

## **UNFCCC TECHNICAL WORKSHOP ON JOINT IMPLEMENTATION**

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### **Introduction**

A large amount of participants and members of the Joint Implementation Supervisory Committee (JISC) gathered in the UN Campus in Bonn for the annual technical workshop on Joint Implementation (JI). The UNFCCC Executive Secretary Yvo de Boer welcomed the audience and introduced the new chair Halldor Thorgeirsson who will be taking over the JI related issues in the Secretariat.

### **Developments of JI design**

The chair of JISC, *Daniela Stoycheva*, provided an update on the developments of Track 2 JI procedure. The JISC supervises the Track 2 JI procedure by determination of a Project Design Documents (PDD) and emission reductions. Track 2 JI was launched 26 October 2006. The JISC has developed a PDD form for JI including guidance on criteria for monitoring and baseline setting. The JISC is also working on accrediting independent entities (AIEs) to monitor and verify JI projects. Five meetings by the accreditation panel are expected in 2007. According to *Oleg Pluzhnikov* of JISC the accreditation work of the panel has begun late 2006. JISC is also monitoring Track 1 JI projects which are not supervised by the Committee.

There are no approved JI methodologies, and JI projects can, but are not obliged to, use the methodologies approved by the CDM Executive Board. According to *Alexandrina Platonova-Oquab* of the World Bank, the methodology alternatives for JI projects consist of the following: a) a new methodology; b) CDM methodology or c) combination of a) and b). Additionality can be proved by a) demonstrating that a JI project is not part of the conservative baseline and therefore reduces emissions; b) using the CDM additionality tools; or c) using the precedent of a positive determination of a similar JI project as a 'benchmark'.

Participation requirements of the Parties are screened prior to determination of a JI project. A review of the project can be requested within 45 days of determination of a PDD, and within 15 days of the determination of the emissions reductions (verification) after which the Emission Reduction Units (ERUs) can be transferred. Early crediting is not excluded by the JI procedure, however, it cannot happen under JI.

## **Compliance**

*Andrew Howard* of the Secretariat reported on the development of the compliance instruments. Currently, the Secretariat is expecting Initial Compliance Reports by the Annex B Parties which are then subject to the initial review process by the Compliance Committee. Outstanding initial reports are still expected from at least Russia and Bulgaria while 32 reports have already been submitted. Declarations of eligibility to host JI and trade AAUs are expected by late 2007 or early 2008.

*Francisco Arango* of the Secretariat outlined the participation requirements for JI in addition to those related to compliance with the Kyoto Protocol. Participants must submit information on the designated national focal point and national guidelines and procedures on JI project cycle. The JISC is currently expecting submissions of national JI approval processes which are required for hosting projects. By the Bonn meeting, submissions of 11 Annex I countries had been received.

## **Statistics on JI projects**

37 PDDs have been submitted since the launch of the Track 2 JI procedure; 18 of these from Russia and 4 from Ukraine. The first project proceeded to the final determination phase is located in Ukraine, and is open for requests of review at the time of writing.

*Jorgen Fenhann* of UNEP-Risoe presented his work on the JI project pipeline that also includes some projects which have not been submitted to the JISC so far. Renewable energy dominated the project types as 18% of the project were hydro and 14% wind power projects. Track 2 projects submitted to the JISC were divided as follows: 29% energy distribution, 24% wind power, 12% energy efficiency in the supply side, 9% industrial energy efficiency and 9% biomass. From the ERU supply point of view, energy efficiency is the most important project category supplying some 49% of emission reductions while renewable energy projects provide 23% of ERUs. The Risoe JI project pipeline is available at <http://www.cd4cdm.org/>.

*Michiel Ten Hoopen* of EcoSecurities provided some comparative statistics on small scale CDM projects (SSC). 46% of CDM projects fall into to category of SSC, however, they only produce some 8% of the emission reductions. He also reported that under JI projects can be bundled on various stages of determination while under the CDM bundling is only allowed only on PDD stage.

