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JIAG's view on JI in a new agreement

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Why a project-based mechanism?

Benefits of a project-based mechanism



In Annex I the emissions of a country are capped through the Kyoto Protocol.

Some country, most notably the EU, decided to transpose about 45% of overall cap to individual emitters (= EU ETS).



A project-based mechanism is helpful in two ways:

- As a **policy instrument** to countries that have no cap-and-trade scheme in place (e.g. Ukraine and Russia)
- As a **complimentary instrument** to reduce emissions in sectors not covered by a cap-and-trade (e.g. in the EU this is 55% of overall emissions)

A project-based mechanism does not reduce overall emissions, but reduces the **cost of compliance**.

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Experiences with JI Track 1 & Track 2

History of Track 1 and Track 2



Initially only Track 1 was envisaged. As it was expected that not all Host Countries would meet the **eligibility requirements**, Track 2 was designed as a transitional track.



In practise Track 2 became the standard setting for JI:
All Host Countries have developed Track 1 procedure (and standards) based on the JISC regulations.

So in practise there is not much difference between Track 1 and Track 2

-> **Track 1 = Track 2 – (final determ./verif.)**

Track 1 & Track 2



Pros T2:

- Well defined procedures : **standard setting** for JI
- **International** recognition of credits
- Centralized **accreditation** of AIEs

Cons T2:

- Final determ./verifi. **time** consuming and **cost** more
- Limited flexibility



Pros T1:

- Enables JI to be a true **policy** instrument
- Less cumbersome in procedures, **lower fees**

Cons T1:

- Can lead to **fragmentation** of standards
- Often no capacity to develop **own** standards

Preferences



The majority of JI projects are registered under Track 1 (status June 2011):

- 30 projects registered under Track 2
- 262 projects registered under Track 1



The main reasons for Track 1 tendency is same result (ERUs issued) with lower costs, no risk of reviews and no risk for AIE suspension.

However, some project developers are/will be faced with **a freeze** on their T1 ERU and AAU assets.

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A reformed JI

A reformed JI



We believe that there is **a strong case** to merge two tracks into an unified track.

As **condition** for such unification the best of both worlds should be indentified on the following :

- Authority and composition of JISC/Governing Body
- Authority of Host Countries
- Creation of issuing authority

JISC/governing body



The governing body should focus on:

- Standard setting for baseline and monitoring;
- Supervise accreditations (together with EB or outsource)
- Set-up an appeal procedure



The governing body **should not**:

- Be involved in projects, i.e. review determinations/verifications

The governing body should be composed of representatives:

- Parties involved in JI projects
- AIEs
- Project developers

Authority of Host Countries



Host Countries should continue to approve projects.



Moreover Host Countries should transform the concept of additionality into how JI can become a Host Country **policy instrument to reduce emissions. Provided that there are stricter caps in a Second Commitment period, a Host Country will become more selective in approving projects.**

Issuing authority



The conversion of AAUs and transfer to ERUs should be regulated by a **separate body**, which will work as follows:

- Upon registration of the project the AAU amount of the PDD will be **set aside** in a subaccount of this registry;
- Upon submission of a verification report, an amount of AAUs will be **converted** into ERUs;
- The focal point will instruct the registry where to **transfer** the ERUs;
- In case not all AAUs are used, these remaining AAUs will be **returned** to the Host Country.

Benefits:

- Issuance risk mitigated
- Freeze of assets due to suspension will be a risk

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