

## Submission by Japan on the Framework for Various Approaches

Japan submits its views on the framework for various approaches (FVA) referred to in paragraphs 4(a) of FCCC/SBSTA/2013/L.6.

### 1. The purpose and scope of the FVA, including its role in ensuring environmental integrity

In Japan's view, the purposes of the FVA is to facilitate the development and implementation of, and coordinating interaction among, existing and emerging market based approaches that result in international transfers of mitigation outcomes, in a transparent manner that provides assurance of environmental integrity.

The scope of the FVA should cover various approaches such as existing Kyoto Mechanisms, a new market-based mechanism under the guidance and authority of the Conference of the Parties (COP), crediting mechanisms developed and implemented by Parties individually or jointly which include the Joint Crediting Mechanism (JCM) implemented by Japan and partner countries of the JCM, and emission trading schemes (ETSs) which link to other ETSs internationally.

Japan considers the role of the FVA in ensuring environmental integrity is to provide basic principles for a set of criteria and procedures in line with decision 1/CP.18, paragraph 46(c).

#### (1) Criteria for ensuring environmental integrity

The following ideas should be incorporated in a set of criteria for the crediting mechanisms implemented by Parties individually or jointly.

##### (a) Eligibility of the project

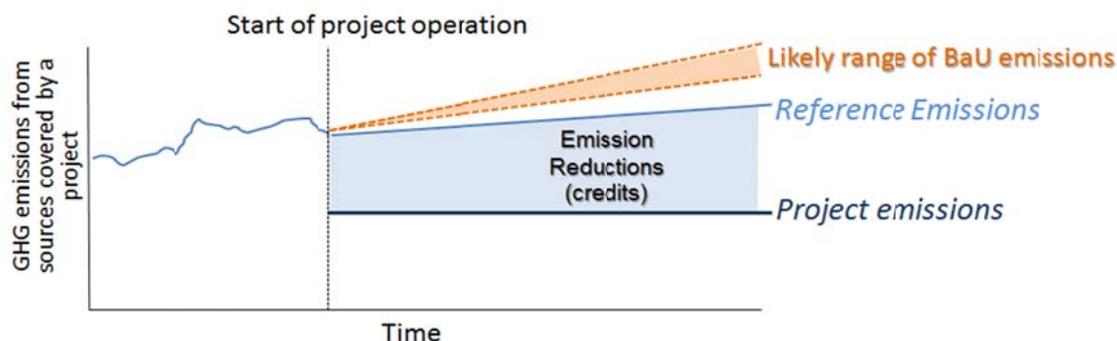
The eligibility of a project should be described clearly in advance so as to give certainty to project participants and hence promote additional investments for emission reductions or removals. The eligibility criteria could be set, for example, by establishing a positive list of technologies, products, systems, services, etc. which are expected to contribute to achieving additional emission reductions.

##### (b) Conservativeness in calculating the amount of emission reductions or removals

The amount of emission reductions or removals should be calculated conservatively. Figure 1 shows an example of calculating emission reductions

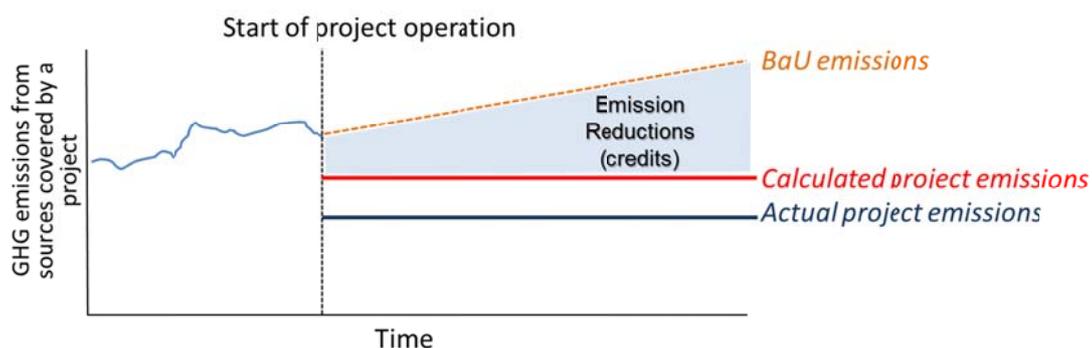
conservatively. The reference emissions here are set below the likely range of business-as-usual (BaU) emissions – which represent plausible emissions in providing the same outputs or service level of the project under the mechanism – by, for instance, discounting certain percentage points from BaU emissions. In this case, emission reductions to be credited are calculated as the difference between the reference emissions and the project emissions.

(Figure 1)



In another example showed in Figure 2, project emissions are calculated larger than actual project emissions by applying conservative default values for parameters to calculate project emissions instead of measuring actual values. In this case, emission reductions to be credited are calculated as the difference between the BaU emissions and the project emissions calculated in a simple and conservative manner.

(Figure 2)



With regard to a set of criteria for ETSs which link to other ETSs internationally, the following idea should be incorporated: the ETSs set the overall emission reduction target of the scheme itself as well as target for each individual entity in the scheme below the likely range of BaU emissions.

(2) Procedures for ensuring environmental integrity

The following ideas should be incorporated in a set of procedures for the crediting mechanisms implemented by Parties individually or jointly.

(a) Validation and verification

Independent third party entities should conduct validation and verification. For the third party entities, designated operational entities (DOEs) under the clean development mechanism (CDM) as well as ISO 14065 certification bodies are deemed appropriate in terms of capacity to conduct validation and verification.

(b) Public inputs

In the process of approval of methodologies and project registrations, draft of methodologies and project design documents (PDDs) should be made publicly available for public inputs through appropriate means including the website.

