

The CDM and the JCM under the Paris Agreement

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Much CERs are available now

- **CERs issued in the world until Jan 2018 : 1.907 billion t (including PoA)**
 - CERs from CDM projects in Indonesia: 0.032 billion t

- **CERs used by Annex I countries for the compliance of 1st commitment period 1.001 billion t (2008-2012)**

- **Estimated surplus CERs at Nov 2017 0.863 billion t**
 - Chinese CERs: 0.427 billion t
 - Indian CERs: 0.111 billion t
 - Korean CERs: 0.079 billion t

Demands for CERs until 2020 are limited

- Upper limit for use of credits for the EU-ETS
(2008-2020):** **1.6 billion**
t
- CERs used EU for the compliance of
1st commitment period (2008-2012) :** **1.315 billion**
t
- Estimated potential CER demand from EU
until 2020:** **0.285 billion**
t

Potential demands for CERs after 2020 under the Paris Agreement may be also limited

- **Countries which do not mention using credits in their NDCs as of now: EU, USA, Norway, Australia**
- **Countries which mention using credits in their NDCs as of now: Japan, Canada, NZ**
- **Country which states its intention to use CERs toward Paris target (NDC) as of now: Switzerland.**
 - Swiss NDC is 35% reduction from 1990, for 2021-2030
 - Swiss emissions in 2015 is 10% below 1990 level
 - Swiss emissions in 1990 is 0.053 billion t
 - (assumption) $1990 \text{ emissions} \times 25\% \times 10 = 0.133 \text{ billion t}$

CER price has been falling



0.21 € / t

Ref: Maximum procurement price of JCM credits (as of April 2017) was \4,000 / t (**30.00 € / t**).

Article 6 of the PA defines two approaches

Article 6

Cooperative approaches
(Paragraph 2)

- Use of internationally transferred mitigation outcomes (ITMOs) towards nationally determined contributions (NDCs)
 - JCM
 - Emissions Trading between EU and Switzerland / Norway
 - Emissions Trading between California and Quebec

A mechanism authorized and guided by UNFCCC
(Paragraph 4)

- A mechanism to contribute to the mitigation of greenhouse gas emissions and support sustainable development is hereby established
 - New mechanism
 - ✓ Sectoral mechanism?
 - ✓ CDM 2.0?

Non-market approaches
(Paragraph 8)

UNFCCC

JCM

Indonesia

2011

COP17

Defined a new market-based mechanism

2012

COP18

Call for submissions for market mechanisms (MMs)

2013

COP19

(No decision for MMs)

2014

COP20

(No decision for MMs)

