



Has the EU lost its way on Joint Implementation?

Significant reductions from JI continue to be in limbo

Cancun, Mexico – 2 December 2010 – JI has proved to be a robust and credible mechanism for inspiring entrepreneurs and investors to invest in reducing emissions, with close to 400 projects initiated to date. The European Commission seems determined to undo much good that has been done and member states avoid taking concrete action in line with rhetoric.

The JISC in its report to the CMP6 has proposed a number of improvements to the mechanism. In particular it has proposed to continue JI during a gap period. JIAG applauds the courage and foresight of this proposal.

In contrast, the **European Commission** in its statement of 25th November 2010 advocated phasing out JI and replacing it with cap-and-trade schemes.

The **European Union** in today's negotiations on JI is continuing this line of thought by declining the JISC recommendation to have ERU issuance continue during a gap period.

The **EU**, however, expressed a completely different view in yesterday's plenary interventions where they supported the continuation of both project-based mechanisms.

JIAG's views on current Cancún negotiations:

- JI has proven itself to be an effective mechanism for mobilizing entrepreneurial and investor effort into making long-term investments to cut GHG emissions. JI brings in new technologies, boosts awareness of how to cut emissions and introduces expertise in MRV.
- Parties in Cancún have the choice to either strengthen and expand private sector efforts by giving clarity during a gap period or alternatively keep any further progress in limbo.

- If the EU blocks the JISC proposal to continue ERU issuance the JI mechanism will not only be put on hold, but will be set to go in reverse – undoing the much good that has already been done.
- JIAG is puzzled that the EU apparently believes the JI in a post-2012 framework is served best by setting it in reverse during a gap period.
- If the CMP fails to make positive conclusions on continued ERU issuance it cast into question not only the future operation of JI, but more so questions whether the CMP will be able to agree the clarifications to the Marrakesh Accords needed to continue issuance of CERs. EU utilities will be left in the dark on compliance tools actually available to them.
- Phasing out the recognition of JI *in the absence of a reliable alternative* could lead to significant increases in greenhouse gas emissions because industry would lose the incentive to operate expensive emission reduction equipment at coal mines, landfills or fertiliser plants, for instance.
- It will take five to ten years to introduce cap-and-trade schemes in countries outside the EU. Meanwhile the EU should emphatically support efforts to cut emissions.
- Cap-and-trade schemes can comfortably co-exist with project-based mechanisms in sectors not covered by cap-and-trade as evidenced with domestic JI projects in Germany, France and Spain.

With deliberations in Cancún taking place at the Moon Palace it is a question whether the EU will get its feet back on the ground or stay in outer space in denial of a gap period and avoid taking the necessary, sensible and reasonable steps to bridge the gap.

For further information we refer to the JIAG website (www.jiactiongroup.com) which includes:

- a position paper on Joint Implementation in connection with CMP-6 in Cancun including a reaction to the European Commission's recent statement on project-based mechanisms;
- a Questions and Answers paper which sets out our views on the Joint Implementation Supervisory Committee's (JISC) recent proposals;
- a Paper on Legal issues for JI post 2012.

Or contact Lennard de Klerk at +521 998 1058446 (until Saturday 4 December) or +36 30 3662983 (from Monday 6 December).

Notes for journalists:

The Joint Implementation Action Group (JIAG) is a consortium of JI practitioners. Current JIAG members are Global Carbon, Core Carbon Group, Climate Focus, Vertis, Carbon Trade and Finance, Greenstream and Future Camp.

The JIAG has received wide positive feedback from Joint Implementation Supervisory Committee (JISC) members, JI project developers, carbon investors and traders, policy-makers, experts, and other JI supporters.

The group provides a voice for the interests of JI. Our work includes:

- Providing input and support to the JISC and to negotiators at COP/MOP meetings on design and details of JI, both in its current form and post-2012 – with briefing papers and policy proposals
- Holding side events at Subsidiary Body for Scientific and Technological Advice (SBSTA) and COP/MOP meetings
- Organizing and hosting JI related events to bring together the private sector, research groups and policy makers

Our activities are coordinated to ensure that JIAG's message is coherent and persuasive across all events and all media.

Joint Implementation

Joint Implementation (JI) is one of the three flexible mechanisms for emissions trading set out in the Kyoto Protocol. Like the Clean Development Mechanism (CDM), it is a mechanism for financing individual projects aimed at reducing GHG emissions. JI credits are created by reducing actual emissions in a project compared to a hypothetical baseline in the future, similar to the way the CDM operates. However, JI is different. It is only for Annex I countries with capped GHG emissions, unlike CDM which is solely in non-Annex I countries with no GHG reduction obligations. This is crucial because JI credits are not offsets, but emission reductions effectively indistinguishable from allowances under a cap-and-trade system. Under JI, the total mandatory emission reductions are unchanged; project-based reductions are simply shifted and credited toward another country.

