

Submission by Japan on
various approaches, including opportunities for using markets,
to enhance the cost-effectiveness of, and to promote, mitigation actions

Japan welcomes the opportunity to submit its views on the matters referred to in paragraphs 44–46 of Decision 1/CP.18 (section D, chapter 2 of Agreed outcome pursuant to the Bali Action Plan), including information, experience and good practice relevant to the design and operation of various approaches, in response to the invitation in paragraph 48 of Decision 1/CP.18.

1. The purposes of the framework for various approaches

In Japan's view, the purposes of the framework 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.

2. The scope of approaches to be included under the framework for various approaches

The framework will cover broad approaches such as existing Kyoto Mechanisms, a new market-based mechanism under the guidance and authority of the Conference of the Parties, domestic Emission Trading Schemes (ETSs) which link to other ETSs internationally, and other mechanisms developed and implemented by Parties which include the Joint Crediting Mechanism/Bilateral Offset Credit Mechanism (JCM/BOCM) promoted by Japan.

3. A set of criteria and procedures to ensure the environmental integrity of approaches in line with Decision 2/CP.17, paragraph 79

Japan considers the following ideas should be incorporated in a set of criteria for crediting mechanisms to ensure environmental integrity in line with Decision 2/CP.17, paragraph 79:

(1) Eligibility criteria for the project

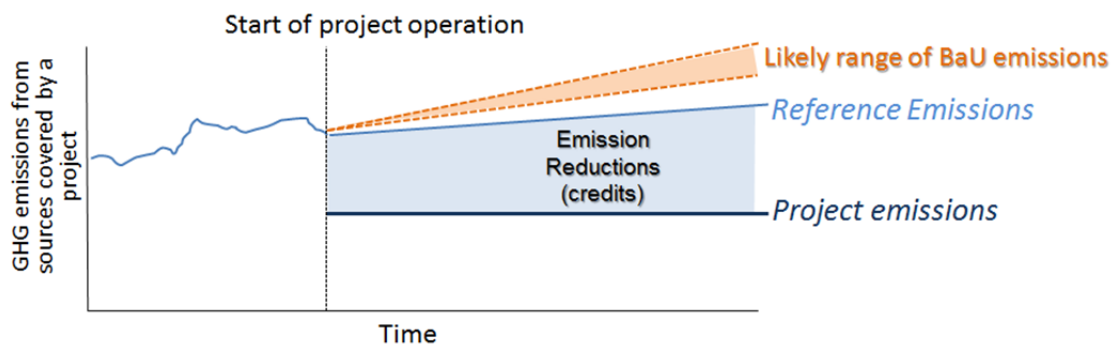
Eligibility of the project under the mechanisms should be clearly described in advance so as to give certainty to project participants and hence promote additional

investments for emission reductions or removals. For example, the criteria could be set, among others, by establishing a positive list of technologies, products, systems, services, etc. which are expected to contribute to achieving additional emission reductions.

(2) Conservative way of calculation of emission reductions or removals

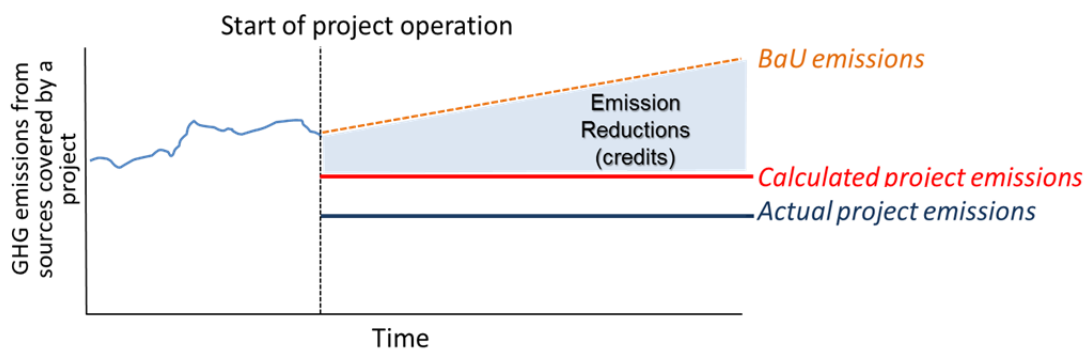
The amount of emission reductions or removals should be calculated conservatively. Figure 1 shows an example of a conservative way of calculation of emission reductions. The reference emissions here are set below the likely range of business-as-usual (BaU) emissions – which represent plausible emissions 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 monitoring 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)



