

CMP 6 Cancún: The JI Decision

Debrief

Provided for the Joint Implementation Action Group (JIAG) by Climate Focus

Prior to the Cancún session, the 2010 annual report of the Joint Implementation Supervisory Committee (JISC)¹ had presented a range of discussion points and recommendations to the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (CMP), namely:

- Whether to make changes to the operational model of JI by either establishing a unified track for JI or by strengthening the current Track 1 and 2 independently (para 15);
- To clarify that the secretariat may accept PDDs for publication, and the JISC projects for consideration, from countries for which an amendment to Annex B of the Kyoto Protocol has not yet entered into force (para 11);
- To levy a fee on JI Track 1 activities to guarantee continuous and sufficient financial support for the JISC (para 119);
- To clarify that the JISC may continue to operate after 2012 and to allow the issuance of ERUs for emission reductions achieved during the so called true-up period (until some point in 2015) or the entry into force of a second commitment period, whichever is sooner (para 123);
- To initiate the first review of the JI Guidelines (para 135).

From the start of JI negotiations, the JISC's report and recommendations were given a lot of attention across Parties. There was a general perception that it was a strong document that required careful discussion. The most contentious point, not surprisingly, proved para 123 of the JISC recommendations concerning the true-up activities of the JISC (operations and emission reduction generation after 2012). When the final JI decision was agreed among negotiators for adoption (it passed CMP on the final day), the point had been eliminated altogether.

When negotiations started, this was far from clear, though. After the report's introduction in the Plenary on Day 2 of CMP 6, the Presidency set up two contact group meetings and two informals: however, over the course of the two weeks, the number of meetings grew considerably, leading to frantic daily sessions during the second week.

Actively negotiating were the EU, Japan, Norway, Ukraine, Russia, Belarus, and at some stage China and Bolivia.

Across Parties there was agreement that the constitutional design of Track 1 and Track 2 should not be touched or discussed. The point was quickly deleted from the negotiation text. The initiation of the first review of the JI Guidelines was equally non-contentious (this time in the affirmative). This

¹ See Annex I of the Annual Report of the JISC: Report on Experience with the Verification Procedure under the Joint Implementation Supervisory Committee and Possible Improvements to the Future Operation of the Joint Implementation, FCCC/KP/CMP/2010/9, <http://www.pdfdownload.org/pdf2html/pdf2html.php?url=http%3A%2F%2Funfccc.int%2Fresource%2Fdocs%2F2010%2Fcmp6%2Feng%2F09.pdf&images=yes>.

left three discussion points for negotiations: the fee structure; the ‘causa Belarus’ (PDD publication and determination before entry into force of Annex B)²; and the true-up matter.

Fee Structure

It was generally agreed that the JISC needed better and stable funding and that JI Track 1 may be used as cross-financing source, given the fact that JI Track 1 benefits hugely from JI Track 2 activities. However, the early proposal to levy a 30,000 EUR fee on Track 1 determinations was hotly debated with Parties requesting robust financial calculations from the secretariat on real costs and needs.

Parties eventually settled with a compromise: up to USD 20,000 for large-scale projects and up to USD 5,000 for small-scale, payable upon publication of project documentation on the UNFCCC website. The institutional arrangement is interesting in this respect: The JISC is to set the exact fee structure and to charge Track 1 projects as of 1 March 2011. This means that the JISC for the first time assumes direct competence on regulating Track 1 matters.

Belarus and True-Up Activities

It took about a week to engage the Russians in the discussions. Ukraine was present from the start, but notably reserved on the true-up issue. There seems to be the understanding in Kiev, and maybe also Moscow, that JI Track 1 can continue after 2012 regardless. Collateral problems relating to ITL issues and market demand (will the EU ETS accept JI Track 1 credits when Track 2 has shut down?) appeared scarcely assessed.

The EU, Norway and Japan, were adamant from the start of discussions to reject the JISC request that CMP authorize true-up activities, linking the issue to broader post-2012 discussions. Ukraine, in the first contact group meeting, asked for clarification from the Secretariat what this would mean. No party spoke in favour of the JISC request. The uneven discussion led to a first JI decision draft in which the matter was raised but referred to AWG KP.

This, in turn, prompted JIAG, behind the scenes, to sit down with all Parties to shed light into this regulatory matter: True-up activities are not post-2012 matters as CP 1 AAUs are turned into CP 1 ERUs. This was clear to astonishingly few negotiators. Unfortunately, the EU negotiators had the knowledge—and in parts considerable sympathy with the JISC request—but were under clear instructions not to accept a provision that would enable JI activities after 2012 without an overall agreement.

Over the course of the two weeks, Ukraine and Russia warmed up towards the true-up point and it became one of the two stumbling blocks in final negotiations. The other was the Causa Belarus concerning the publication of PDDs and determination of projects.

In the meantime, the JI discussions had attracted considerable attention. The negotiation rooms were packed with observers (among them the trading organizations; IETA in support of JIAG;) and an increasing number of Parties. China and Bolivia joined discussions in the beginning of week 2 shooting arrows, ironically just as the EU and Japan, against any mentioning of JI activities after 2012.

It was in the morning of the last day of this session that Russia solved the stand-off with the EU and Japan by trading the true-up activities for the Causa Belarus. Thus, Belarus (and any country for which an Annex B inclusion has not yet come into force)³ can start with JI Track 2 procedures (i.e. do everything except issuing credits). The true-up point, in turn, was eliminated from the text. What is left is a general “takes note with appreciation” of the JISC’s report.

² There is an Annex B decision for Belarus by CMP, but the decision has so far not been ratified. The matter arguably concerned Kazakhstan, too, which once more tried to reach a CMP Decision on inclusion in Annex B. While it failed with its proposal, the permission to have JI projects published and determined could still apply to the country. Notably, however, Kazakhstan was not represented during JI discussions.

³ Arguably also Kazakhstan, see previous footnote.

It is hard to say what would have happened if Russia had set its priorities differently. It did not, and, consequently, with the EU and Japan being rejectionist, this was the only possible outcome. If there is consolation, then it is the fact that the issue is not lost for Durban/CMP 7. Notably, the matter has not been referred to AWG KP, so an agreement may be reached outside the thorny negotiations of a Kyoto II.

Also, there is another piece of good news: JIAG managed to engage with all major negotiation groups and Parties, and while positions are not shared, it is clear that our voice is heard and widely respected. That may be something to build on.