
CLIMATEFOCUS

Domestic Offsetting in the EU

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Jelmer Hoogzaad

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JI Action Group JIAG







- Consortium of JI project developers promoting project-based mechanisms as a means to reduce emissions in Annex 1 countries
- These mechanisms can be based on Kyoto or national policies
- Members bring experience from EU, Russia and Ukraine

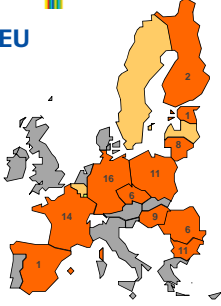
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Domestic offsetting

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Offsetting in the EU

- New offset programmes under development
- Many based on JI

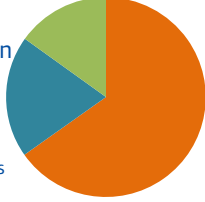


■ MSs that have approved domestic JI but do not currently have (registered) projects
■ MSs with registered JI projects (number indicates million ERUs expected up to 2012)

Figures based on UNEP Rise JI Pipeline April 2011.

Financing mitigation action under JI

- Private sector buyers invest ~EUR 271 million per year, or far more since:
 - arguably the majority of 63 million from "N/A" buyers is private
 - JI helps attract financing
- Public sector: ~EUR 82 million per year
- Registered projects only, assuming 10 EUR/ERU

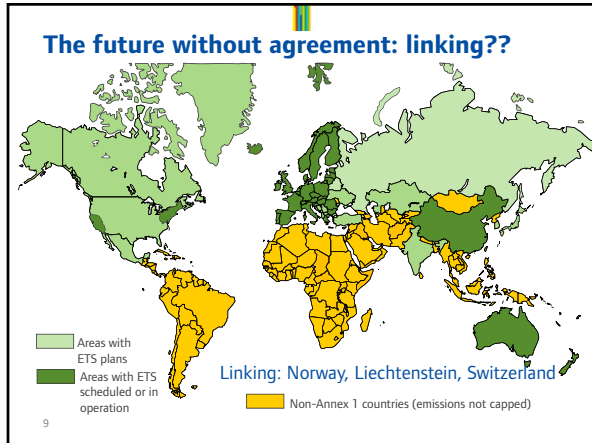


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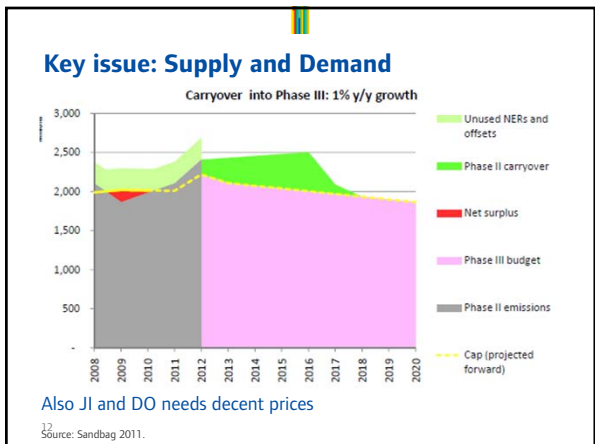
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Looking ahead

- ### Why do we need Domestic Offsets?
1. Provides access to a market price for non-ETS sectors
 2. Supports budget neutral mitigation action
 3. Maintains capacity to operate mechanisms
 4. Provides certainty to investors
 5. Allows to move beyond current targets (-30%?)
 6. Sensitive to domestic and international policy objectives
 7. Stimulates innovation
 8. Provides incentives for seeking low-carbon business opportunities
 9. Uses existing infrastructure
 10. Addresses double counting concerns



- ### Merits of project-based mechanisms
- Joint Implementation and Domestic Offsets:
 - Environment: Reductions in uncapped sectors, PoA
 - Governance: Private sector initiative vs Public initiative
 - Flexibility: seeking low-cost mitigation options
 - Harmonisation: JI can act as an international standard for linking ETS schemes
 - Finance:
 - private sector participation and support
 - Bringing a carbon price into the non-capped sectors
 - Budget neutral for governments



JISC recommendations to CMP

- Continued Track 2 determination and verification: JI is not tied to a CP
- JISC proposed issuance of ERUs for reductions in the Gap based on:



- A. AAUs or RMUs from CP1 until end of true-up or start of next CP,
- B. Or: AAUs from a future commitment period

-> Only option A can provide clarity to investors

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The future for JI in the EU

- What does the JISC proposal entail?
 - No impact on caps: AAUs cancelled equals ERUs issued
 - Track 2: Real reductions
 - Use of offsets can be subject to limits
- If JISC recommendations adopted, the EU needs to:
 - A. Adopt double counting provisions under the Effort Sharing Decision, or
 - B. Enable JI under Article 24a of the EU ETS

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Conclusions

- Support JISC recommendation with ERU issuance after 2012 based on AAUs or RMUs from CP1 until end of true-up or start of next CP, and
- Adopt modalities for Article 24a.

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Contacts

For more information:

Jelmer Hoogzaad
 phone +31 20 262 10 33
 mob +31 6 25 06 81 57

j.hoogzaad@climatefocus.com