

*ECCP Working Group on JI/CDM
Conclusions
15 November 2002*

Introduction

These conclusions reflect the opinion of the Working Group on the various issues it addressed in accordance with the mandate it was given by the ECCP Steering Committee. The Working group took the relevant provisions and definitions of the Kyoto Protocol on JI and the CDM as well as the Marrakech Accords as a starting point for discussion.

JI/CDM implementation: guiding principles.

- JI and CDM projects should achieve additional emission reductions cost-effectively and result in real, measurable and long term benefits related to the mitigation of climate change while contributing to the achievement of sustainable development goals of host countries, notably through the transfer of environmentally sound technologies.
- To complement abatement action at home, participation in JI and the CDM should be facilitated, bearing in mind that domestic action shall constitute a significant element of the abatement effort to be made to meet Parties' targets under the Kyoto Protocol.
- JI and CDM contribute to global sustainable development through early mitigation action in third countries, in particular in developing countries. The early implementation of the project-related mechanisms represents a major opportunity to build confidence in the Kyoto system by signalling the EU's intention to participate fully in the Kyoto mechanisms. Engagement in CDM and JI will contribute to demonstrating EU leadership on Climate Change, encourage further ratification and so assist entry into force. It should help assure developing countries of our seriousness in efforts to take the lead in tackling climate change while facilitating their active participation in GHG mitigation measures.
- JI and the CDM should primarily be driven by the private sector. It is recognised that public money can promote an early participation of the private sector in JI and the CDM by reducing risks and promoting markets for JI/CDM credits (Emission Reduction Units/ Certified Emission Reductions). In particular, public money can promote a more balanced geographical distribution of JI/CDM projects by supporting activities where the private sector does not yet find it profitable and where ancillary social benefits are expected. The provision of public support should not lead to a diversion of Official Development Assistance (ODA).
- Development of appropriately designed JI and CDM projects may also have a positive impact on national and Community research and development activities, giving additional incentives to technological innovation and dissemination.
- Member States' National Programmes for the implementation of JI/CDM should take into due consideration relevant EC policy, in particular EC development co-

operation and enlargement policies, and be in accordance with any relevant EC legislation on environment and EC rules on state aid and public procurement.

- It is in the common interest of both the EU and the candidate countries to further strengthen their co-operation on climate change, including through the Kyoto flexible mechanisms and the Community emissions trading scheme.

Linking JI and CDM to the Community emissions trading system

- One way of facilitating the private sector's engagement in JI and the CDM is to recognise JI and CDM credits towards fulfilment of domestic obligations. In this respect, linking JI and the CDM to the forthcoming Community emissions trading scheme would stimulate the development of JI/CDM projects.
- Linking JI and the CDM with emissions trading is desirable from an economic point of view as it would increase the diversity of compliance options and should lead to a reduction of overall costs while improving the liquidity of the market.
- Linking JI and the CDM to the Community emissions trading scheme should be consistent with the Kyoto Protocol and the Marrakech Accords, the objectives of the Community emissions trading scheme, while safeguarding environmental integrity. The Community and its Member States should ensure that the use of JI and CDM credits is a supplement to the domestic abatement effort.
- In concrete terms, linking JI and CDM means that JI and CDM credits should be recognised in the Community emissions trading scheme and could be used by operators to fulfil their obligations.
- The overall total quantity of allowances allocated to operators participating in the Community emissions trading scheme will have an impact on the demand for credits.
- Use of JI and CDM credits in the Community emissions trading scheme should be transparent in order to identify which operator surrenders which credit. Information about the projects generating credits that are used in the Community emissions trading scheme should be available to the public.
- Linking as soon as possible is likely to create early demand for credits, reducing uncertainties and contributing to global sustainable development through early mitigation action in third countries. Linking is practicable as from the date credits are issued in accordance with JI and CDM provisions on crediting periods as laid down in the Marrakech Accords. Though credits from JI projects in practice are not expected to become available before 2008, a signal towards demand for JI project related credits would promote confidence in the Kyoto system.
- The early adoption of legislation regarding the recognition of project credits should be pursued as a matter of particular priority. The Commission should aim to make its proposal for a Directive linking JI/CDM credits with the EU emissions trading scheme early in 2003. The Council and the European Parliament should

aim at adopting this legislation so as to allow its implementation as from the commencement date of the EU emissions trading scheme.

Capacity building

- Early action on JI and the CDM requires awareness raising of environmental and other potential risks and benefits and capacity building and enhancement in both host and investor countries in order to enable private sector engagement and reduce costs and uncertainties.
- Mainstreaming climate change into EC Development and Co-operation and Enlargement Policy is a key priority in order to raise public and governmental awareness in partner countries and further channel financial and technical assistance towards the creation of the enabling environment for developing JI/CDM projects.
- The CDM Executive Board and the JI Supervisory Committee will play a crucial role for the development of JI and CDM. The EU should support their work, in particular activities to provide further guidance on additionality and prepare and review guidelines on methodologies on monitoring and baselines in order to promote environmental integrity and minimise transactions costs.

Domestic project-based activities

- There is a potential for emission reductions that fall outside the scope of the Community emissions trading scheme and which should not be neglected. The practicalities related to the integration of domestic project-based activities into the Community emissions trading scheme should be further analysed.

Financial mechanisms to promote JI/CDM

- The possible establishment of a financial mechanism at Community level should be further analyzed and could promote JI/CDM development. However, a political decision has to be made as to whether such an initiative should focus on JI/CDM or be more broadly based on a multi-dimensional “sustainable development” objective to take account of developing country policy priorities.