context of moving to the next phase of JI if experience could be gathered in pilot projects on methods for the sharing of benefits between Parties involved.

14. The possible criterion 10 which gives priority to measures for the reduction of greenhouse gas emissions as opposed to measures on sinks might also not be necessary for the pilot phase. It is in particular with regard to methods to evaluate the climate-related effects of measures on sinks and reservoirs, which have not been elaborated sufficiently that it could be useful not to exclude such measures from the pilot phase. However, this should not be seen as a prejudice for future decisions on final criteria.

15. The following guidelines for the pilot phase could be adopted by the 1st COP:

Guideline 1

16. **JI projects should be undertaken by Governments of two or more Parties or should be endorsed by the Governments of the Parties ⁽¹⁾ involved. A formal agreement on the arrangements of projects by the Parties involved would be useful.**

In this context it should be clear from the reports from Parties involved that all governments of participating Parties do endorse the project.

Guideline 2

17. **JI pilot projects shall be financed independently of the obligations of Contracting Parties within the framework of the financial mechanism and of the provision of technical assistance pursuant to Articles 4.3, 4.4 and 4.5 of the Convention.**

To verify this criterion, the Contracting Parties' reports on JI measures should contain transparent information on the funding of projects.

Guideline 3

18. **JI pilot projects can refer to all greenhouse gases not controlled by the Montreal Protocol and/or combinations of greenhouse gases and to reservoirs and sinks without prejudice for future decisions on JI criteria.**

⁽¹⁾ This also applies to Regional economic integration organisations as defined in Article 1.6 of the FCCC.

Guideline 4

19. **JI measures should be compatible with national strategies to reduce greenhouse gases and should not be contraproductive to national development strategies.**

This criterion focuses in particular on the subsequent evaluation of the pilot phase. The evaluation will include an assessment of the mechanisms applied by the Contracting Parties involved in this pilot project to comply with this criterion. In this context, it should be emphasised that it cannot be the task of the Conference of the Parties or its subsidiary bodies to consider the compatibility of projects with national policies and strategies in the subsequent phase of JI application. This has to be ensured by the Contracting Parties involved. The pilot phase is expected to show that such compatibility will be possible with the appropriate specification of pilot projects and which institutional and procedural measures the Contracting Parties may use to ensure this compatibility.

Guideline 5

20. **JI pilot projects should, if possible, have positive environmental impacts beyond the reduction of greenhouse gases; adverse repercussions on other environmental and social aspects should be avoided.**

The importance of this criterion is in particular to serve as a standard for subsequent evaluation of the projects and the pilot phase. The Parties involved in the pilot projects should make an evaluation of the environmental effects associated with the projects as early as the stage of planning and realisation.

Guideline 6

21. **JI pilot projects should provide for a verifiable reduction of anthropogenic greenhouse gas emissions. The data and methods used for the evaluation should be part of the reports provided by Contracting Parties. This will require transparent monitoring provisions and verification procedures, details of which should be part of the reports on the respective project.**

The evaluation of pilot projects should also give consideration to possible secondary effects which may lead to an increase in greenhouse gas emissions. Self monitoring by the participants is preferred.

II.2 Participation

22. In its position paper to the 9th Session of the INC, the European Union already expressed its opinion that JI should, in principle, not be restricted to Annex I or even Annex II Parties. This applies to the JI pilot phase in particular. There is no reason why non-Annex I Parties should be generally excluded from participation in the pilot phase. Instead, with a view to gain as much experience as possible participation in the JI pilot phase should be open to all Parties interested in the implementation of specific pilot projects.

With regard to further elaborating the criteria for JI, in particular experiences and joint projects of Annex I and non-Annex I Parties would be of particular interest.

II.3 Length of the pilot phase

23. During the pilot phase regular progress reports should be submitted by participants to the Secretariat and/or the subsidiary body entrusted with the evaluation of the pilot phase. After 3 years, an evaluation of the pilot phase will take place and a report containing recommendations will be submitted to the COP. This should not prevent further discussions or decisions on the possible incorporation of a "crediting procedure" into a protocol before the end of the pilot phase.

II.4 Reports on JI Pilot Projects

24. The 1st COP should adopt guidelines on the format and content of reports by Contracting Parties within the framework of the JI pilot phase. These guidelines are designed to create a consistent basis for the subsequent evaluation of the pilot phase by the COP and its subsidiary bodies.

