



Ministry for the
Environment
Manatū Mō Te Taiao

New Zealand's Guidelines and Procedures for Track 1 Joint Implementation under the Kyoto Protocol

**Applicable for projects in New Zealand under the
Projects to Reduce Emissions programme and for
the Te Apiti and Tararua wind farms**

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Notes to reader

These guidelines will be updated if the New Zealand Government introduces new Joint Implementation policies.

For any enquiries on these Guidelines and Procedures contact New Zealand's Joint Implementation Designated Focal Point:

Ministry for the Environment
PO Box 10362
Wellington
New Zealand 6143

Phone: +64 4 439 7400

Fax: +64 4 439 7700

Email: projects@mfe.govt.nz

More details on New Zealand's Designated Focal Point can be found at http://ji.unfccc.int/JI_Parties/.

1 Glossary

AAUs	Assigned Amount Units
CMP	Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol
DFP	Designated Focal Point
ERUs	Emission Reduction Units
JI	Joint Implementation
JISC	Joint Implementation Supervisory Committee
Ministry	Ministry for the Environment
NZEUR	New Zealand Emission Unit Register
PRE	Projects to Reduce Emissions
RMA	Resource Management Act 1991
UNFCCC	United Nations Framework Convention on Climate Change

2 How to use these Guidelines and Procedures

These Guidelines and Procedures are for projects in New Zealand under the Projects to Reduce Emissions (PRE) programme and the Te Apiti and Tararua wind farms that wish to apply for Joint Implementation (JI) approval.

These Guidelines and Procedures are written and arranged in sections according to your role in the JI application. The table below describes what section you should read depending on your role.

If you are a ...	Then ...
Investor project participant, Annex B party or entity, buyer	read section 4 'Information for Investor Annex B parties or their entities'.
PRE project owner	read section 5 'Information for PRE project owners'.

Sections 1, 2, 3 and 6 contain information relevant to both the investor and the project owner.

New Zealand-based entities wishing to invest in a JI outside of New Zealand and transfer the resulting Emission Reduction Units (ERUs) into the New Zealand Emission Unit Register (NZEUR) need to refer to the [Guidelines and Procedures for Investment in Joint Implementation and the Clean Development Mechanism under the Kyoto Protocol](#).

3 Introduction

New Zealand's Initial Report

New Zealand submitted its 'Initial Report' to the United Nations Framework Convention on Climate Change (UNFCCC) on 31 August 2006. The Initial Report has been reviewed under the reporting and review guidelines of the Kyoto Protocol, and New Zealand meets all the eligibility requirements. This means New Zealand can participate in the three flexibility mechanisms of the Kyoto Protocol: JI track 1 and 2, the Clean Development Mechanism, and Emissions Trading.

Joint implementation

Industrialised countries that have accepted targets for limiting or reducing emissions under the Kyoto Protocol are listed in Annex B to the Protocol. These parties are known as Annex B parties. JI activities are limited to Annex B parties and enable Annex B parties to meet part of their required cuts in greenhouse gas emissions by paying for projects that reduce emissions in other Annex B countries. This means that countries, or companies within those countries, can find the least-cost method for meeting their emission targets. The ERUs generated by JI activities are issued out of the host party's assigned amount.

Article 6 of the Kyoto Protocol, paragraph 1(b) provides that projects implemented under JI must generate emission reductions which are additional to those which would otherwise occur.

JI has two tracks, track 1 JI and track 2 JI. Track 1 JI is not subject to the mandate and authority of the Joint Implementation Supervisory Committee (JISC) which oversees the track 2 JI process. Under Track 1 JI, the project's host party may verify project-based reductions itself, and transfer ERUs to the Registry of another Annex B party.

The rules for JI projects do not require consultation with stakeholders. However, under Track 1 JI, the host party may have their own requirements for public or stakeholder consultation.

New Zealand's Projects to Reduce Emissions programme

The New Zealand Government has adopted the Track 1 JI approach through the PRE programme. All PRE project owners are able to apply for their projects to become JI projects and receive ERUs. PRE project owners may at any time elect to use the Track 2 JI procedure, or elect not to become a JI initiative and receive Assigned Amount Units.