2015

COP21

Adapted the Paris Agreement
Call for submissions for MMs

2016

COP22

Call for submissions for MMs

2017

COP23

Discussion continues to COP24

2018

COP24

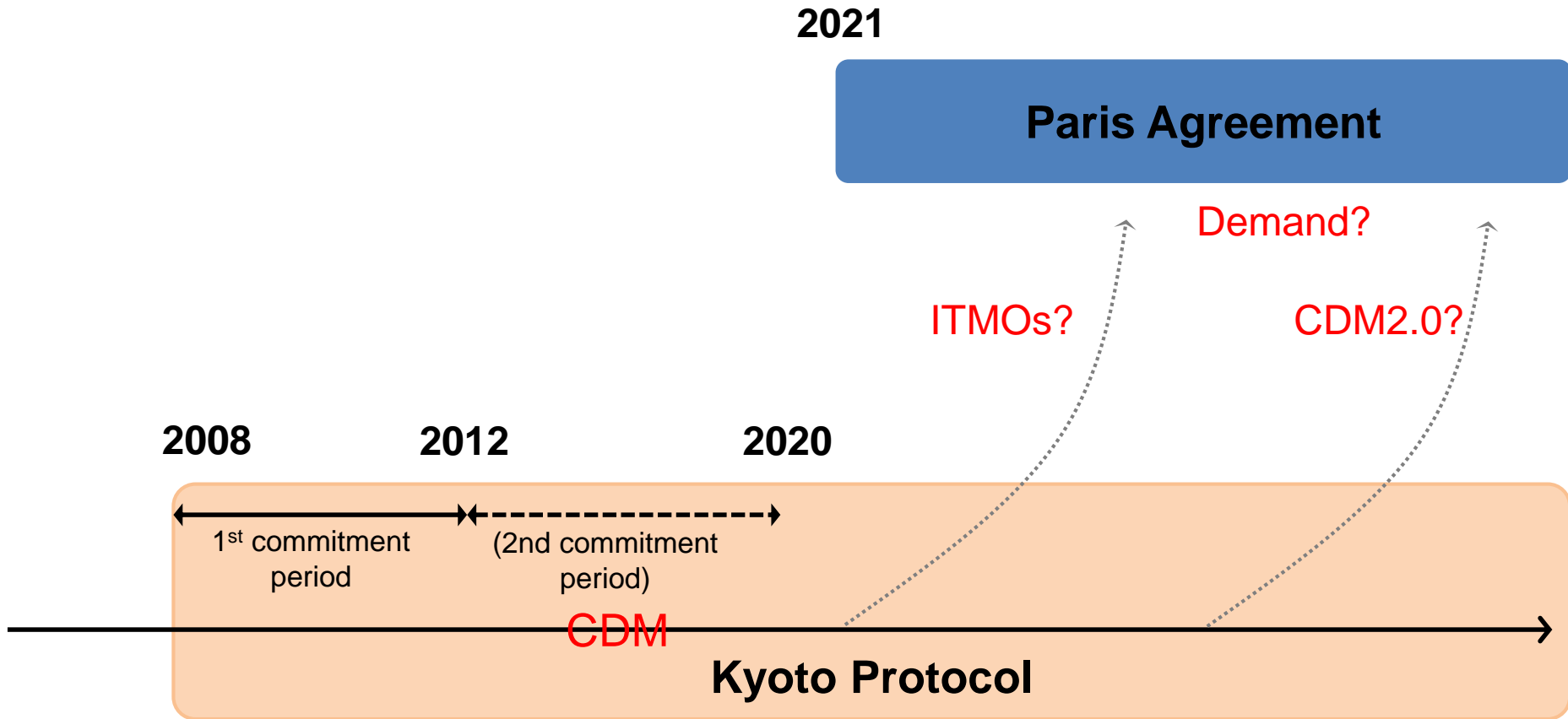
Paris Rulebook adapted?

- **Bilateral document** for the JCM signed in August
- 1st Joint Committee held in October
- **JCM guidelines** adopted