Japan considers the following steps should be incorporated in a set of procedures for crediting mechanisms, in order to ensure environmental integrity in line with decision 2/CP.17, paragraph 79:

(1) Validation and verification

Independent third party entities should conduct validation and verification under the mechanisms. For the third party entities, DOEs (Designated Operational Entities) under the Clean Development Mechanism as well as ISO 14065 certification bodies are deemed appropriate in terms of capacity to conduct validation and verification.

(2) Public inputs

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

(3) Information disclosure

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

4. 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, and “double claiming” of credits.

“Double registration” of projects can be described as one mitigation project being registered under two or more international crediting schemes. “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 or under different schemes. “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 Claiming” of credits can be described as a situation where the credits generated in a developing country by an international crediting scheme 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). As a result, the credits will be “double claimed” by both the developed country and the developing country involved. Japan recognizes that this “double claiming” issue should be further discussed internationally in conjunction with the treatment of credits from the existing mechanisms.

“Double registration”, “double issuance”, and “double usage” cannot be addressed within a single scheme respectively. Therefore, the following possible countermeasures should be elaborated among the administrators of various schemes in a cooperative manner.

(1) Possible countermeasures to avoid “double registration” and “double issuance”

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

For that purpose, minimum information to be made publicly available regarding registered projects under each scheme should be harmonized among such schemes. 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 schemes, and (b) accept the cancelation of the credits by scheme administrators in the event of “double registration”.

(2) Possible countermeasures to avoid “double usage”

“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 schemes.

In addition, it is necessary for a scheme administrator of the transferring account to check whether those units to be transferred have not been retired or canceled, before a transaction.

5. The institutional arrangements for the framework

In order to ensure transparency, it will be necessary for the Parties to report to the COP on both the design of the schemes at the planning stage *ex ante* and the outcomes of schemes *ex post*.

In addition, each Party should disclose information on such schemes individually. Reports to the COP by the Parties should include disclosure of information referred to in the previous sentence.

6. Information, experience and good practice relevant to the design and operation of various approaches

Japan has been promoting the JCM/BOCM as one of the various approaches. The JCM/BOCM 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/BOCM also aims at appropriately evaluating contributions to GHG emission reductions or removals from Japan in a quantitative manner, by applying 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.

The JCM/BOCM will be designed and implemented, taking into account the following:

- (a) Ensuring robust methodologies, transparency and environmental integrity;
- (b) Maintaining simplicity and practicality based on the rules and guidelines;
- (c) Promoting concrete actions for global GHG emission reductions or removals;
- (d) Preventing uses of any mitigation projects registered under the JCM/BOCM for the purpose of any other international climate mitigation mechanisms to avoid double counting of GHG emission reductions or removals.

Once the JCM/BOCM starts its operation between Japan and a host country, a Joint Committee (JC) will be established between the two countries. The JC will decide the rules and guidelines of the JCM/BOCM taking into account each national circumstance. A report and all decisions of the JC are made publicly available immediately after the decisions are adopted. The JCM/BOCM will be implemented in line with a set of criteria and procedures stated in section 3 of this submission in order to ensure environmental integrity.

Japan has held consultations and briefings with several developing countries since 2011. Japan has signed the bilateral documents to start the JCM/BOCM respectively with Mongolia and Bangladesh recently. Japan is willing to share its experience gained

through the implementation of the JCM/BOCM and to make further contributions for the elaboration of the framework for various approaches under the work programme conducted by the Subsidiary Body for Scientific and Technological Advice.