The PRE programme has been implemented as part of the New Zealand Government's climate change policy since 2002. It supports initiatives that will reduce emissions of greenhouse gases during 2008–2012 beyond the reductions that would have occurred without the project. There have been two trial projects and two contestable tender rounds – the first tender round in 2003 and the second in 2004. PRE projects are formalised by binding contractual 'project

agreements' between the New Zealand Government and the project owner. Project owners are private or publicly-listed companies, state-owned enterprises, and local authorities.

In New Zealand, JI can only be undertaken through the PRE programme. No further tender rounds for new projects are planned for the PRE programme.

Additionality

Successful PRE projects were required to pass a number of eligibility criteria and succeed in a contestable bidding process. Assessing and confirming additionality was the core purpose of the contestability process by which the PRE programme was implemented. This included tests to ensure both environmental and investment additionality. Not only were the emission reductions to be real and measurable in New Zealand's inventory of greenhouse gases, but also that the incentive provided was only of a value that was needed for the projects to be economically viable.

Two independent reviews have concluded that the PRE process represented international best practice in terms of procedures in project-based mechanisms addressing additionality.

Public consultation

PRE projects are required to get environmental permits (called resource consents) from the appropriate regulatory authority under New Zealand's Resource Management Act 1991 (RMA). 'Affected stakeholder' and public consultation is an intrinsic and critical component of the resource consent process. Any PRE project that is implemented should have undergone and 'passed' a, generally, substantial public consultation process.

More details about the RMA and resource consents can be found at:

<http://www.mfe.govt.nz/rma/>

Details about public consultation under the RMA can be found at:

<http://www.qualityplanning.org.nz/>

4 Information for Investor Annex B parties or their entities¹

Notice of approval of JI projects by the New Zealand Government

The Ministry for the Environment (the Ministry), in its capacity as the UNFCCC Designated Focal Point (DFP) for JI, is responsible for approving JI projects in New Zealand.

The notice of approval by the New Zealand DFP of a JI project is the listing of the PRE project on the Ministry's website at <http://www.mfe.govt.nz/issues/climate/policies-initiatives/joint-implementation/notice.html>. Supplementary information on approved JI projects is also made available on the UNFCCC website at http://ji.unfccc.int/JI_Projects/ProjectInfo.html.

Provisional approval

Notice of approval is a two stage process. Provisional approval is granted by the New Zealand DFP once it considers a project owner's JI application to be complete. Then the notice of approval for the PRE project is listed on the Ministry's website at <http://www.mfe.govt.nz/issues/climate/policies-initiatives/joint-implementation/notice.html> with the following information:

- date approved
- project title
- project owner
- number of ERUs for this approval
- investor project participant.

However, no ERUs will be issued to the project owner until they have been granted full approval from the New Zealand DFP.

Full approval

Full approval of a JI project is granted once the New Zealand DFP receives a non-host party letter of approval for the PRE project. The non-host party is the Annex B country who administers the register in which the investor project participant will receive the ERUs. The DFP of this Annex B country must approve the investor project participant to receive the ERUs into the register and provides a letter of approval to the investor project participant.

Once the New Zealand DFP receives a non-host party letter of approval for the PRE project, the notice of approval on the Ministry's website is updated with the non-host party involved.

¹ Annex B Parties are the industrialised countries and the countries with 'economies in transition' that are listed in Annex B of the Kyoto Protocol.

Full approval of a project allows ERUs to be issued to the project owner's NZEUR account. The project owner is responsible for transferring the approved number of ERUs directly to the investor's Annex B registry account.

Notice of approval of JI projects by the non-host party

The investor project participant must apply for the non-host party letter of approval for the PRE project.

Once the New Zealand DFP receives a non-host party letter of approval for the PRE project, full approval of a JI project can be granted.

