Implementation of Article 6 of the Paris Agreement and the Joint Crediting Mechanism (JCM) Uga Maiko (Ministry of the Environment, Japan)

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With a focus on the Paris Agreement and JCM, I will focus on three specific topics in my presentation. I have been talking a lot about the JCM at meetings like COP, but it is actually the first time for me to make a presentation in front of a Japanese audience. I may be a little bit off of what you really want to learn about, so please talk to me in person after my presentation, if it is necessary.



The first topic is related to the outcome of the negotiations at the COP25, and I would like to especially talk about the market mechanism of Article 6. The second topic is recent developments on the Japanese government's promotion of the JCM. The third topic that is attracting a lot of attention is the Carbon Offsetting and Reduction Scheme for International Aviation¹ (CORSIA) effort.

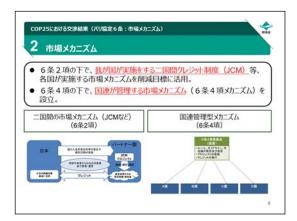
Results of the COP25 discussions

¹ https://www.icao.int/environmental-protection/CORSIA/Pages/default.aspx



Taking into account what I have said earlier, I would like to take a step back and go over the outline of the Paris Agreement which was adopted in 2015. In 2020, a new international framework for climate change will be starting. This is quite different from the Kyoto Protocol². During the Kyoto Protocol discussion, the developed and the developing countries were in separate categories. However, in the Paris Agreement, regardless of the categories, nationally determined contribution (NDC) requires that each country set targets and strives towards the target. In promoting the Paris Agreement, market mechanism is also included as a way of achieving the goals, as stipulated in Article 6.

In the Paris Agreement, there is a 2°C target, but it also needs to achieve 1.5°C, so whether the 2°C target is really achievable or not is also debatable. It is a very ambitious goal. In order to achieve that, all the stakeholders, including the private sector, civil society, and various other activities would have to be incorporated. Market mechanism is very important for introducing funds from the private sector.



In the Paris Agreement, when this market mechanism concept came about, there were actually three points in Article 6, but for market mechanism, Article 6.2 and Article 6.4 are the relevant clauses. The JCM, promoted by Japan, is stipulated in Article 6.2. That is the rule that has been stipulated there. In Article 6.4, the Kyoto Protocol Clean Development Mechanism³ (CDM) is also included. The image is the bottom figure.

² https://unfccc.int/kyoto_protocol

³ https://cdm.unfccc.int/

Japan and partner countries like Myanmar are deciding on various rules. The other one is the more centralized UN-type mechanism developing common rules. Each of the countries would follow those rules to achieve the market mechanism.



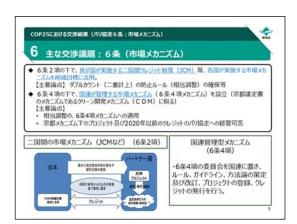
This is in Article 6.2 of the Paris Agreement. The part written in red is of particular importance to JCM. As stated, international transfers and mitigation outcomes can be utilized. JCM is going to be operated based on the clause. For the actual operation, sustainable development would have to be achieved. The reduction of CO₂ is not the only benefit, but there are other benefits. This activity should benefit or contribute to such benefits. "The avoidance of double counting" is also written. Each of the countries have their own goals in the Paris Agreement, so double counting should not be taken into account for the achievement of these goals.



The next is Article 6.4. This is a more of the UN-type mechanism. The parties to the treaty would follow some rules, which are spelt out here.



In this slide, the main points from the negotiations that took place at COP25 of the developing and developed countries are written. In the developing countries, climate change is actually progressing. Mitigation and reducing of CO₂ is not the only way, but some negative impacts of climate change would have to be adapted. This adaptation is also something that would have to make a contribution for. A funding mechanism is necessary for adaptation. In Article 6.2, there should be some funds that should be appropriated for activities. Before 2020, the developed countries did not achieve their obligations and they have pursued that. There were a lot of negotiations and discussions based on the fact that the advanced countries did not achieve their goals before 2020, and also there was general loss and damage. The developing countries wanted to also claim that they wanted the funds for these other agendas as well, whereas basically the claims made by the developing countries are quite different from that said by the advanced or industrialized nations.



These are the main points taken from Article 6.2 and 6.4, and the negotiations regarding market mechanism. Article 6.2 says that double counting should be avoided. For example, if Country A reduces emissions, and Country B buys the credit, the countries who have purchased should not count it as their own effort for reducing emissions. Article 6.4 says that double counting has a corresponding adjustment mechanism. Also, the Kyoto Mechanism is still underway. The projects under the Kyoto Mechanism or the credit that has already been issued, how it is going to be applied to the Paris Agreement was a main part of the negotiations that took place.

