



Joint Implementation Action Group

Dear colleagues and friends,

Not so long ago, the Russian bear was on continued hibernation. But when it recently woke, it certainly came alive with a lot of activism. In the latest JI statistics, the ERU forecast from registered projects stands at 33 million for 2008-12; this is a steep increase compared to the forecast of only one month earlier. Then, most recently, Russia has announced its ideas regarding the future of JI by proposing a reformed JI in which sectoral approaches are adopted.

While Russia's proposal endorses an approach that is based on the harmonized approaches of JI and CDM, Japan allocated funds to bilateral agreements outside the UNFCCC framework—hardly a vote of confidence for the international process. The feelings in the business community are rightly mixed. On the upside, there is, at last, some post-2012-forward-looking action. On the downside, such moves can further weaken international negotiations and they may undermine harmonized rules for a global market that has enough volume to keep prices relatively stable.

The coming months will be important as initiatives from countries on future market mechanisms, whether they are bilateral agreements, NAMAs, or sectoral approaches, will shape the carbon markets after 2012.

With this third JIAG Newsletter we are happy to share with you some of the latest news. In blue you will also find comments from the JIAG on some of the news items.

Yours faithfully,

Jelmer Hoogzaad

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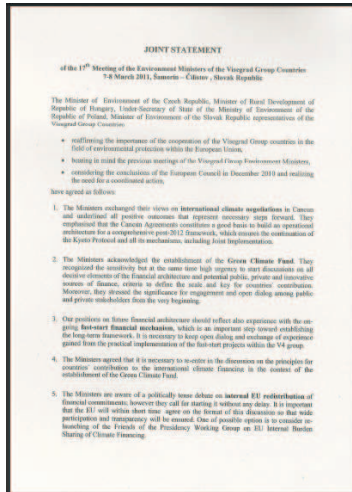
News

1. Muhammed Quamrul Chowdhury appointed new JISC chair

At its 24th meeting held in Bonn between 23-25 March, the JISC appointed Muhammed Quamrul Chowdhury as its new chair. Mr. Chowdhury from Bangladesh will replace former chair Benoît Leguet. Wolfgang Seidel of Germany was appointed vice-chair.

The JIAG would like congratulate Mr. Leguet with remarkable contribution he has made to the development of Joint Implementation. The JISC' [report to the CMP](#) presents innovative ideas on the future of JI and is a nice example of the JISC's pioneering work under Mr. Leguet.

The JIAG welcomes Mr. Chowdhury as new chair of the JISC and looks forward to a fruitful cooperation towards designing an effective framework for market mechanisms in capped environments, now and after 2012.



2. Poland, Slovakia, the Czech Republic and Hungary call for non ETS offset system

The Visegrad countries (Poland, Slovakia, the Czech Republic and Hungary, established in 1991) met early March to develop a joint position on a number of environmental topics, including climate change. The Visegrad countries currently have a special position in the EU since Hungary currently holds the EU chairmanship and will be succeeded by Poland in July.

In their final statement the Visegrad countries emphasized that the Cancun Agreements ensure “the continuation of the Kyoto protocol and all its mechanisms, including Joint implementation”. In addition, the countries “agreed that domestic offsetting mechanisms are useful and cost-effective tools to reduce GHG emissions within the EU” and agreed to invite the EU to develop rules and procedures for an offset mechanism under article 24a of the revised EU ETS directive. Finally the countries called for “alternative and

innovative options for managing the surplus of AAUs” which does not penalize countries with large surpluses while maintaining the environmental integrity of the Kyoto Protocol.

(See: the [Joint Statement](#) and a [press release](#) from the Polish Ministry of Environment)

3. JISC adopts registration fee for Track 1 project at its 24th meeting

During its 24th meeting the JISC decided to align the accreditation procedures of Accredited Independent Entities (AIEs) with the procedures for Designated Operational Entities (DOEs) under the CDM. The revision of the accreditation procedures happened in response to a request from CMP6 (Cancun) and is in line with preferences expressed and presented by the JIAG.