Further information

- Background information on the PRE programme
<http://www.mfe.govt.nz/issues/climate/policies-initiatives/projects/index.html>
- The PRE projects selected for support in the 2003 tender round
<http://www.mfe.govt.nz/issues/climate/policies-initiatives/projects/table-successful-projects-2003.html>
- The PRE projects selected for support in the 2004 tender round
<http://www.mfe.govt.nz/issues/climate/policies-initiatives/projects/table-successful-projects-2004.html>
- A copy of the standard PRE project agreement
<http://www.mfe.govt.nz/issues/climate/policies-initiatives/projects/project-agreement.html>
- New Zealand's Emission Unit Register
<https://www.eur.govt.nz/eats/nz/>
- New Zealand's Initial Report
http://unfccc.int/files/national_reports/application/pdf/new_zealands_initial_report_under_the_kyoto_protocol.pdf
- JI information on the UNFCCC website
<http://ji.unfccc.int>
- JI information at the JI Rulebook website
<http://www.jirulebook.org/>

5 Information for PRE project owners

New Zealand Government approval of JI projects

The Ministry, in its capacity as the DFP for JI, is responsible for approving JI projects in New Zealand.

All PRE project owners are able to apply for their projects to become JI projects and receive ERUs. Unless you apply for your project to become a JI project you will receive AAUs. You cannot exchange AAUs for ERUs once you have received AAUs in your NZEUR account.

The New Zealand DFP will consider a JI application for your PRE project if you have met the requirements of your PRE project agreement and have a confirmed investor project participant (or buyer).

How do I gain JI approval for a PRE project?

To gain approval for your PRE project to become a JI project, you will need to post to the New Zealand DFP signed hard copies of a:

- application form cover letter
- JI application form
- non-host party letter of approval.

A template letter and a template application form are located at the end of this document. Electronic templates are also available on the Ministry's website at <http://www.mfe.govt.nz/publications/climate/guidelines-track1-joint-implementation/index.html>.

Provisional approval

Notice of approval is a two stage process. Provisional approval is granted by the New Zealand DFP once it considers your JI application form cover letter and JI application form to be complete. Then the notice of approval for the PRE project is listed on the Ministry's website at <http://www.mfe.govt.nz/issues/climate/policies-initiatives/joint-implementation/notice.html> with the following information:

- date approved
- project title
- project owner
- number of ERUs for this approval
- investor project participant.

However, no ERUs will be issued to your NZEUR account until you have been granted full approval from the New Zealand DFP.

Full approval

Full approval of a JI project is granted once you submit a non-host party letter of approval for the PRE project to New Zealand DFP. The non-host party is the Annex B country who administers the register in which the investor project participant will receive the ERUs. The DFP of the Annex B country must approve the investor project participant to receive the ERUs into their register and provides a letter of approval to the investor project participant.

Once the New Zealand DFP receives a non-host party letter of approval for the PRE project, notice of approval on the Ministry's website is updated with the non-host party involved. Full approval of a project allows ERUs to be issued to your NZEUR account. The project owner is responsible for transferring the approved number of ERUs directly to the investor's Annex B registry account.

Your responsibilities for the transfer of ERUs

The Kyoto Protocol requires that ERUs arising from a JI project are transferred from the host country to the investor Annex B country in the first instance. The first transfer of ERUs must be from an approved New Zealand JI project to the investor's Annex B registry account. New Zealand derived ERUs should not be sold on the domestic market in the first transfer, as this goes against the Kyoto Protocol.

Approval of JI projects is granted only for the number of ERUs specified in the JI application form. Once ERUs have been issued to you, the New Zealand DFP expects that you will transfer these ERUs exclusively to the investor project participant named in the JI application form and you must sign a declaration to this effect.

Adding and withdrawing investor project participants

If you already have an approved track 1 JI project and wish to transfer ERUs from the project to multiple investor project participants, you must submit multiple JI application forms. If there is a change to the arrangements you have with an approved investor, you must contact the New Zealand DFP to update or cancel your JI approval. Procedures for adding and withdrawing investor project participants are outlined in the table below.

	Including an additional investor project participant
1	Submit to the New Zealand DFP a new 'application form cover letter' and 'JI application form' including details of the additional investor project participant.
2	If the JI application is complete, the New Zealand DFP will grant provisional approval and the additional investor project participant will be listed on the notice of approval on the website.
3	Once a non-host party letter of approval has been received, full approval of a JI project is granted and the notice of approval on the website updated.
NB	There is no requirement to inform the New Zealand DFP if the additional project participant is a New Zealand entity and receiving AAUs.