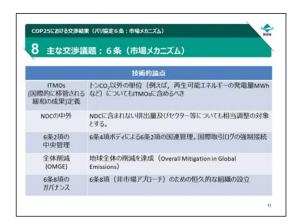
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There are three agenda items for negotiations that are relevant to market mechanism. Some senior and very hard level negotiators really focused on these three topics in their negotiations. The first one is the corresponding adjustments under Article 6.4, wherein it does not explicitly say that double counting should be avoided, but in the goals or achieving the goals for the Paris Agreement, it is necessary to include it in Article 6.4.

This is corresponding adjustment under Article 6.4 and also the Kyoto Mechanism. The Paris Agreement is going to start, but what is going to happen with the mechanisms under the Kyoto Protocol? The Kyoto Mechanism credit still remained in large amounts and the projects still have not issued the credits in some cases. Once we transfer into the Paris Agreement, how it is going to impact the Kyoto Protocol was the second negotiating point.

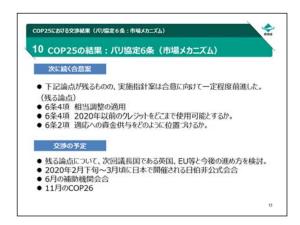
Next is the share of proceeds (SOP) of Article 6.2. This is not managed under the United Nations, but we are going to introduce a mechanism to pay some kind of a proceed to the United Nations.



For the sake of time, I will leave this technical point out. Aside from these major negotiating points, in order to run this market mechanism in the international fora, there are a lot of things that would still have to be discussed. As far as Article 6, at COP, this market mechanism did not come to a final agreement.



However, in COP244, the rule book for the Paris Agreement should have been decided, but it was not for Paris Agreement Article 6. When the Paris Agreement was going into full implementation, this is the one remaining article, so there was an extension of the discussion. In Article 6.2 on the bilateral approach, many of the details have been refined. Followed by what is written in red, the remaining points will be discussed in future COPs or in the supervisory body discussions in the future.

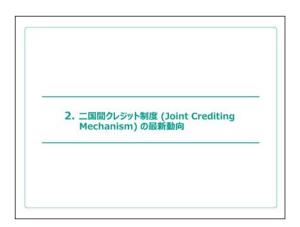


To briefly sum up market mechanism, this is something that will be discussed in the next COP. The text is already available. This is still just immediately after the COP25. The UK is going to chair the next COP. For the EU, Japan, and Brazil, informal meetings are also planned. These formal and non-formal discussions will be a mechanism or a means for formal discussions in the next COP.

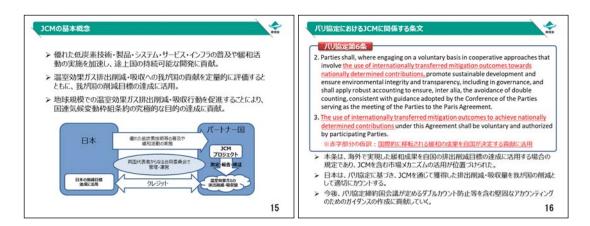
New trends with JCM

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⁴ https://unfccc.int/process-and-meetings/conferences/katowice-climate-change-conference-december-2018/sessions-of-negotiating-bodies/cop-24



Next, I would like to talk about the JCM and what the Japanese government is trying to promote. In this initiative, the Ministry of Foreign Affairs, METI, and the Ministry of the Environment are the main agencies. Of course, forestry is within the scope. In that area, a technical support is being provided by the Forestry Agency.



As for the basic idea of JCM, the leading low carbon technologies, products, systems, and some other mitigation actions, such as in the forestry area, should be contributing to the sustainable development of developing countries. Japanese government is trying to promote this. Also, for the actual outcome, it should be quantitatively evaluated so that Japan and partner countries should distribute among themselves in the form of credits.



There are some Japanese policies. The plans, global warming, the countermeasure plan, and also the infrastructure and export strategy have been spelt out.

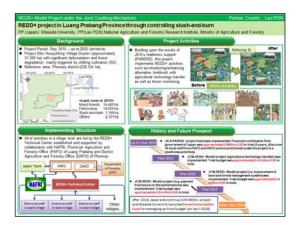


There are already 17 countries primarily in Asia, but also in Africa and Latin America who are partners for Japan in the JCM. There is some documentation on the bilateral basis.