25. First of all, it has to be considered whether the Contracting Parties' reports on the JI pilot projects are to be submitted only within the framework of communications by the Contracting Parties pursuant to Article 12 of the Framework Convention on Climate Change or whether additional separate reports are required for JI pilot projects. In principle, the reports on JI projects could be subsumed under the commitments of Article 12, para. 2 of the Framework Convention on Climate Change. On the other hand, the differentiated and project-related reports on JI pilot projects desirable with regard to the evaluation of the pilot phase would go beyond the scope of regular communications pursuant to Article 12. Moreover, non-Annex I Parties have to submit national communications not earlier than three years after the entering into force of the Convention and Annex-I Parties only submit communications with certain intervals.

26. It is therefore proposed that in the regular communications pursuant to Article 12, Contracting Parties provide reports on JI measures in line with the requirements of Article 12 para. 2.

Moreover, Contracting Parties should be requested to submit periodically and on a voluntary basis to the Secretariat and/or the subsidiary body entrusted with the evaluation of the pilot phase detailed reports on individual JI pilot projects before the end of the pilot phase which contain information on the aspects listed below.

It would make sense if the Contracting Parties involved in JI pilot projects were to submit joint reports. This would, on the one hand, demonstrate the agreement of the Contracting Parties involved (Guideline 1), and, on the other hand, improve the credibility of these reports as a basis for the evaluation of the pilot phase.

27. The reports of the Contracting Parties should, where feasible, in particular contain details on the following aspects:
- * description of the original situation before the implementation of the project in particular with respect to anthropogenic emissions of greenhouse gases;
 - * description of the project in particular with respect to the technologies applied and also with respect to measures necessary for the implementation for example in the sectors of infrastructure, management, qualification;
 - * calculation of the reduction in anthropogenic greenhouse gas emissions achieved by and/or expected from the project as compared to the original situation with a detailed list and description of methods applied and baselines taken as a basis for the calculation;
 - * illustration of further environmental impacts associated with the project;
 - * costs and funding (including sharing of costs and funding between the Parties involved) of the project;
 - * illustration of secondary economic effects and of social effects (e.g. effects on prices, employment);
 - * organisation of the project;
 - * overall evaluation of the project for example with respect to emission reduction, transfer of technology, capacity building.
 - * description of monitoring and verification procedures.

II.5 Registration of pilot projects

28. In its position paper to the 9th Session of the INC, the EU already mentioned the option of an international registration of pilot projects. Such a registration requires:
- the agreement of the Governments of all Contracting Parties involved in the project;
 - submission of a detailed report by the Contracting Parties in line with the substantial requirements outlined in paragraph II.4;
 - ensuring the monitoring of projects with respect to the actual realisation of expected reductions in anthropogenic greenhouse gas emission over time, in conjunction with the commitment to regularly disseminate appropriate information.
29. Registration will be open to all projects that meet the criteria set for the pilot phase, including projects that have already started. Registered projects are not a priori excluded from possible future crediting against further commitments under the Convention, provided they will meet the final criteria to be set by future COP's. Only benefits to be attributed to the remaining life span of ongoing registered pilot projects could be credited to further commitments after the COP has decided on final criteria.

The establishment of a registration mechanism in conjunction with a future crediting procedure described above could provide an incentive to Contracting Parties to actively participate in a JI pilot phase.

II.6 Organisation of the Pilot Phase

30. The 1st COP is to decide on the following organisational aspects:

- (a) What are the tasks of the bodies of the FCCC within the framework of the evaluation of the pilot phase?

In this context, it is proposed that the Secretariat

- receive the Contracting Parties reports on JI pilot projects, compile them and forward them to the subsidiary bodies,
- on the basis of comments from the subsidiary bodies write a summary report on the evaluation of the pilot phase for the COP and submit proposals for the JI criteria to be adopted by the COP and for the organisation of a future JI regime.

It is further proposed that the Subsidiary Body for Scientific and Technological Advice (SUBSTA) evaluate the information on the methods applied to calculate the reductions in greenhouse gas emissions and on the definition of baselines contained in the reports by Contracting Parties and develop proposals for uniform procedures. SUBSTA could also make an evaluation of the technologies applied with respect to technology transfer and capacity building.