	Withdrawing an existing investor project participant
1	Submit details of the investor project participant to be withdrawn to the New Zealand DFP.
2	The New Zealand DFP will corroborate this information with the investor project participant and the non-host party involved.
3	Once confirmed, the New Zealand DFP will update the websites to reflect the withdrawal of the project participant.
4	If the withdrawal of a project participant means no approved Annex B investor project participant remains, the project will be deemed ineligible for ERUs and will be removed from the website.

Fees

New Zealand Designated Focal Point fees

Currently, there is no application fee for gaining JI approval from the New Zealand DFP for a PRE project. Neither is there any application fee for including additional, or withdrawing investor project participants.

UNFCCC fees

In November 2010, the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (CMP) decided to start charging fees for activities under the Track 1 procedure (see decision 4/CMP.6. paragraph 28

http://unfccc.int/files/meetings/cop_16/conference_documents/application/pdf/20101204_cop16_cmp_ji.pdf). The CMP requested the JISC to finalise the provisions for charging the fees.

The JISC finalised the provisions for charging of fees in March 2011. The provisions for charging of fees are available at:

http://ji.unfccc.int/Sup_Committee/Meetings/024/Reports/Annex3.pdf.

The fees are:

- US\$20,000 for large-scale projects and US\$3,000 for small-scale projects (small-scale renewable energy projects have a maximum output capacity of up to 15 MW)
- effective from 1 March 2011
- charged only once, after the first publishing of the joint implementation project on the UNFCCC JI website.

The PRE team submits project documentation to the UNFCCC secretariat for publication once we have given a PRE project full JI approval.

For more information on the charging of fees, please email the PRE team at projects@mfe.govt.nz.