The JISC also adopted fees for Track 1 projects. The fees for Track 1 projects are flat fees for registration of projects only. The fees are USD 20,000 for large-scale projects and USD 3,000 small-scale projects and programmes of activities. The new fees come into effect from 1 March 2011. (download: JISC [report](#))

4. Russia proposes “sectoral” approaches for future market mechanisms

In its [submission](#) from March 2011 to the Ad Hoc Working Group on Long-term Cooperative Action under the Convention (AWG-LC), Russia confirmed that it considers the achievements of existing market mechanisms inefficient to limit global warming to 2 degree Celsius increase over pre-industrial temperatures. Russia proposes to supplement existing mechanisms with a new, more ambitious instrument based on a “sectoral approach”. As examples of sectors which would qualify for sectoral approaches, Russia mentions electricity, cement and metallurgy. Sectoral targets, it states, may be defined in absolute emission volumes or in relative terms (emissions per unit of product produced).

5. Japan’s bilateral outside the UNFCCC framework unnecessarily complicated according to Christiana Figueres

Japan’s launch of a bilateral offsetting scheme met with criticism. At a [speech](#) made in Tokyo on 28 February 2011, UNFCCC Executive Secretary *Christiana Figueres* said that the development of a mechanism outside the UNFCCC framework would be unnecessarily complicated for countries involved ([Reuters](#)).

The JIAG supports initiatives that enable continued use of market mechanisms after 2012. However, the establishment of bilateral schemes can undermine the harmonized approach to emission trading that the UNFCCC supports. Therefore the JIAG supports bilateral agreements only where they are subject to the provisions for baseline setting and additionality as established under JI and CDM. Only then can bilateral agreements safeguard the future of market mechanisms after 2012 without compromising the objective to maintaining a harmonized, global carbon market.

6. CMP approves start of JI for Belarus and Kazakhstan

The final CMP [JI decision](#) from 15 March 2011 confirms that JI project verification can start in both Belarus and, possibly, Kazakhstan.

In response to [a letter](#) and a [legal analysis](#) from JIAG, the JISC at its [22nd Meeting](#) (para 38-40) recommended to CMP16 that Belarus and Kazakhstan can engage in the development and determination of JI projects, provided that the issuance and actual transfer of ERUs will occur only when the countries are formally inscribed into Annex B of the Kyoto Protocol. In its JI decision, the CMP followed the JISC's recommendation. The decision states that "Clarifies, [...], with regard to a Party included in Annex I to the Convention whose quantified emission limitation or reduction commitment for the first commitment period has not yet been inscribed in Annex B to the Kyoto Protocol but that wishes to host a joint implementation project, that (a) in the interest of transparency, the secretariat may accept for publication the project design documents of joint implementation projects and (b) the Joint Implementation Supervisory Committee may consider these projects in accordance with the joint implementation guidelines before the amendment to include the respective host Party in Annex B to the Kyoto Protocol enters into force".

While the negotiations in Cancun focused on Belarus, the wording seems to suggest that also Kazakhstan could benefit.

