

get to grips with
**climate
change**



Taking a common approach to JI and CDM in the EU-ETS

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What's harmonised at present?

- “Member States **MAY** allow operators to use CERs and ERUs ... from project activities”
- No obligation for use to be allowed, only harmonised agreement on not using:
 - Credits from nuclear facilities
 - ‘Delayed emission’ credits in respect of forestry
 - EU Member States agree to only approve large hydroelectric projects that observe criteria and guidelines of World Commission on Dams



Why take a common approach?

- In a single market, a decision of one Member State to allow use of external credits affects all Member States
- In linked emission trading systems, a decision of one Party to allow use of external credits affects other Parties' systems
- Keep overall goal in mind, that emission trading systems should link up for maximum effectiveness
- 136 non-Annex B countries all equally eligible to generate CDM credits, 36 Annex B countries eligible to generate JI credits
- Political considerations as regards alignment with other emission trading systems?



Nuclear facilities

Looking backwards:

- The EU was opposed to crediting nuclear facilities through the CDM
- Use of nuclear credits is excluded by Marrakesh Accords

Looking forwards:

- *“The commitment ... to refrain from using CERs and ERUs generated from nuclear facilities has been fixed until 2012 and provides an indication for the continuation for subsequent periods” (COM(2003)403)*



Temporary credits

Looking backwards:

Temporary forestry credits not proposed for inclusion as:

- “LULUCF activities can only temporarily store the carbon ... it is not clear how the temporary and reversible nature of LULUCF carbon sequestration can be reconciled with entity-level emissions trading, as this would have to involve the attribution of subsequent releases from the initial sequestration
- There are still many uncertainties as to how to ... monitor emission removals by sinks
- The Community trading scheme is ... designed as a technological driver for long term emission abatement improvements from energy and industrial sources. JI and CDM should bring technology transfer through, for example, the promotion of new, cleaner technologies and improvements in energy efficiency.”
(COM(2003)403)



Temporary credits

Looking forwards:

- “Simplicity and predictability ... should be enhanced. This simplicity would be diminished by expanding the credits used in the scheme to 'ICERs' and 'tCERs' issued to projects begun until 2012 under the Kyoto Protocol's Clean Development Mechanism” (COM(2006)676)
- The treatment of land use, land-use change and forestry project activities under Article 12 in future commitment periods shall be decided as part of the negotiations on the 2nd commitment period.” (Decision 16/CMP.1)
- “The EU is engaged in discussions on a number of approaches to land-use, land-use change and forestry from 2013 under the UNFCCC.” (COM(2006)676)
- “The use of auctioning proceeds should in particular fund ... measures to avoid deforestation and facilitate adaptation in developing countries.” (COM(2006)818)



Terms of reference for JI/ CDM review

- “To assess the extent to which emission reduction projects to date are contributing to economies shifting to more sustainable development paths”
- What is experience of JI and CDM so far?
- How to react to widespread criticisms e.g. of HCFC22/ HFC23 CDM projects by press and stakeholders, and US government encouragement “to consider refraining from purchases of CERs associated with HFC23 destruction”?
- What is stakeholder experience as regards large hydroelectric projects? Are there other concerns?



A common approach?

- For a common approach, should “may” become “shall”?
- Currently, Member States can, at will, decide not to allow use of credits
- If moving to “shall”, how should EU react to developments?
 - Co-ordinated Member State action not to use certain credits?
 - Specific provisions set down now through co-decision?
 - And/ or a mechanism for EU-wide action to be taken?



Further elements to harmonise?

- What are expectations for track 1 JI? - “Essentially ... Track 1 ERUs are the same as AAUs ... but with a different name.”
(International Yearbook of Environmental and Resource)
- For approval of projects by EU, should there be a common approach, e.g. to approving projects involving non-ratifiers?
‘Building constituencies’ vs. free-riding?



Transition beyond 2012

- Continued recognition beyond 2012 of credits from JI and CDM is already foreseen in the EU ETS
- At Member States' discretion
- First commitment period (2008-12) JI and CDM credits are subject to banking limitations (2.5%) that could incur liability for Member States accepting them
- “tCERs may not be carried over to a subsequent commitment period” (Decision 5/CMP.1)



Transition beyond 2012

- Evolution of commitments expected in the post-2012 agreement - Common but differentiated responsibilities, differentiated contributions by different countries
- How should the proposal take account of this agreement? E.g. commit EU now to recognition of CERs and ERUs from continuing projects based in countries which have ratified the agreement?
- In a situation where the international agreement were not yet finalised, how should CERs and ERUs respecting the EU ETS's criteria continue to be usable in the Community system? Any differentiation between projects / countries? Mutual recognition, as for linking trading systems?
- "Community-level arrangements for the authorisation of projects" (COM(2006)676), e.g. for carbon capture and storage?
 - "While CDM is the established mechanism at the multilateral level, there is no reason why it should be the exclusive vehicle for offsets trading. " (Australian Prime Ministerial ET Taskforce)