Governance and Approaches: What are the Lessons Learned from JI?

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Lambert Schneider, Associate Stockholm Environment Institute
lambertschneider@googlemail.com

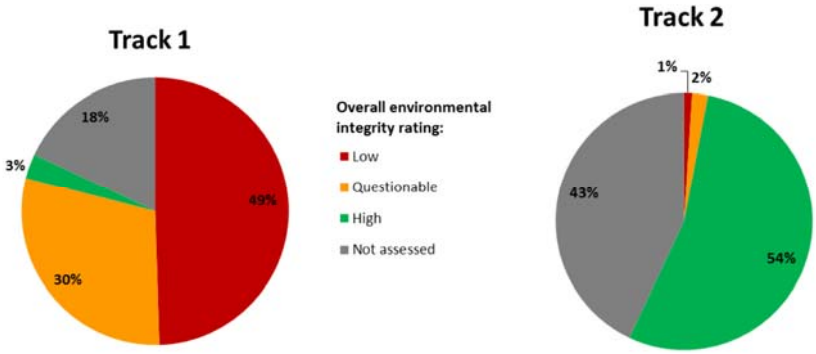
Background

- **Study commissioned by Austria, Finland and Switzerland**
- **Focus: Environmental implications**
  - Environmental outcome of JI
  - Lessons for mechanisms under the Paris Agreement
- **Methodological approach**
  - Document review of 60 randomly sampled projects
  - Detailed assessment of the six largest project types, covering about 80% of ERUs
  - Assessment of institutional arrangements in the four largest host countries
  - Interviews with project developers

Likelihood of additionality of JI projects

Source: Random sample of 60 projects assessed in detail

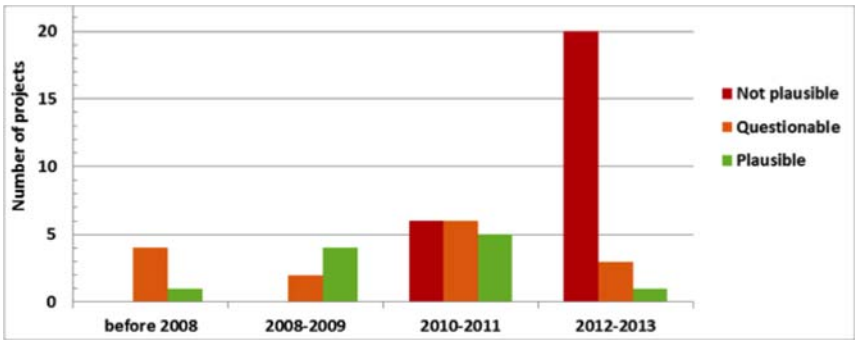
Differences between JI track 1 and 2



Track 1: Host country oversight
Track 2: International oversight

=> 97% of ERUs issued under Track 1

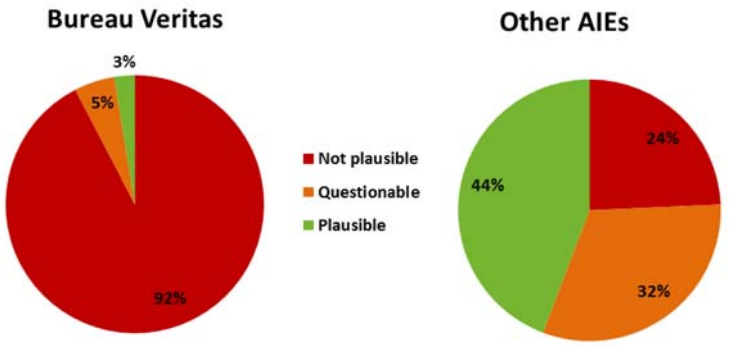
Differences over time



=> Early projects have higher quality than projects approved in 2012-2013

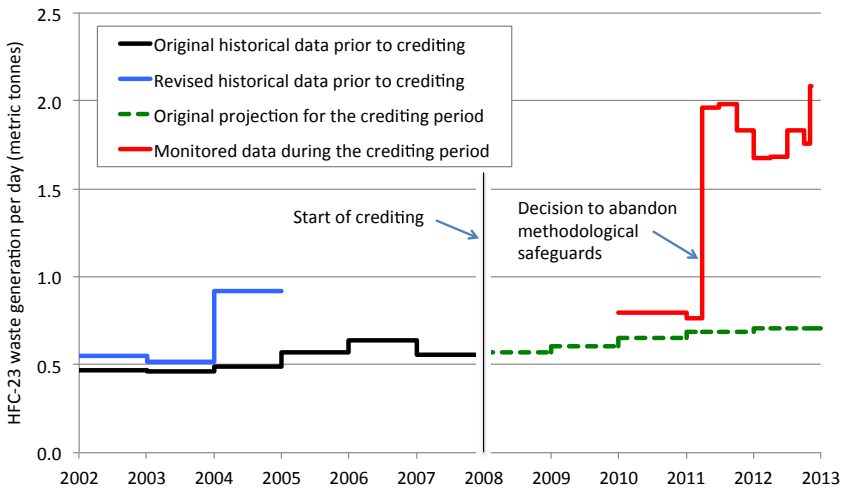
Differences between auditing companies

Plausibility of additionality claims of the sampled projects by AIE conducting determination, by ERUs issuance

