



Overview of JI and the Carbon Market – JI in context

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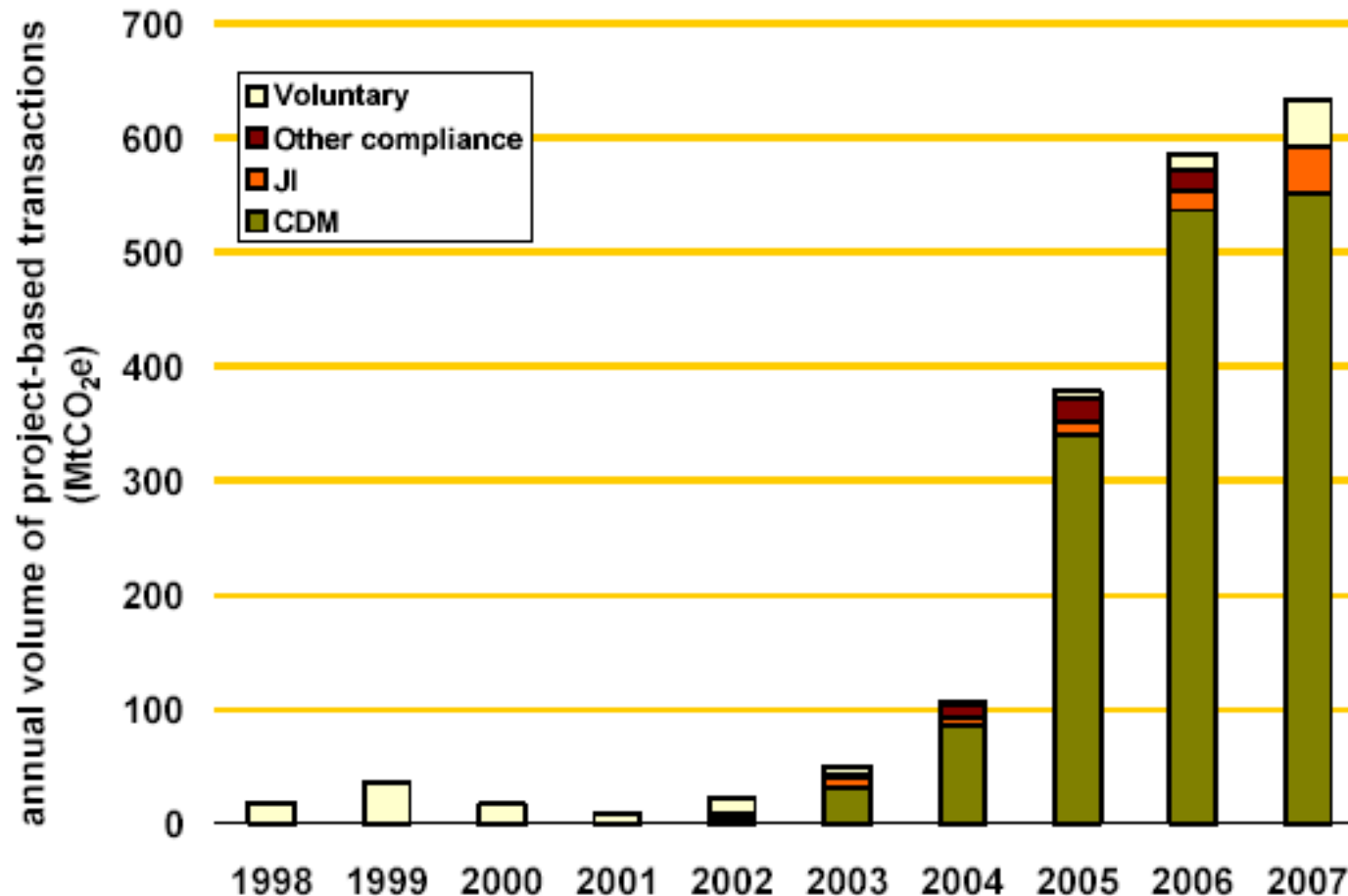
UNFCCC Technical workshop on Joint Implementation (JI)

9-10 Sep 08



CERs dominate the project based mechanisms - accounts for 87% of volumes and 91% of value transacted).

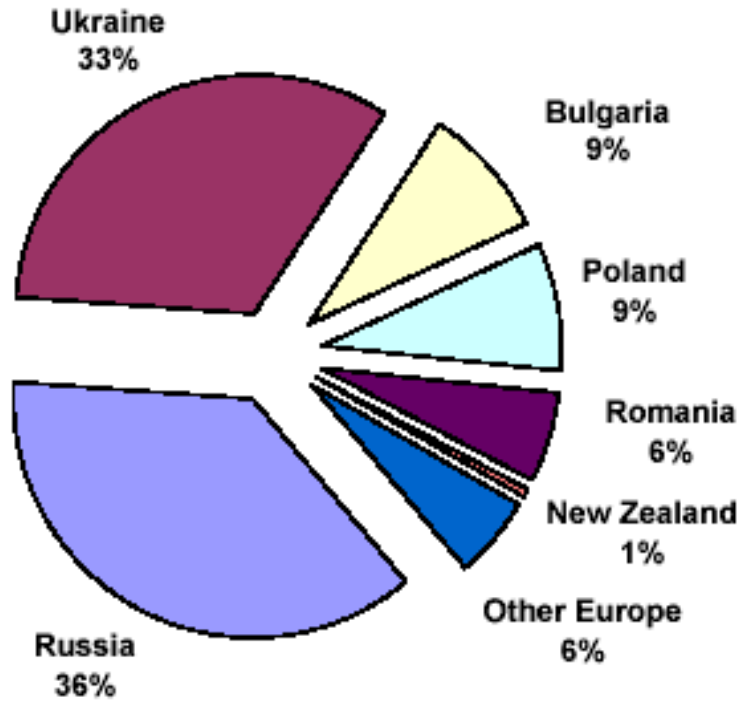
Figure 1: Annual Volumes (MtCO₂e) of Project-based Emission Reductions Transactions (vintages up to 2012)



