



Joint Implementation and European Offsetting Schemes Post 2012

Joint Implementation Action Group

**Second meeting of the CEPS Task Force on the carbon market
after Copenhagen: Challenges and the way forward for the EU**

September 15, 2010

JIAG – The Voice of JI

- The Joint Implementation Action Group (JIAG) has been established to promote JI as an effective mechanism for reducing greenhouse gas emissions in capped environments
- JIAG believes that JI provides an incentive for entrepreneurs to reduce emissions
- JIAG aims to contribute to further improving the way JI works in the first commitment period of the Kyoto Protocol and to ensure the continuation of a project-based mechanism in any post-2012 agreement

 GLOBAL
CARBON GreenStream CLIMATE FOCUS CORE
CARBON
GROUP carbon
TRADE & FINANCE :FutureCamp
Climate GmbH VERTIS

Certainty for JI investments is evaporating



- It is now all too clear that there will be a gap between the 1st commitment period and a successor agreement
- Left aside sources covered by the EU ETS, incentives to develop and invest in emission reductions within the capped environment will fade
- Demand from the EU is constrained to projects registered prior to 2013 and imports are capped at 3% of 2005 emissions
- To trigger entrepreneurship to reduce emissions, measures need to be put in place to bridge the gap
- Mechanisms and incentives need to be in place to avoid a slip on the path towards a low carbon economy

JI is approaching a regulatory gap that needs to be filled

Stopgap measures to add certainty

To provide assurance to investors in JI projects today, the European Union can do the following:

- Establish *measures for issuing allowances or credits in respect of projects administered by Member States that reduce greenhouse gas emissions not covered by the Community scheme in accordance with Article 24a*
- Engage in agreements with third countries according to Article 11a (5) to ensure continued recognition of JI projects beyond 2012, including:
 - Acceptance of new projects registered from 1 January 2013 from project types that was eligible for use during the 2008 to 2012 period
- Continued issuance of ERUs beyond 2012 (from new and existing projects), e.g. by CMP decision confirming continued issuance on basis of CP1 AAUs

“Domestic” JI – rational and attainable

Domestic JI as an extension of the EU ETS makes economic sense:

- Contributes to cost efficient achievement of GHG abatement targets in the EU by sourcing emission reductions in sectors not covered by the ETS
- Additional source of supply to operators in the ETS
- Allow member states to give incentive to reduce emissions in non-ETS sectors without drawing on tight government budgets

...and readily available by use of existing institutional structure:

- The dual track JI mechanism with issuance of ERUs can be retained as basis for domestic JI
- JI should be amended to require just host country approval
- ERUs for use in the EU ETS should have approval from at least one EU member state
- Cap on imported ERUs can be verified by use of country identifier in ERU serial numbers

Current status

- Domestic projects and article 24a are often referred to in EU regulations.

Directive 2009/29/EC, preamble (18):

In order to increase the cost-effectiveness of attaining national objectives, in particular for Member States with ambitious objectives, Member States can make use of credits resulting from Community-level projects as defined in Article 24a of Directive 2003/87/EC.

- 147 JI projects in the JI pipeline hosted by EU member states comprising annual reductions close to 20 Mt witness that the potential for further emission reductions is present
- To date little effort has however been spent on clarifying detailed procedures within the EU to govern domestic projects

Half way through the 1st commitment period there is some talk about domestic projects but virtually no action on completing EU procedures

Bilateral agreements as a stopgap measure



Directive 2009/29/EC, preamble (15):

*In order to provide for further flexibility for Member States and to promote sustainable development in developing countries, Member States should be able to use additional credits from projects resulting from agreements concluded by the Community with third countries. Without an international agreement on climate change that determines the assigned amount for developed countries, **Joint Implementation (JI) projects** cannot continue after 2012. Greenhouse gas emission reduction credits resulting from such projects **should, however, continue to be recognised by means of agreements with third countries.***

Aim and benefits of bilateral agreements with Russia and Ukraine



- Build on and strengthen awareness of climate change within civil society and governments
- Contribute to much needed investments in energy efficiency and infrastructure – the Russian energy sector alone is estimated to be in need of €560-650 billion in new capital up to 2020
- Opportunity for European export of low carbon and energy efficiency technologies
- Contribute to long term energy security of the European continent
- Contribute to cost efficient achievement of mitigation targets
- Can keep key institutional structures and procedures on JI in place with the UN and DFPs until a new international agreement can enter into force

JI projects has a multiple of mutually beneficial benefits

The venue for discussions are readily available



Ukraine

- A bilateral agreement on JI fits well with the current agenda for bilateral cooperation
- The Association Agenda adopted by EU and Ukraine on 23 November, 2009:

Implementing the Kyoto Protocol through a dialogue within the Joint EU-Ukraine Working Group on Climate Change on a new post 2012 agreement on climate change, on eligibility criteria for using the Kyoto mechanisms, and on developing measures to mitigate and adapt to climate change

Russia

- A bilateral agreement on JI fits well and can complement the ongoing EU-Russia Energy Dialog
- 24th EU-Russia Summit, Stockholm - 18 November 2009:

The EU noted Russia's important role in making the Kyoto Protocol possible ... Russia expressed its readiness to reduce its greenhouse gas emissions by between 22 and 25 percent by 2020. The parties discussed the importance of energy efficiency in addressing climate change as well as the possibility of involving big business in Russia and the EU in the fight against climate change.

Contacts JIAG



Global Carbon BV (chair)

Lennard de Klerk

Climate Focus (secretariat)

Charlotte Streck

Jelmer Hoogzaad

Core Carbon Group

Morten Prehn Sorensen

Vertis Environmental Finance

James Atkins

Carbon Trade & Finance

Ingo Ramming

Future Camp

Roland Geres

Greenstream

Hanna-Mari Ahonen

www.jiactiongroup.com