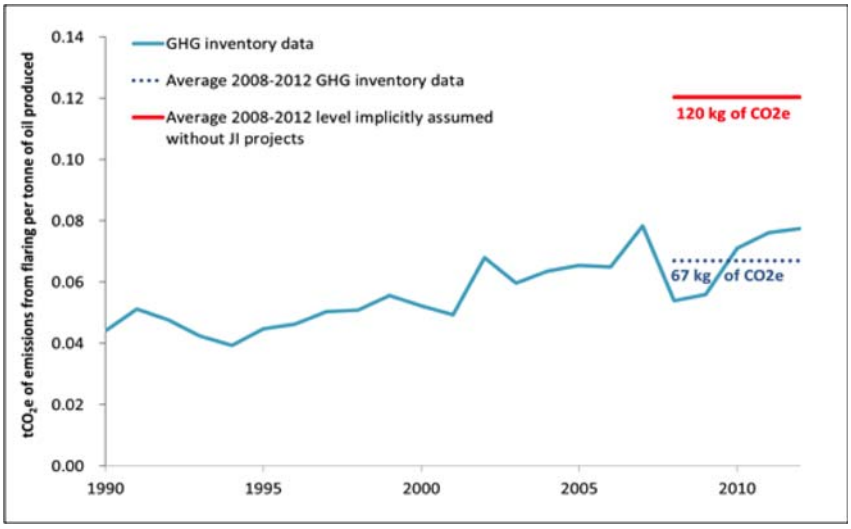


Data source: Random sample of 60 projects drawn from UNEP Risoe (2014), excluding the six projects for which we did not have PDDs.

Perverse incentives: HFC-23 project in Russia



Consistency with GHG inventories



Key findings

- **Overall poor environmental integrity of JI track 1**
- **Impact on GHG emissions**
  - Global: ≈ 600 $MtCO_2e$
  - EU ETS: ≈ 400 $MtCO_2e$
- **Inconsistencies with GHG inventories**
- **Lack of transparency in some countries**
- **Uncertainty for investors**

Lessons learned for Article 6

- **Ambitious targets => Incentives to ensure EI**
- **Unambitious targets => No incentives**

1. **Avoiding disincentives to set targets unambitiously**
2. **Ensuring environmental integrity**
   - Mechanism level: Appropriate design of mechanisms, e.g.
     - Oversight on auditors
     - No retroactive crediting
     - Robust methodologies
   - Country level: No transfers of “hot air”
3. **Robust accounting**
4. **Transparency**
5. **Certainty for investors**

Thank you for your attention!

Full study: http://www.sei-international.org/publications?pid=2803

Policy brief: http://www.sei-international.org/publications?pid=2802

Nature Climate Change: http://dx.doi.org/10.1038/nclimate2772

Lambert Schneider
Associate to Stockholm Environment Institute
lambertschneider@googlemail.com

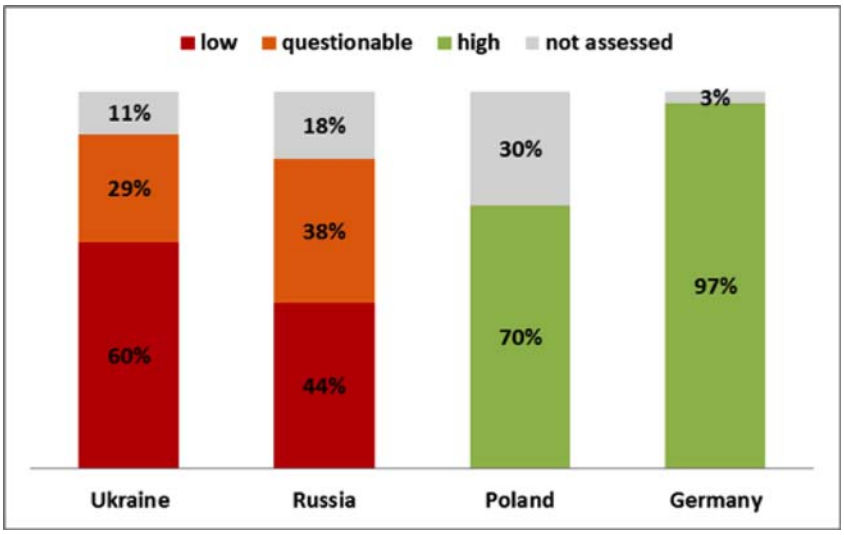
Assessment of the largest six project types