(c) Information disclosure

All relevant information including rules and guidelines, and information on project descriptions and credit issuance should be disclosed immediately after decisions are made.

With regard to ETSs which link to other ETSs internationally, the following ideas should be incorporated in a set of procedures.

(a) Verification

With regard to ETSs which allow the transfer of allowances to other Parties, independent third party entities should conduct verification of the amount of greenhouse gas (GHG) emissions of each entity covered by the scheme. For the independent third party entities, designated bodies under domestic arrangements can be deemed appropriate in terms of capacity to conduct verification of emissions.

(b) Information disclosure

All relevant information on rules and guidelines especially about linking should be disclosed immediately after they are made. Also, information on allocation and retirement of allowances for each entity covered in the scheme, as well as transfer and acquisition of allowances should be disclosed as much as possible.

2. How may the elements listed in decision 1/CP.18, paragraph 46, be elaborated given the options for the purpose and scope of the FVA expressed by Parties.

Decision 1/CP.18, paragraph 46 describes technical specifications to avoid double counting through the accurate and consistent recording and tracking of mitigation

outcomes, and the institutional arrangements as elements for elaborating the FVA, in addition to the purpose, scope and a set of criteria and procedures to ensure the environmental integrity,

- (1) Technical specifications to avoid double counting through the accurate and consistent recording and tracking of mitigation outcomes

The issue of “double counting” can be interpreted multiply such as “double registration” of projects, “double issuance” of credits, “double usage (including “double transfer”)” of credits or allowances.

“Double registration” of projects can be described as one mitigation project being registered under two or more international crediting mechanisms. “Double Issuance” of credits can be described as issuing credits two or more times from the same mitigation outcomes, which may occur as a result of “double registration” of projects.

“Double Usage” of credits or allowances (units) can be described as using the same units two or more times in different countries. “Double usage” may happen if retired units in country A are transferred to country B as unused units, and those units are retired again in country B.

“Double registration”, “double issuance”, and “double usage” cannot be addressed within a single international crediting mechanism or ETSs which link to other ETSs internationally. Therefore, the FVA should provide the following possible countermeasures to the administrators of the mechanisms and the schemes in a cooperative manner.

In order to avoid “double registration” of projects, an administrator of the mechanism should be required to check whether a proposed project for registration has not been registered under other mechanisms, before registering the project.

For that purpose, minimum information to be made publicly available regarding registered projects under each mechanism should be harmonized among such mechanisms. Therefore those minimum requirements for public information disclosure (e.g. project location including coordinates, scope, scale, etc.) should be identified as a first step.

It should also be considered to mandate project participants of a mitigation project to submit a written oath indicating that the project participant will (a) not register the project under two or more international crediting mechanisms, and (b) accept the cancellation of the credits by administrators in the event of “double registration”.

“Double Usage” of units should be prevented by confirming the decrease of the amount of units in the transferring account of a registry and increase of the same amount on units in the receiving account of another registry after the international transaction between countries. In addition, it is necessary for an administrator of the transferring account to check whether those units to be transferred have not been retired or cancelled, before a transaction.

In addition to the issues mentioned above, in case the credits generated in a developing country by an international crediting mechanism are used by a developed country to offset its emissions without any further actions taken (e.g. adding the emissions equivalent to the amount of credits transferred onto the developing country’s emissions to be reported), the credits will be “double claimed” by both the developed country and the developing country involved. This “double claiming” issue should be further discussed internationally in conjunction with the treatment of credits from the existing mechanisms. In the mean time, the FVA should request the disclosure of information on the amount of issuance, transfer, acquisition and retirement of credits in developed and developing countries involved respectively to ensure transparency (see 2 (2)).

## (2) The institutional arrangements for the FVA

In order to ensure transparency, the FVA should request the Parties to report to the COP on both the design of the mechanisms and schemes at the planning stage *ex ante* and the outcomes of the mechanisms and schemes *ex post*.

Items to be reported to the COP may include the following, inter alia:

- a. Information on program design of the mechanisms and schemes;
- b. Information on methodologies/MRV arrangements;
- c. Information on third party entities for validation/verification;
- d. Information on projects and activities in the mechanisms;
- e. Information on the amount of issuance, transfer, acquisition and retirement of units;
- f. Information on unit registry and tracking procedures.

Reporting to the COP under the FVA should be implemented in a manner that avoids duplication with existing information and reporting arrangements under the Kyoto Protocol and other relevant arrangements under the UNFCCC as much as possible. However, information on the amount of issuance, transfer, acquisition and retirement of units should cover all mechanisms and schemes under the FVA including existing Kyoto Mechanisms.

## 3. Recent development of the JCM

Japan has been promoting the JCM as one of the crediting mechanisms implemented by Parties individually or jointly. The JCM aims at facilitating diffusion of leading low carbon technologies, products, systems, services, and infrastructure as well as implementation of mitigation actions, and contributing to sustainable development of developing countries. The JCM also aims at appropriately evaluating contributions to GHG emission reductions or removals from Japan in a quantitative manner, by applying robust measurement, reporting and verification (MRV) methodologies, and use them to achieve Japan's emission reduction target. Japan hopes it contributes to the ultimate objective of the UNFCCC by facilitating global actions for GHG emission reductions or removals, complementing the CDM.

Japan has held consultations and briefings with several developing countries since 2011. Japan has signed the bilateral documents to start the JCM with Mongolia, Bangladesh, Ethiopia, Kenya, Maldives, Viet Nam, Lao PDR and Indonesia so far. The JCM will be implemented in line with the FVA we describe in this submission. Japan is willing to share its experience gained through the implementation of the JCM and to make further contributions to the elaboration of the FVA under the work programme conducted by the Subsidiary Body for Scientific and Technological Advice.