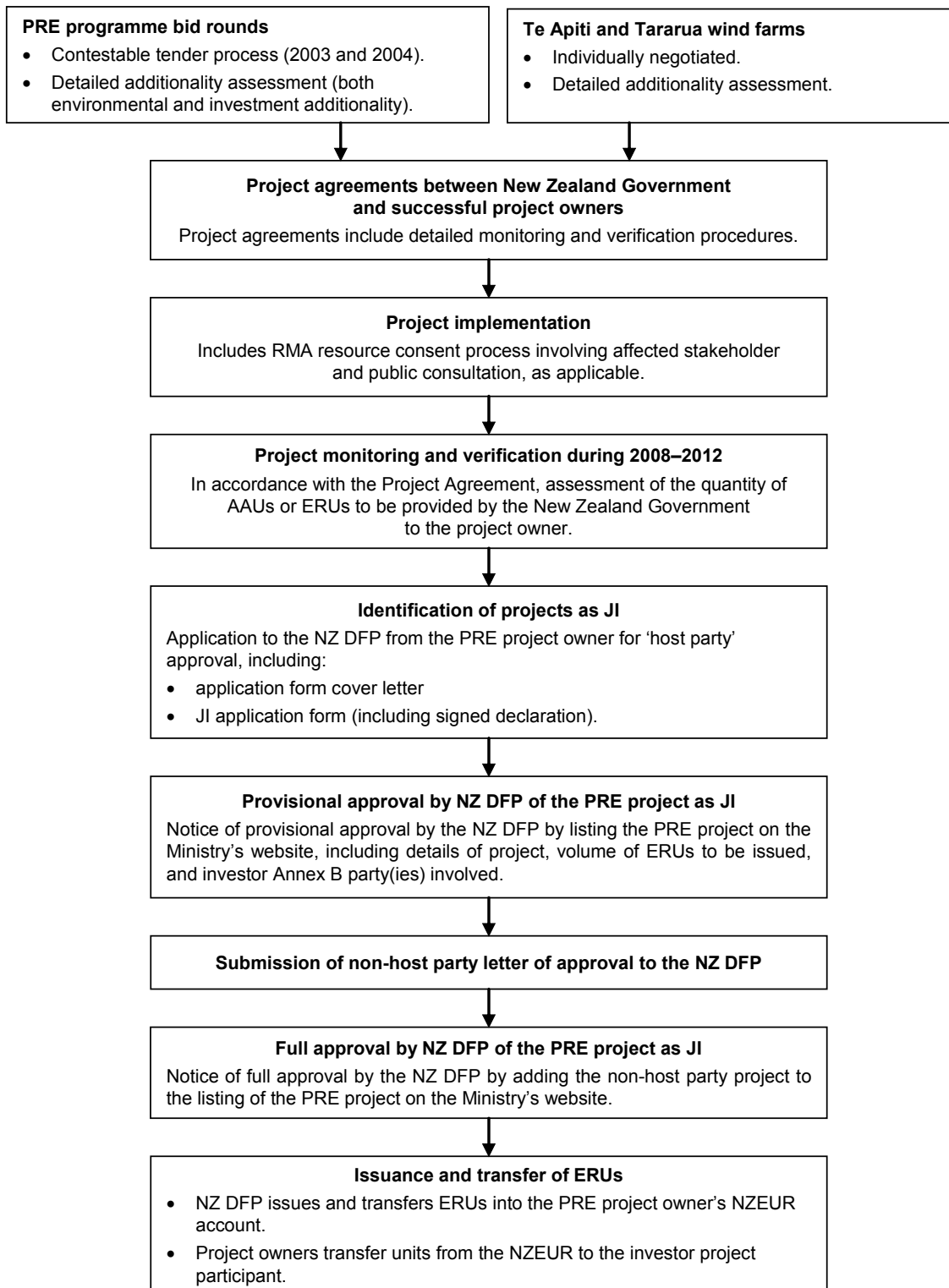
Timing

A project owner can apply for JI approval for their PRE project at any time. However, JI approval cannot be applied retrospectively to AAUs already in a project owner's NZEUR account.

The NZ DFP will assess applications for approval of a JI project within 10 business days of receiving the application. After 10 business days the NZ DFP will either give provisional approval of the JI project, and list the project on the Ministry's website, or request more information.

Please note that the investor project participant needs to apply to the non-host country DFP for the non-host party letter of approval and this may take a number of months.

6 The PRE project cycle



Joint Implementation project application letter template

[To be provided on official letterhead of the project participant]

[Date]

Joint Implementation Designated Focal Point
Ministry for the Environment
PO Box 10362
Wellington
New Zealand 6143

Subject: Request for Joint Implementation Approval for [Name of Project]

Dear [Name of Designated Focal Point]

I request that the emission units to be issued to us in accordance with our Project Agreement for [Name of Project] are provided as Emission Reduction Units.

We attach the completed Joint Implementation Application Form.

Thank you.

Yours sincerely

[Signature]

[Name of person authorised to sign by the Project Owner]

[Contact details – phone numbers and email]



Request for approval of a Joint Implementation project under the Kyoto Protocol implemented in New Zealand

APPLICATION FORM

If you have any questions about this form, contact New Zealand's Joint Implementation Designated Focal Point, phone (04) 439 7400 or email projects@mfe.govt.nz.

1. Project details

Project title:
Project owner:

2. Project owner contact details

Name:	
Address:	
City:	Postcode:
Telephone number:	
Email address:	
Name of authorised signatory:	
Any other relevant contact details:	

3. Project description

Summary:	
Location:	Years covered for this application:
Abatement, tonnes CO ₂ e for this application:	
Number of ERUs to be issued for this application:	

4. Non-host party involved²

Name of non-host party involved (attach the approval of the investor project participant and if there is more than one non-host party involved attach a declaration by the investor identifying all the non-host parties involved):

Authorised contact person for the non-host party involved:

Phone:

Email:

5. Investor project participant

Legal name and address of the investor project participant (if more than one please provide additional details in an attachment):

Authorised contact person for the investor project participant:

Phone:

Email:

Is this project part of a bundle of small scale projects? No Yes

If YES, please list the other projects in the bundle:

6. Declaration and authorised signatory for project owner

I declare that the project meets all of the eligibility requirements for a project under article 6 of the Kyoto Protocol.

I declare that any ERUs the Crown transfers to my NZEUR account will only be transferred to the investor as described in this application form or updated JI approval.

Signature:

Name:

Place:

Date:

7. Checklist

Before sending us your application please check that you have: (please tick)

- Answered all relevant questions
- Included all the required signatures
- Completed, signed and attached the application form cover letter

Please send your application to:

Joint Implementation Designated Focal Point, Ministry for the Environment, PO Box 10362, Wellington 6143

² The country that has approved the investor project participant.