Project types	Registered projects	% of ERUs	Additionality	Over-crediting	Inventory inconsist-encies	Overall environ-mental integrity
Spontaneous ignition of coal waste piles	78	26.1%	Not plausible	Likely to be very significant	Significant	Low
Energy efficiency in industry and power production and distribution	164	23.1%	Questionable	Not known	None found	Questionable
Associated petroleum gas utilization	22	13.9%	Not plausible	Likely to be very significant	Significant	Low
Natural gas transportation and distribution	32	9.8%	Not plausible	Some over-crediting likely	None found	Low
HFC-23 abatement from HCFC-22 and SF_6 abatement	4	6.4%	Plausible	Likely to be very significant	Significant	Questionable
N_2O abatement from nitric acid	41	4.5%	Plausible	Unlikely	Largely consistent	High

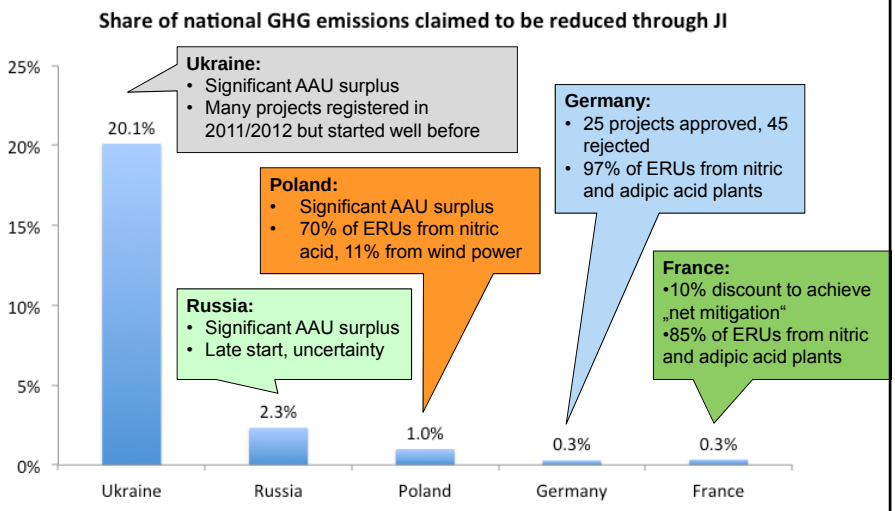
Source: Authors' analysis.

⇒ **Only one project type with overall high quality**

Differences by host country

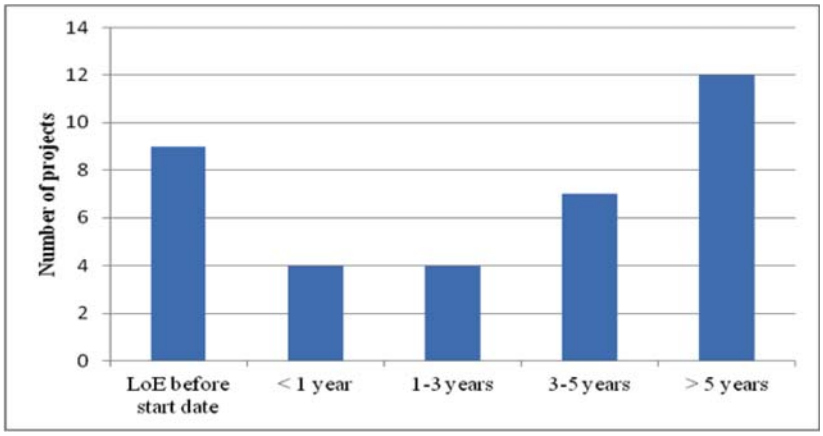


Are the reductions claimed by JI realistic?



Significant retroactive crediting

Time period between project starting date and issuance of LoE



Data source: Random sample of 60 projects (of which the date of the LoE is available for 36 projects)

Does the env integrity of JI projects matter?

Would global GHG emissions be higher, lower, or the same in the absence of JI, keeping everything else constant?

It depends...

1. Environmental integrity of projects

- Additionality
- Over- or under-estimation of emission reductions

2. Accounting issues

- Ambition of KP targets / existence of "hot air": What would otherwise happen to the hot air?
- Are the projects' emission reductions reflected in GHG inventories ("GHG inventory visibility")?
- What would buyers otherwise have done?

AAU surplus (“hot air”)

- **Very large surplus in Ukraine, Russia and most EITs**
  ⇒ Certainty for host countries that AAUs will not be needed
- **Weak CP2 targets**
  ⇒ No need / eligibility to use CP1 “hot air” in CP2
- **Only ERUs have access to EU ETS - no AAUs**
- **Unlikely AAUs could be used under INDCs**

⇒ **AAU surplus very unlikely to be used in any manner**

Impact on <u>global</u> GHG emissions

Ambition of host country emissions target	Project characteristics		Reflection of emission reductions in host country inventory	
			Yes	No
No surplus / no hot air	Additional and…	…correctly credited	Zero	Decrease
		… overcredited	Zero	Decrease
		…undercredited	Zero	Decrease
	Not additional		Zero	Zero
Surplus / "hot air"	Additional and…	…correctly credited	Zero	Zero
		… overcredited	Increase	Increase
		…undercredited	Decrease	Decrease
	Not additional		Increase	Increase

=> 95% of ERUs issued in countries with large “hot air”