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SUBJECT: **Contribution to call for public input to the Joint Implementation Supervisory Committee (JISC) on guidance on baseline setting and monitoring.**

Introduction
We at the World Bank Carbon Finance Unit would like to express our appreciation for the opportunity to submit our views on Version 01 of the JISC working paper on guidance on baseline setting and monitoring (below). We would be happy to provide clarifications, respond to questions and/or provide additional input if it is deemed useful to Members of the JISC.

1. Strengths of the Working Paper
The Working Paper presents an excellent draft. The following paragraphs are noted as particularly appropriate for ensuring efficiency in the baseline setting and monitoring process.

1.1 Baseline Options (Para 15)
The paragraph presents two clear options for the project proponents to use either existing CDM methodologies or to develop JI project specific baselines that are either new (based on appendix B) or that draw on elements of approved CDM methodologies. This ensures that no baseline approach is excluded *a priori* and project proponents have maximum flexibility in defining the most appropriate and accurate baseline for their project as well as providing sufficient guidance to the Accredited Independent Entities (AIE) for the determination process.

1.2. Additionality Annex 1 (Para 2b (iii) and (iv))
Paragraph 2b. iii. incorporates the idea that if the project is not part of the baseline scenario it is additional. Therefore, project participants are able to use a simplified additionality test provided that traceable and transparent information is provided, showing that the baseline was identified on the basis of conservative assumptions, that the project scenario is not part of the identified baseline scenario and that the project will lead to reductions of anthropogenic emissions by sources and/or enhancements of anthropogenic removals by sinks of GHGs. This is appropriate for JI projects since it is the responsibility of the AIE to determine whether, *inter alia*, "the project would result in a reduction of anthropogenic emissions by sources or an enhancement by sinks that is additional to any that would otherwise occur"(Para.32. *Guidelines for the implementation of Article 6 of the Kyoto Protocol*). Second, it is appropriate for JI project

activities to have a simpler additionality test since JI host countries already have caps on GHG emissions (Article 2 of the Kyoto Protocol). Given these caps the conditions and risks to the environmental integrity of the Kyoto Protocol of any error and/or leakage are different in the case of JI than in the case of the CDM, which justifies a simpler additionality test.

Paragraph 2b. iv enables comparable projects to assume additionality provided the additionality for the first project implemented was confirmed by an AIE. This approach could significantly reduce time required for project proponents to develop PDDs and reduce AIE assessment costs thereby overall ensuring an efficient and effective procedure.

2 Requests for Clarifications and Suggested Amendments to Wording

2.1 Clarification Regarding Factors Affecting Baselines over Time (Para 17)

In Para 17 reference is made to "*Key factors that affect a baseline, inter alia, over time shall be taken into account*". Does this mean that key factors that could result in a dynamic baseline (i.e. a baseline that changes over time) should be taken into account? Clarification on this would be useful since a fixed baseline approach considerably reduces risks associated with emission reductions whilst a dynamic baseline approach increases risks.

2.2 Request for Amendment of Justification of Baseline (Para 19)

In Para 19 project proponents are required to justify the selection of a baseline **and** provide an explanation and justification of any differences to approaches taken in "comparable cases" or in theoretically applicable approved CDM methodologies.

It is understood that justification of a baseline methodology is useful for AIEs to assess the applicability of the methodology applied as well as helping project proponents select the most appropriate approaches for their projects. However it is not clear why a project proponent must explain and justify differences to (any and all) theoretically applicable methodologies approved under the CDM or for comparable cases. In particular we think that such a justification should not be required for the following reasons:

- The requirement to include explanation and justification for differences to an approved CDM methodology or comparable cases is in contradiction with the JI Guidance which does not require JI projects to use CDM methodologies as a priority over developing JI specific baselines.
- Para 15 of the Working Paper does not prioritize the use of CDM methodologies ahead of JI specific baselines and a requirement to explain and justify any differences to applicable CDM methodologies would reduce innovation in the development of new approaches.
- Inclusion of additional justification increases the required effort, cost and bureaucracy of PDD development without any clear benefits for an AIE who will have to make an individual assessment of the applicability of an approach for each project reviewed and can make this assessment based on the justification of the

approach without additional explanations and justification differences to comparable cases and/or approved CDM methodologies..

We therefore recommend that the requirements to explain and justify differences to comparable cases and/or approved CDM methodologies are removed from Para 19 (i.e. we propose to delete the second sentence of the paragraph), since justification that the most accurate baseline has been selected will already have been provided by the project proponent.

2.3 Clarification regarding baseline identification using multi-project emission factors.

We understand that there are two steps in developing a baseline; the identification of a baseline (as defined in chapter 5 of the Working Paper) and then the establishment of a baseline (as defined in chapter 4 of the Working Paper). Currently Chapter 5, Para 16a suggests it is possible to "identify" a baseline using a multi-project emission factor. This appears to be incorrect since whilst it is possible to **establish** a baseline using a multi-project emission factor it does not seem possible to **identify** a baseline scenario using a multi-project emission factor alone. Clarification on this issue would be useful.

3. New elements recommended to be considered by the JISC

3.1 Defining "significant" (Para 9 a iii))

In Para 9a iii) it states project boundaries shall encompass all emissions that are considered

"*Significant, i.e., as a rule of thumb, would by each source/sink account on average per year over the crediting period for more than X per cent of the annual average anthropogenic emissions by sources/anthropogenic removals by sinks of GHGs, or exceed an amount of XXX tonnes of CO_2 equivalent, whichever is lower; and…*"

The inclusion of a definition for the term "significant" will be useful in improving consistency and transparency between different projects in the same sector. In general there are three main options to establish a general definition of a "significant" source of emissions (or enhancement)[1]. These are:

a) Absolute emission (or enhancement) levels in tCO2eq;
b) Emission levels relative to the project's (or baseline's) total emission levels i.e. if emissions were less than 10% of the baseline emissions they would be considered insignificant; or
c) Emission levels relative to the largest single GWP-weighted GHG impact of a project. For example – the threshold could be established to exclude any impact that is less than 10% of the largest individual GHG impact of the project.

The Working Paper appears to have been formulated with option a) in mind, however, we recommend the application of option c), since it is most accurate and focuses clearly on the

[1] This is discussed in the OECD Paper *"Developing guidance on monitoring and project boundaries for greenhouse gas projects"* by Jane Ellis (2002).

impact of different gases on climate change. A cut off threshold of 10% is used by the World Bank in assessing the impact of GHG impacts of a project and has been found to be an effective and conservative cut off level.

3.2 Standardizing variable names

It is recommended that the Project Participants draw on the standardised list of variable names in order to ensure comparability and to ease the task of assessment by AIEs. It is recommended that the standardised names outlined in the guidelines for new baselines and monitoring under the CDM could be used as a basis of developing standardised variable names for JI projects.

3.3. Editing

The ordering of the draft JISC working paper does not currently reflect a step-wise guidance. The guidance would be easier follow if it was presented more like a recipe with clear separate steps defined for baseline, monitoring and additionality.

There is also some repetition in some paragraphs (for example, Para. 20(a) where reference to the baseline setting as per appendix B is mentioned and then repeated in Para. 15 and elsewhere). Avoiding such repetition would make the guidance more concise. We therefore recommend that these points are taken into consideration during the next round of editing.