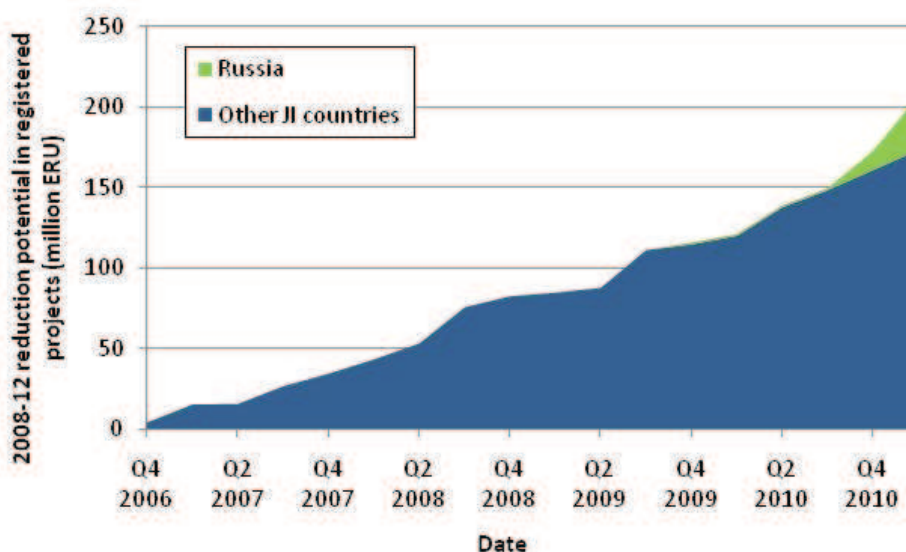
JIAG welcomes this decision as it allows Belarus and Kazakhstan to have their JI projects registered and potentially their emission reductions verified at the moment they are listed in Annex B. In addition, the decision sets a precedent for other countries that seek to adopt an emission target under the Kyoto Protocol.

7. Russian registered JI projects push ERU potential above 200 million

[UNEP Risø](#) stated at the beginning of March that 29.6 million ERUs have been issued. Until the end of 2012 UNEP Risø expects a total of 279 million ERUs of which 185 million from already registered projects.

Since Russia has launched tenders for the approval of JI projects, a total of 15

Russian JI projects have been acknowledged on the [UNFCCC web-site](#). The last batch of four Russian projects was added on 17 March 2011. The total amount of ERUs expected from Russia is around 33 million. Considering the four already registered projects in Russia in the UNEP Risø pipeline, this would bring the ERU delivery potential of registered JI projects to 206 million ERUs up to 2012.



8. First Track 2 JI Programme of Activities

On 08 December 2010 the UNFCCC published a Design Document of a JI Programme of Activities (JI PoA-DD) on its web-site. The programme, developed by Global Carbon, entails the installation of biomass boiler in Ukraine. To date Future Camp developed 10 JI Programme of Activities under Track 1 in Germany. The Ukrainian PoA is the first under Track 2.

The Ukrainian PoA is the first JI PoA under the Track 2 procedures of the UNFCCC. The PoA-DD was developed in accordance with the guidelines that were adopted by the JI Supervisory Committee on October 2009. (Download: [News item](#), [JI PoA-DD](#), [JI PoA guidelines](#), overview of [German PoA JI projects](#))

9. CDC Climate explores policy options for project mechanisms in Europe after 2012

CDC Climat, organized a conference in Paris on 21 January to discuss policy options for project mechanisms in Europe after 2012. The Paris conference brought together EU policy-makers, climate change experts, market-participants and NGOs to assess the outcome of Cancun from the perspective of project mechanisms in the EU, identify the appetite for a new European offsetting mechanism under Article 24a of the EU ETS, and explore the next steps for putting such a mechanism in place.

A central theme underlying the conference was that the likelihood of a gap in international climate change regulation after 31 December 2012 has made the future of Joint Implementation in the EU after that date increasingly uncertain, creating a substantial risk that projects currently underway will be left without a mechanism under which to operate. This has already led to investors becoming reluctant to invest in new projects, and may lead to projects ceasing to produce emission reductions in 2013. Member State representatives present in Paris expressed considerable concern about this eventuality.

(download: [more information and presentations](#), [background paper](#))

Publications

10. JIAG annual report for 2010 published

JIAG published its [Annual report for 2010 and outlook for 2011](#). In 2011 JIAG will focus on the establishment of a new international agreement to include a reformed JI. CMP16 requested the JISC to prepare proposals for a JI reform. JIAG will support this effort during CMP17 in Durban at the end of 2011.

The second topic is about bridging the gap. A so-called „gap“ between the first and the second commitment period should be overcome by decision from CMP to allow for continued conversion of Assigned Amount Units (AAUs) from the first commitment period into CP1 ERUs for reductions taking place after 2012. JIAG will emphasize its strong commitment such commitment and help spread knowledge and facilitate negotiations.

