

Draft JISC recommendations: Implications of true-up and gap periods

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JI Roundtable

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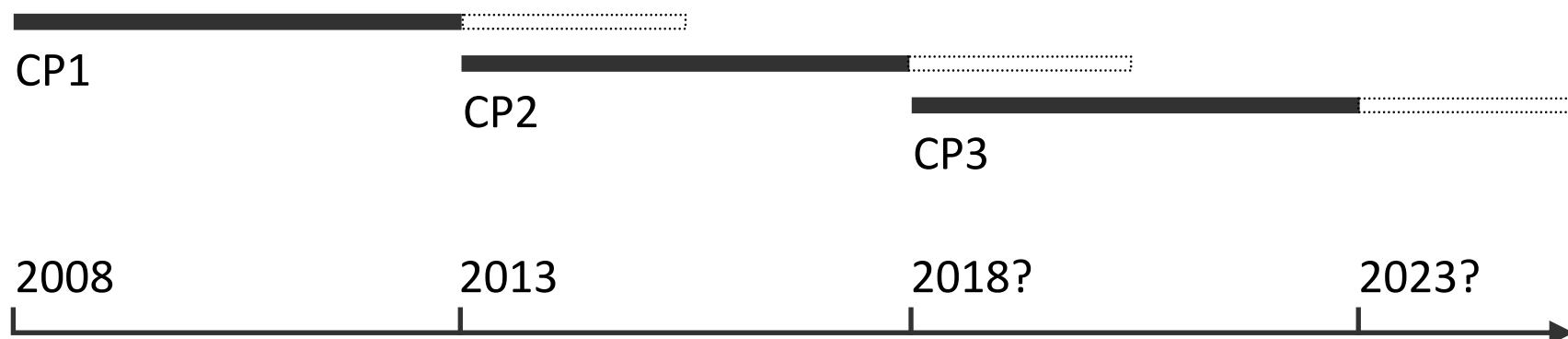
Overview

- True-up period accounting
- Implications of a gap in Kyoto targets
- Transitioning to a new JI model and/or through a gap period



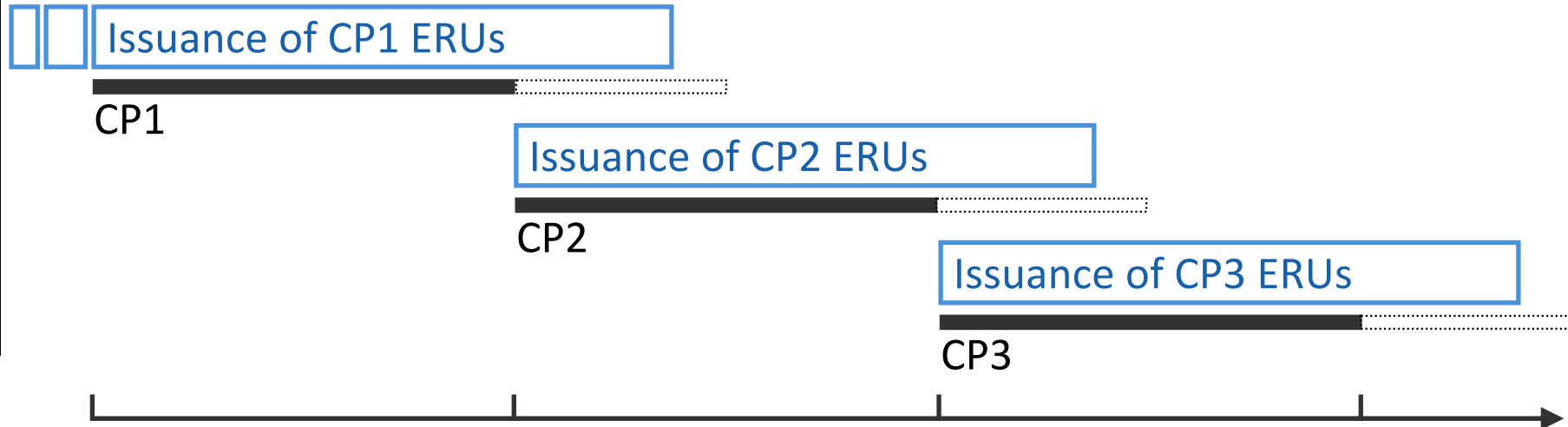
True-up period accounting

- Kyoto's *additional period*, after each commitment period, to true-up compliance quantities with target quantities
- CP1 true-up period expected to end in mid-2015
 - 100 days after completing the review of Parties' 2012 accounting
 - Specific date is still to be set by the CMP



Issuance of CP1 ERUs will inevitably continue beyond 2012

- Consistent with Kyoto's overall accounting, the CP of ERUs is linked to timing of reductions (not of issuance)
- Guidance needed
 - Treatment of reductions that span both commitment periods
 - Possible cut-off dates for CP1 issuance
- ETS surrender obligations will prompt earlier issuance



Carry-over of ERUs (banking)

- Strict limits, enforced by the International Transaction Log
 - ERU carry over is limited to 2.5% of the Party's assigned amount
 - No carry over of ERUs converted from RMUs (LULUCF projects)
- Under Kyoto, governments are responsible for carry over
 - Carry-over transactions initiated by governments after true-up
 - Governments determine which ERUs may be banked
- ETS banking provisions may determine limits and timing on banking at the entity level



What if CP2 targets enter into force too late?

- Kyoto principles point to JI continuation in a gap period
 - JI, CDM and Kyoto are legal frameworks for an indefinite period
 - Only targets are negotiated period-by-period
 - In absence of targets, there is no prohibition on determining JI projects and verifying emission reductions/removals
- But CP2 ERU issuance needs AAUs and RMUs for CP2
 - AAUs issuable only after targets enter into force
 - RMUs issuable only after accounting parameters are confirmed
- JI continuation in a gap period is ultimately political, not legal



Transitional issues

- JISC recommends (draft) that smooth transition to any new JI operational model be ensured
 - Some or all new guidance not being retroactively applied
 - Staged or discretionary implementation of new guidance
 - Adequate advance notice of new guidance becoming applicable
- JISC recommends (draft) that the gap period be addressed
 - Clarify that determination and verification may continue
 - Allow continuation of issuance from CP1 AAUs/RMUs
 - Where reductions/removals occur between 1 Jan 2013 and (a) the end of the true-up period or (b) the establishment of CP2 assigned amount for a host Party (whichever is sooner)
 - From existing and new projects



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