The Subsidiary Body for Implementation (SUBIM) should evaluate the JI pilot phase with respect to the elaboration of proposals for final criteria to be adopted by the COP and with regard to the contribution of JI to achieving the objective of the FCCC.

The INC may consider whether and to what extent other organisations could be involved in the evaluation process to ensure its credibility.

- (b) Should a coordination and information exchange mechanism be established within the framework of the pilot phase and where should it be based?

It is expected that one of the major difficulties during the pilot phase will be to identify suitable projects and bring together suitable partners.

It would therefore be useful to set up a coordination and information exchange mechanism to which interested Contracting Parties report possible pilot projects on a voluntary basis. Apart from disseminating information, such a mechanism could also serve as a coordination point, bringing together several investors to implement a pilot project.

III. Organisation of the Pilot Phase by the Contracting Parties

31. Those Contracting Parties that want to participate in the JI pilot phase are recommended to set up a national organisational framework for the implementation of the pilot phase. The Contracting Parties need to ensure in particular that the pilot projects on which they intend to report to the Conference of the Parties and/or which they intend to register internationally comply with the pilot phase requirements for reports adopted by the COP and with the registration requirements.
32. Maximum inclusion of the private sector in the JI pilot phase would be desirable. In order to encourage private enterprises to participate in the implementation of pilot projects, certain incentives will probably be necessary. The formulation and specification of these incentives should exclusively be a matter for national Governments.
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PAPER NO. 6: IRAN

COMMENTS ON JOINT IMPLEMENTATION
SUBMITTED BY THE ISLAMIC REPUBLIC OF IRAN

The delegation of the Islamic Republic of Iran has carefully studied comments of the delegations with regard to joint implementation including the Secretariat documents A/AC.237/66, A/AC.237/MISC.37 and A/AC.237/MISC 37/Add.1.

Our understanding of joint implementation is based on the following facts:

1. The ultimate objective of the convention is achieving stabilization of greenhouse gas concentrations in the atmosphere to a level that enables the countries to proceed economic development in a sustainable manner.
2. The preamble of the convention emphasizes the developed countries' largest share of historical and currently global emissions versus low per capita emissions in developing countries.
3. The principle of common but different responsibility and the role of the developed countries in taking the lead in reducing and stabilizing greenhouse gas concentrations and the adverse effects thereof.

4. The right of the developing countries to promote sustainable development according to their specific conditions and national development programmes.
5. The preamble of Article 4.2 which stipulates explicitly that the developed country parties and other parties included in Annex I should undertake the commitments on subparagraph 4.2 a. This subparagraph also points out, since there is possibility of evolvment of difficulties among these developed countries, they could implement their national policies and measures jointly with each other.
6. "Cost effectiveness", referred to by a number of delegations in their comments as a firm basis for joint implementation between developed and developing countries, is in reality, not a comprehensive and firm basis in this regard. In other words it is not clear that as to which party benefits from this cost effectiveness.

Taking into account the complexity as well as the far-reaching political implications of joint implementation, we believe that joint implementation has to be elaborated according to the text of the Convention, some of which has been presented in this paper and the paper of Algeria on behalf of G.77 and China during

the ninth session.

In our view, joint implementation should be implemented only among the Annex I Parties, as the Convention has stipulated.

Some of the delegations have referred in their comments to the transfer of technology as well as funds to the developing countries as the benefits of joint implementation between developed and developing countries. This argument is questionable and it is not at all clear that such transfers could indeed take place.

We share, in a more general sense, the positions of the Group of 77 on joint implementation and, particularly, the concern over shifting of the principal commitments of the developed countries to the developing countries through this scheme.

We believe, therefore, that in accordance with the Convention, the developed countries need to first implement their commitments under the Convention which may include joint implementation amongst themselves before calling for such implementation jointly with the developing countries.

Altogether, we must say that the issue is still clouded and there are a number of points that need further clarification.

In the meantime, we welcome in principal the idea of a pilot phase. In our view, a pilot phase could prove to be beneficial to Annex I countries, as an experimental stage. Yet we underline, in this respect, that during this phase "crediting" should be put aside and not to be considered.

PAPER NO. 7: JAPAN

Criteria for Joint Implementation

1. *Objectives*

We propose to add a following objective:

To provide the host countries with opportunities to carry out a large project that has socioeconomic benefit in environmental, sanitary, and regional developmental aspects, along with the reduction of the CO₂ emission.