The third topic is support for new market mechanisms that can operate independent of the frameworks of the UNFCCC and the Kyoto Protocol. Some examples are described in the revised EU Emission Trading Scheme (ETS) Directive which allows for:

- The adoption of a domestic mechanism that enables EU ETS operators to generate offsets with projects within sectors in the EU that are not covered by the EU ETS (a concept often referred to as “article 24a”);
- Technical assistance towards the development of other cap-and-trade schemes and linking them to the EU ETS;
- Bilateral agreements with JI host countries to allow the use of JI credits within the EU ETS after 2012 in conjunction with the establishment of cap-and-trade schemes and/or use of sectoral approaches

11. Cancun JI briefing

CMP’s decision on JI was saved at the very last moment, along with the rest of the the “Cancun Agreements”. Bolivia opposed the adoption of the Agreements as a whole but was ultimately overruled by the full Plenary, wisely headed by the Mexican presidency which, boldly and courageously, interpreted the UNFCCC rules on consensus against a claim for unanimity. Download the [report](#) from the JIAG on the JI Decision in Cancun. Please note that the briefing was drafted in anticipation of the final decision. The final [JI decision](#) was made available in March 2011.

12. Study on “Carbon Offsetting in Europe post 2012: Kyoto Protocol, EU ETS, and Effort Sharing”

The difficulties faced by international negotiations in finalizing an agreed framework for post-2012 international greenhouse gas (GHG) emission regulation have left the rules relating to carbon offsetting, in general, and Joint Implementation (JI), in particular, in limbo. In a study commissioned by KfW on behalf of the German Federal Ministry for the Environment, Nature Conservation and Nuclear Safety under the ongoing CDM/JI Initiative, Climate Focus provides an analysis of the regulatory situation post 2012 for JI and offsetting in and for the European Union.



It aims at identifying where uncertainties lie but also where certainties exist, where further policy measures are required and where the existing framework remains adequate. The ultimate aim is to enable policy-makers and investors to gain detailed insight into the prospective situation for offsetting in Europe upon approaching the end of the first commitment period under the Kyoto Protocol and the start of the Third Trading Period under the EU ETS, and to present policy options that will facilitate decision-making in a climate of uncertainty.
(Download: "[Carbon offsetting in Europe post-2012](#)")

13. Validated grid baselines published for Russia and Ukraine

In December 2010 the European Bank for Reconstruction and Development (EBRD) published validated [grid baseline reports](#) for Russia and Ukraine. The grid baseline for Ukraine has been established at 1.06 tCO₂/MWh for power delivered to the grid and 1.17 tCO₂/MWh for projects that reduce power demand. The Russian grid emissions factors, with 0.62 and 0.69 tCO₂/MWh respectively, are significantly lower. Russia has more power generation from fossil fuels but while Ukraine's fossil fired stations use coal, Russia has more gas fired cogeneration, keeping its grid baseline below that of Ukraine.

Meet the JIAG

You can meet the JIAG members at the following events:

- [Carbon Expo](#), 1-3 June 2011, Barcelona, Spain.
- [25th Joint Implementation Supervisory Committee Meeting](#), 21 - 22 June 2011, Bonn, Germany.
- [COP 17 & CMP 7](#), 28 November - 09 December 2011, Durban, South Africa.

If you would like to meet the JIAG members, please send your request to info@climatefocus.com or contact the members directly.

This JIAG publication has been developed with the support of representatives from the following companies:

- *Global Carbon (chair), Lennard de Klerk*
- *Climate Focus (secretariat), Jelmer Hoogzaad, Moritz von Unger*
- *Vertis Environmental Finance, James Atkins*
- *Carbon Trade & Finance, Ingo Ramming*
- *Future Camp, Roland Geres and Thomas Mühlpointner*
- *Greenstream, Riika Sipponen*

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