Source: World Bank - STATE AND TRENDS OF THE CARBON MARKET 2008

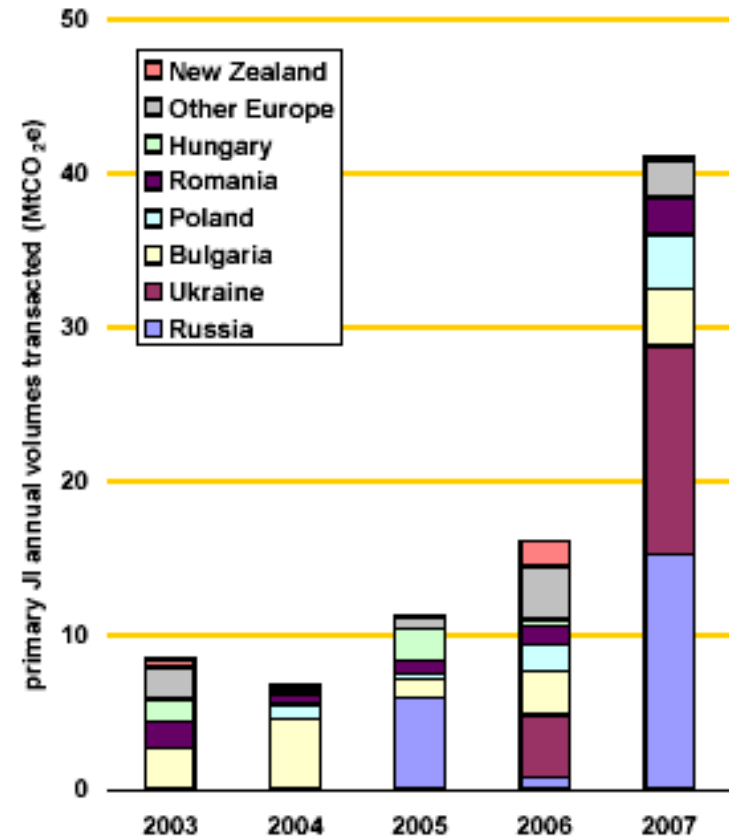


Location of JI Projects



2007

(As a share of volumes supplied)



2003-2007

Source: World Bank - STATE AND TRENDS OF THE CARBON MARKET 2008



JI Market - Unrealised Potential?

Host region/country for JI projects by status	At determination			Request registration			Registered		
	Number	kERUs	2012 kERUs	Number	kERUs	2012 kERUs	Number	kERUs	2012 kERUs
Track 2									
Russia & Ukraine	110	47440	220823	0	0	0	2	1934	8913
Russia	83	38536	178034	0	0	0	0	0	0
Ukraine	27	8903	42790	0	0	0	2	1934	8913
Eastern Europe	37	8071	36564	0	0	0	11	1672	8362
Bulgaria	10	908	4117	0	0	0	1	74	371
Czech Republic	1	33	167	0	0	0	0	0	0
Romania	5	1938	9564	0	0	0	0	0	0
Poland	9	3210	14846	0	0	0	0	0	0
Hungary	2	142	603	0	0	0	8	1526	7629
Estonia	3	212	1115	0	0	0	0	0	0
Latvia	1	5	27	0	0	0	0	0	0
Lithuania	5	1611	6062	0	0	0	2	72	362
Slovakia	1	13	63	0	0	0	0	0	0
Others	2	916	4579	0	0	0	9	3654	13301
Germany	2	916	4579	0	0	0	4	3284	11452
New Zealand	0	0	0	0	0	0	5	370	1849
Total JI countries	149	56427	261967	0	0	0	22	7260	30576

Source: UNEP Riso, JI Pipeline Overview)



Market Barriers and Risks in National Context

Institutional Challenges

- Procedural bottlenecks
- Political constraints - LoAs not being issued
- Insufficient capacity within Host Country institutions
- Shift to Track 1?

Financial/commercial

- Country risk – countries with greatest JI potential are economies in an intermediate level of transition with challenging business environment
- Proponent/seller risk
 - Ownership issues (state vs. private)
 - Assessment of creditworthiness (lack of ratings from western agencies)
- Perceived ERU issuance/delivery risk relative to CDM



Actions to Overcome Barriers

- Consolidate institutional arrangements to facilitate the effective functioning of JI at the national level – shift to Track 1 where possible
- DFP approval process and LOI issuance must be Clear, Transparent, Consistent
- Good investment climate and buyer confidence in approvals
- Establish legislative basis for regulating ERU ownership
- Investors need confidence in national issuance procedures for ERUs



Challenges

- **JI process still entails degree of uncertainty, thus significant perceived risk for buyers**
 - risk (perceived or actual) results in discounted pricing and/or other mitigation
- **Host Countries can take steps to reduce perceived risk and attract investment**
 - Simple steps by Host Countries to improve confidence in JI process will have a positive impact on pricing
- **Given short 'window' (2008-2012) progress essential**
 - Investment is taking place but greater transparency and certainty required before potential can be realized
- **Lessons from CDM**
 - DOE capacity for CDM validation is stretched – what is the IE capacity for determination of JI projects under both Track 1 and 2?
 - Some decisions of the CDM EB lack transparency and consistency - JISC should adopt efficient procedures with clear guidance and transparent, consistent outcomes



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