



Report on JIAG side event at CMI – 19th March 2009

Joint Implementation Action Group

8 April 2009

1. INTRODUCTION

The Joint Implementation Action Group (JIAG) held a side event at Carbon Market Insights, Point Carbon's annual gathering of the carbon market in Copenhagen.

The purpose of the event was to publicise JIAG's work and views on the importance of giving Joint Implementation appropriate consideration in a post-2012 climate agreement.

The event was attended by lawyers, traders, consultants, investors, and policy-makers. Over thirty people came, a very good showing compared to other side events. Representatives of JIAG were supported on the panel by Benét Hermind of the Danish Ministry of Environment Climate and Energy and the Danish Energy Agency and Hanna-Mari Ahonen of the Nordic Environment Finance Corporation (NEFCO). Chairing the procedures was Lennard de Klerk of Global Carbon.

2. KEY POSITIONS PRESENTED

Morten Prehn of Core Carbon Group presented the arguments for preserving JI as a project-based mechanism in countries with emission caps. These include:

- The relevance of JI will grow since the number of countries with emissions caps will grow.
- It is better to continue and adapt existing mechanisms, building on experience, than try and invent something new again.
- With the backing of country caps, the environmental integrity of JI is guaranteed unlike the case of CDM.
- JI, as a project-based mechanism, is effective at uncovering opportunities for emission reductions, in a way that a cap-and-trade system is not.
- JI can, all the same, function in conjunction with a national cap-and-trade system.
- JI is effective at stimulating use of new technologies and developing the market for technologies.
- Project-based mechanisms are valuable for raising awareness about climate change and what can be done about it, in sectors where there is little awareness.

The introductory presentation recognised some of the difficulties of JI in the past, including regulatory delays in host countries, the impact of EU ETS and the issue of double counting, the slow progress of Accredited Independent Entities (that is, validators and verifiers) and Designated Focal Points (that is,

the people in the ministries of environment responsible for host country administration of JI) in performing their respective tasks, the short time-frame of JI caused by the 2012 cut-off, and the long delays in accreditation of AIEs.

The presentation also pointed to how the potential for JI can be better realised through simplifying its rules on baseline setting and additionality; and improving the process of decision making. It called for rules on how to convert CDM to JI projects when a CDM host country takes on an emissions cap.

3. PANEL DISCUSSION AND SUGGESTIONS FROM THE AUDIENCE

Benét Hermind from the Danish Ministry of Environment Climate and Energy expressed the openness of the Danish Government for hearing ideas and suggestions on a policy vision for JI.

James Atkins of Vertis Environmental Finance pointed out the importance that JI has in stimulating entrepreneurial activity in low carbon sectors. This effect appears to be stronger with JI than in a cap-and-trade system.

Anthony Hopley of Norton Rose raised one of the main concerns of investors about JI, namely the host countries' responsibility for issuance of ERUs. This is considered risky by investors used to CDM where issuance is the responsibility of a central UN body. It was pointed out that the international bodies also often unpredictable and by no means free of bureaucracy; and that taking the limited and slow experience of East European countries as a basis for judging JI is not entirely fair.

The idea was aired of expanding the two-track system of JI, whereby countries or project participants could choose whether to rely on host country issuance or to seek UNFCCC issuance.

One of the most authoritative analysts in the sector, Krisitan Tangen of Point Carbon, expressed surprise that the importance of JI is not reflected in current intergovernmental negotiations. This is despite the fact that CDM is expected to be eclipsed as the number of uncapped countries falls; and despite the fact that there are many sectors where it is difficult to implement emissions trading and that there is a need for alternative policy approaches.

Grzegorz Peszkov of the EBRD pointed out the importance of considering Green Investment Schemes and their relationship with JI. Emission reductions from small-scale fragmented sources are notoriously difficult to stimulate via carbon markets. GIS, with a flexibility that makes it more like a grant mechanism than a market mechanism, has a lot to offer in this field. Much thinking in GIS initiatives is about how to create series of emission reduction projects across fragmented sectors.

Additionally, one of the difficulties in responding to carbon prices is the lack of supply of low-carbon technologies, products, and services. Here GIS has a role in building capacity in industrial sectors, complementing the role of JI in financing projects and programmes.

Morten Prehn pointed to the potential role of JI in supporting small-scale activity through programmatic approaches. This potential has hardly been tapped into. Except for few projects in Germany, France and New Zealand JI is not being used to support domestic abatement at any significant scale. In Denmark for instance schemes such as grants for subsidy schemes for domestic solar power investment heating and other renewable energies have been dismantled with no attempts to establish a JI program to promote continued investments.

In response to a question as to the “vision of JI”, James Atkins of Vertis described the need for a vision of how we would live in a low-carbon world and argued that a project-based mechanism like JI is an important tool for showing the way, step-by-step, towards that vision.

4. CONTACT DETAILS

Throughout 2009 JIAG will continue to prepare position papers on JI and the importance of a project-based mechanism after 2012, supporting policy-makers as they try to put together a new climate deal this year. This JIAG publication has been developed with the support of representatives from the following companies:

- Global Carbon (chair), Lennard de Klerk (deklerk@global-carbon.com)
- Climate Focus (secretariat), Charlotte Streck (c.streck@climatefocus.com), Jelmer Hoogzaad (j.hoogzaad@climatefocus.com)
- Core Carbon Group, Morten Prehn Sorensen (mprehn@corecarbongroup.com)
- MGM International, Jesse Uzzell (juzzell@mgminter.com)
- Camco International, Charles Purshouse (Charles.Purshouse@camcoglobal.com)
- Vertis Environmental Finance, James Atkins (james.atkins@vertisfinance.com)
- Carbon Trade & Finance, Ingo Ramming (ingo.ramming@carbontradefinance.com)
- Ecosecurities, Natalie Kushko (natalie.kushko@ecosecurities.com)