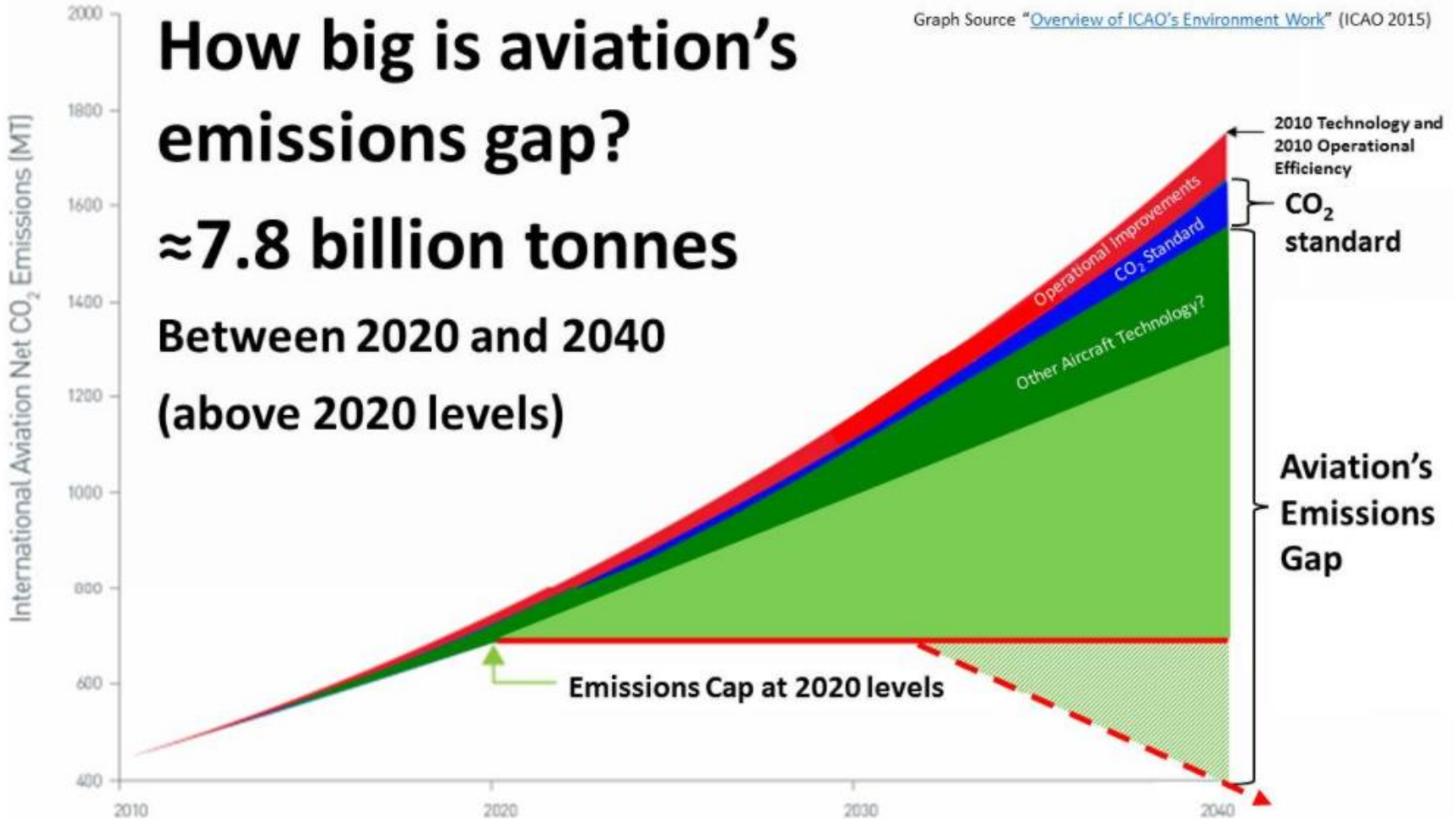
- **1st Third Party Entities** designated
- **1st JCM methodologies** approved
- **1st JCM project** registered

- **1st JCM credit** issued

CDM could be transitioned to the PA subject to negotiations but that may not necessarily increase the demand of CERs



There will be demand from ICAO/CORSIA (Carbon Offsetting and Reduction Scheme for International Aviation) **subject to eligibility criteria**



Avoidance of double counting is required under the Paris Agreement

Article 4.13 of the Paris Agreement

Parties shall account for their nationally determined contributions.
...and ensure the **avoidance of double counting**,...

Article 6.2 of the Paris Agreement

Parties shall, where engaging... the use of internationally transferred mitigation outcomes towards nationally determined contributions, ... and shall apply robust accounting to ensure, inter alia, the **avoidance of double counting**,...

Avoidance of double counting is also stipulated in COP21 decision

36. Parties shall account for their nationally determined contributions. ...and ensure the **avoidance of double counting**,...

92(f). The need to ensure that **double counting is avoided**;

106. Encourages Parties to promote the voluntary cancellation by Party and non-Party stakeholders, **without double counting**, of units issued under the Kyoto Protocol, including certified emission reductions that are valid for the second commitment period;

107. Urges host and purchasing Parties to report transparently on internationally transferred mitigation outcomes, including outcomes used to meet international pledges, and emission units issued under the Kyoto Protocol with a view to promoting environmental integrity and **avoiding double counting**;

Avoidance of double counting is required for ICAO/CORSIA as well

Resolution A39-3

21. Decides that emissions units generated from mechanisms established under the UNFCCC and the Paris Agreement are eligible for use in CORSIA, provided that they align with decisions by the Council, with the technical contribution of CAEP, including on **avoiding double counting** and on eligible vintage and timeframe;

25. Requests the Council to explore further development of aviation-related methodologies for use in offsetting programmes, ..., which could further enable the use of credits generated from the implementation of such programmes by the CORSIA, **without double-counting** of emissions reduction;

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