## **JI market outlook**

*Olga Gassan-Zade* of PointCarbon provided an overview of the market developments. The total demand in the Kyoto market is estimated as 3-5 Gt while the theoretical supply including Russian and Ukrainian hot air could be up to 7-8 Gt. However, the potential supply from JI and CDM, 1-3 Gt, is the more likely amount available as both seller and buyer governments self-regulate the supply and demand of AAUs to the market.

According to *Heorhiy Veremiychyk* of the Ukrainian government, Ukraine has launched its JI approval procedure, and already 41 Letters of Endorsement and five Letters of Approval have been issued. However, the issuance of Letters of Approval is currently experiencing delays due to technical difficulties. A GHG registry has just been installed. Priority sectors of Ukraine include coal bed methane, landfill gas, renewable energy, municipal heating and gas distribution, however, the government supports also other types of projects. According to *Oleg Pluzhnikov* of the Russian government, the Russian JI procedure should be functional shortly. *Anna Paslawska* of EPA Poland reported problems with project approval in Poland due to the lack of legal framework for JI. The good preparedness of Romania was mentioned many times during the workshop.

## **Private sector views**

The issue of double accounting between the EU ETS and JI was raised by various private sector actors including EcoSecurities and Global Carbon as it causes administrative inefficiencies.

Memoranda of Understanding (MoU) were questioned by EcoSecurities as they were regarded as unnecessary and discriminatory. Some governments including Ukraine argued that a MoU between buying and selling governments is not a requirement for project approval as it is only an expression of good will. However, it was also argued that in some countries a MoU is required by constitution as a framework of cooperation with another government, and could, therefore, not be phased out.

The involvement of JISC in project approval was regarded as an additional risk factor by some private sector actors, and the 'JISC-risk' came up in many occasions. *Ben Feldman* of Natsource differentiated between the risks of various project types. According to him, the risk of a CDM project is regulatory and ends at project registration. The regulatory risk of Track 1 JI project ends at country approval while the country risk persists. The 'JISC-risk' of Track 2 JI project ends at final determination while again the country risk persists throughout the project.

*James Atkins* of Vertis Environmental Finance argued that JI is not too complicated. According to him the main barriers to JI projects are the low price of green electricity, the fact that many technologies applied by JI projects are unproven, and the low price of carbon. The main problems with governance consist of the lack of political leadership and ministerial leadership, slow and unprincipled decision-making and corruption.

### **Green Investment Scheme**

Green Investment Scheme (GIS) is still very much part of the debate and under preparation in some countries. *Jari Väyrynen* of the Prototype Carbon Fund presented on the topic based on the World Bank studies which have been implemented in Bulgaria, Ukraine and Latvia. The Russian government has recently approved a World Bank grant for a GIS study.

Some governments reported domestic developments on GIS. *Mr Veremiychyk* reported that a World Bank study on GIS is under way in Ukraine. Czech Republic government representative *Ondrej Bores* reported that the country has a GIS procedure. Romanian government representative *Vlad Trusca* as well as *Jari Väyrynen* argued that GIS should be bilateral, and no international guidelines are needed as they would add to the complexity. The advantage of GIS should be its simple and clear nature. *Oleg Pluzhnikov* argued that GIS is not a priority to Russia at this stage. *Michiel Ten Hoopen* suggested that SSC projects could be implemented under GIS.

### **Post-2012**

Certainty of the continuation of the climate commitments during the post-2012 period were called for by many private sector actors as this would confirm the meaningfulness of business activities beyond the first commitment period. PointCarbon estimates that the Kyoto issue is gaining political momentum in Canada as well as in the US, however, the latter is only likely to fully commit to emission reductions during the third commitment period. The importance of the Russian and Chinese positions in the post-2012 was stressed as well as the significance of GIS in the future markets.