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Deutsche Emissionshandelsstelle

# **Perspectives and Future Potential of Joint Implementation beyond 2012**

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## Overview

- JI in Germany – Current Situation and Experiences
- Study on Further Potential of JI in Germany
  - Energy Efficiency
  - Transport
  - Transferability of Results
- Perspectives beyond 2012
  - JI
  - Domestic Offset Projects

## JI in Germany – Current Situation

<b>Status</b>	<b>Number of Projects</b>	<b>Emissions Reduction in t CO<sub>2</sub>-Equivalents</b>
<b>Approved</b>	<b>9</b>	<b>12m</b>
<b>Endorsed</b>	<b>13</b>	<b>Ca. 4.6m</b>
<b>Applications for LoE Endorsement probable</b>	<b>6</b>	<b>0.9m</b>

## JI in Germany – Prevailing Project Types

### Industrial Gases - N<sub>2</sub>O

- Large amount of ERUs
- Calculation of baseline difficult
- Will be integrated into the ETS post 2012

### Energy Efficiency & Fuel Switch – Programmatic Approaches

- PoA participants mainly small and medium enterprises as well as households
- For some measures other incentive programmes exist
- JI may reach target groups more efficiently
- So far amount of ERUs rather small, but potential for replication

## Analysis of Potential for JI – Projects in Germany

**Study conducted by Wuppertal Institut and Öko-Institut with a special focus on energy efficiency and transport**

### **Restrictions**

- Double counting with respect to EU ETS has to be avoided
- No energy efficiency projects that reduce the consumption of electricity
- Overlapping with other promotional state programmes should be avoided or accounted for
- Projects that receive feed-in tariffs for renewable energies and cogeneration are not eligible for JI
- EU Renewable Energies Directive – may JI be used to reach the target or only to go beyond the target?

## Energy Efficiency (I) – Building Sector

### Insulation and heating replacement or optimization

- Rehabilitation to the standard of low-energy houses
- Financially not additional, but existence of other barriers especially for multiple dwellings
- Determination of additionality difficult
  
- Dynamic baselines taking into account changing regulatory requirements e. g. Energy Efficiency Ordinance (ENEV)
- Energy savings cannot be measured per se
- Proposal: Energy Performance Certificates before and after implementation

## **Energy Efficiency (II)**

### **Solar thermal collectors for water heating**

- Financially additional except when substituting electric water heating

### **Installation of electrical heat pumps**

- Shift of emissions to ETS
- An approved JI-Project is currently being implemented

### **Development of zero energy houses**

- Financially additional

### **Efficient ventilation and heat recovery**

- Financially additional, only in industry and business sector economically viable

## Transport (I) – Technical Modification of Vehicles

### Financial incentive to buy more efficient vehicle – e. g. Passat Blue Motion

- Financial additionality highly depended on fuel price
- High transaction costs for monitoring – 20,000 EURO
- Only viable with a participation of at least 1000 cars

### Hybrid or Electric light-duty commercial vehicle

- High investment costs cannot be covered by JI revenue

**For most project types financial incentive by JI too low compared to investment and transaction costs**

## Transport (II)

### Fuel switch to biodiesel or biogas

- Not additional due to EU Renewable Energies Directive

### Municipality upgrades public transport

- German law defines public transport as a public service
- Additionality hard to prove

### Municipality upgrades bicycle infrastructure

- bicycle paths and parking space, Park&Ride-Systems, enhanced promotion,...
- JI revenues would surpass investment and transaction costs
- generally feasible as a JI project

**Density of regulation and difficult monitoring reduce the potential for JI-projects in the transport sector**

# Transferability of results to other countries

## EU Member States

- Similar restrictions regarding legal framework and additionality

## Other JI host countries

- Large potential - especially in the building sector
- Financial and legal additionality less ambiguous
- Nevertheless no projects to improve efficiency in the building sector in the JI pipeline
- Reasons could be lack of methodologies within the CDM and lack of framework for PoAs for JI Track 2 until now

**Successful programmatic JI projects in Germany could be exported as a template to Central and Eastern European Countries**

## Joint Implementation post 2012

### Current Situation

- Continuation of JI in a post 2012 UNFCCC-Agreement is likely
- Currently German law allows crediting only until 2012
- Project Developers hope for prolongation of crediting period
- Without prolongation no new projects will be added to the pipeline

### Proposals for Germany

- Prolongation of crediting periods for programmatic energy efficiency projects only
- Updating of baseline – consideration of additionality under current parameters
- No new JI projects after 2012

## **ETS Directive - Article 24a – Projects administered by Member States**

### **Harmonized rules for projects that reduce emissions**

1. ..., implementing measures may be adopted for issuing allowances or credits in respect of projects administered by Member States ...

Those measures, designed to amend non-essential elements of this Directive by supplementing it, ...

- Only activities, installations and greenhouse gases where inclusion in ETS is not possible
- Commission is not planning to implement measures

**Germany may adopt implementing measures for Domestic Offset Projects (DOPs)**

# Benefits from Domestic Offset Projects

## Win-Win-Situation

Benefit (credits) is shared between private investor and host country  
at the end of the crediting period or continuously by quota

## Diversity of instruments

- DOPs can complement ETS, regulatory and public promotional approaches
- Incentive for the private sector to look for innovative approaches

## Building on existing experience

- Determination of additionality, methodological approach and verification can profit from experience gained as JI host country or from the CDM
- Basic design – JI track 1 without investor country

## Framework for Domestic Offset Projects (I)

### Positive List

- Ex-ante definition of project categories to prevent conflict with other instruments
- Clear definition of additionality and direction of investment in certain sectors
- Positive list can be open to also allow for innovative approaches – “search and find function”

### Industrial gas destruction in non-ETS-sectors

- Destruction of N<sub>2</sub>O, PFC, HFC, SF<sub>6</sub> beyond business as usual (BAU)
- Baseline can be defined by appropriate benchmarks (BAT, minimum standards)

### Sectors without incentives to reduce GHG-emissions

- diffuse methane emissions from abandoned coal mines and
- closed municipal landfills
- etc...

## Framework for Domestic Offset Projects (II)

### Energy efficiency and renewable energy

- DOPs can complement existing incentive schemes
- Replacement of ineffective funding schemes by DOPs

### Transport

- Competent authority could define conservative benchmarks for certain activities
- Transaction costs to prove additionality and monitoring can be reduced
- Activities with high co-benefits can be selected
- Municipalities could use credit revenues as a further means for funding measures to implement Clean Air Plans

## Further Information

### **Federal Environment Agency**

### **German Emissions Trading Authority (DEHSt)**

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**Thank you for your attention.**

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