2. *Starting date of a pilot phase*

We believe that the starting date should be the day when the Parties agreed on the criteria for the pilot phase. This is because we are still on the way to acquire experience, and there is a need of the interested countries to start it as soon as possible. Specifically, we should aim at agreeing on the criteria for the pilot phase at COP1. At COP1, we should also consider whether we should include the experience to be gained from the projects that is going on at the time of COP1.

3. *Communications*

Among the issues raised in Para. 21 of the document A/AC.237/66, we believe that the determination of the first item, "The type and detail of information that would have to be provided, as well as the frequency of providing communications," would lead to the conclusion of the other issues. Therefore, we should give the priority to the examination of this item.

4. *Crediting*

Japan does not intend to include emission reductions from joint implementation in the calculation of total greenhouse gas emissions under current commitment.

5. *Institutional arrangements for a pilot phase*

We believe that it is appropriate to choose a "bottom-up" approach, in which the prime responsibility for ensuring coherence with criteria and guidelines would lie with the participants and the Parties involved in. We deem that the COP should evaluate the activities in aggregate through adequate information from each Parties and the result should be material for the study of an international rule.

PAPER NO. 8: KENYA

The following criteria are deemed necessary for effective implementation of JI projects:

- a) There should be an interministerial review body for JI process at the national level of developing country Parties.
- b) JI projects should be in harmony with national development plans of developing country Parties.
- c) JI should not be undertaken to avoid domestic emissions reduction by developed country Parties.
- d) Credits for JI should be shared equally between the Parties involved.
- e) JI should not be a substitute for or weaken commitments relating to transfer of environmentally sound technology and provision of financial resources by developed country Parties to developing country Parties.
- f) JI should not lead to transfer of polluting industries from developed country Parties to developing countries.
- g) JI should not be undertaken in the Export Processing Zones as these areas are extra-territorial.
- h) The effectiveness of JI (including joint reporting) and compliance of JI with criteria agreed upon by the conference of the Parties should be monitored by the Subsidiary Body for Implementation.
- i) JI projects should be delayed until such time that
 - i) Developed country Parties have made initial domestic emissions reductions;
 - ii) Developing country Parties have developed reasonable capacity to initiate and screen JI projects so as to ensure that such projects are compatible with national development priorities; and
 - iii) The pilot phase of JI has been critically reviewed and results of such a review have been widely disseminated among Parties.

PAPER NO. 9: NIGERIA

I thank you for giving my delegation the floor to speak on this important agenda item dealing with joint implementation. We wish to also thank the secretariat for the background documents before us.

On the onset, my delegation wishes to state that document No. A/AC.237/66 of 16 August, 1994 is instructive but a bit confusing. It addresses many issues in a very vague manner. It has succeeded in confirming the fears of many delegation that there are two definitions of Joint Implementation: one is the nominal or normative definition, while the other is the operational definition. This should not be the case. For us to fully understand the concept of Joint Implementation, The Secretariat should come out with a single definition based on the input of all member-states of the United Nations taking part in the negotiation of this Climate Change Convention.

Having said this, Mr Chairman, my delegation will like to mention the issues we want the next background document and the INC to address regarding the question of Joint Implementation.

First the document should categorically state that the Annex I parties must fully meet their commitments as stated in Article 4 of the Convention before undertaking the Joint Implementation.

Secondly the notion of Joint Implementation should not be confused with the issue of financial mechanism, Investment and Transfer of Technology.

On the question of Pilot Phase, My delegation

wholeheartedly welcomes the idea of Pilot Phase. We however want the phase to be restricted only to countries in Annex 1, because they are the ones with similar commitments. It is by so doing that the Committee can effectively discuss, after the pilot phase, the criteria for the joint implementation. This we expect will start after the year 2000 so as to afford us the time to evaluate the phase and learn from the experiment.

My delegation proposes that one of the criteria to be given serious thought after the year 2000 is that only those developed country parties that have achieved the 0.7% of their GNP for ODA will be eligible to engage in the Joint Implementation Project. Algeria, on behalf of G.77 has earlier on made this point.

My delegation listened attentively to the statement by Germany, on behalf of the European Union. The Statement no doubt is very instructive and revealing; it should be studied further. On their suggestion that the INC Secretariat should not play the role of a broker in the Joint Implementation is surprising. My delegation will comment on this suggestion later.