I would like to introduce some efforts in forestry. Regarding Cambodia and Laos, within the JCM, REDD+ guideline have already been developed. For Cambodia and Laos, the methodology is now being

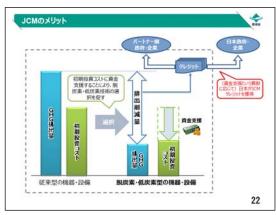
developed. For Myanmar and Vietnam also, government-level consultation is already ongoing for the guidelines to be drafted.



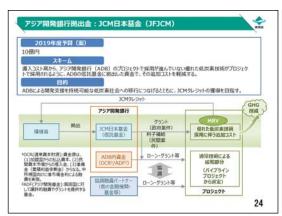
The Ministry of Environment subsidized REDD+ initiatives in Laos. JICA was originally supporting the project. Following that, there was a feasibility study done by the Ministry of the Environment. The project has been implanted for three years and is currently being developed by the Ministry of the Environment.

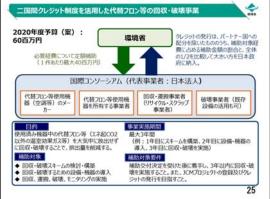


I will not explain this.









At the Ministry of the Environment, there are some projects outside of forestry. We are providing subsidies so as to reduce the cost of these projects. We are providing some support in various areas.

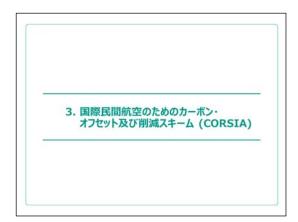


Currently, using the JCM funds from the Ministry of the Environment, there are about 150 projects that are being implemented in partner countries.



Some projects are government subsidized, and monitoring is implemented. Also, the procedure for issuing the credits is something that the government also supports, so that the credits can actually be issued and utilized.

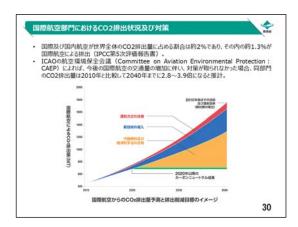
Carbon offsetting and reduction scheme for international aviation (CORSIA)



Finally, I would like to introduce the aviation sector's credit scheme.



The International Civil Aviation Organization⁵ (ICAO) is promoting this initiative. They have global reduction goals. The fuel efficiency would have to be improved every year by an average of 2% until 2050. Also, the growth beyond 2020 should be carbon-neutral. In order to achieve these goals there are some baskets of measures, one of which is the economic measure, namely the utilization of the market mechanism.

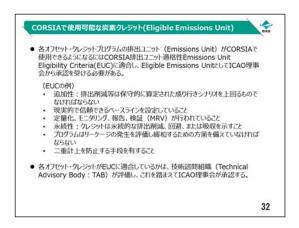


In the aviation sector, there is the future prospect of emissions going forward. In the aviation sector, emissions are expected to grow even further in the future. Using the credits, the offsetting of the increased emissions is very important for this aviation industry.



Depending on the country, the capacity would vary, but for CORSIA, there are three phases: the Pilot Phase, Phase 1, and Phase 2. They will start with the countries wherever possible. The list of participating countries can be obtained from ICAO's website.

⁵ https://www.icao.int/Pages/default.aspx



If followed in detail, we may find that in CORSIA, the credits that are available have some standards. We have to be eligible. We apply and the eligible emissions units will be issued, so let me just talk about the ones that are related to the forestry area. In the CORSIA Criteria, continuity is asked for. It would have to be that the credits would have to be reduced, avoided, or removed for an extended period of time. If you cannot prove that, it cannot go on for a long time and you cannot be eligible. Also, there would have to be a way to evaluate the leakage. If there is no program, but if there is a leakage, then the reduction has not actually been achieved. The program would have to have a stop-gap measure to mitigate and evaluate a leakage. Whether it meets the criteria or not is determined by the Technical Advisory Body⁶ (TAB). This body would evaluate the programs, and ultimately, the ICAO governing body would approve.



In July, there was the first application round. There were 14 programs, including some forestry sector programs. For the March executive board meeting this year, TAB is now evaluating the eligibility. For many of you, there was already an explanation about JCM. JCM is not included here, so I do not know if you have applied or you may be interested. In the government, there is a lot of active discussion. JCM is bilateral activity, but there are a lot of forward-looking discussions going on in the government right now.

⁶ https://www.icao.int/environmental-protection/CORSIA/Pages/TAB.aspx



I am over time and there are still some parts that I could not explain as much as I wanted, but these are the websites that you may refer to. Especially, Carbon Markets Express⁷, there is information both in Japanese and English, so it will be useful for you. Waseda University⁸ was the lead for this Laos project on JCM, so there is detailed information about this project on the Waseda University site as well. Please take a look.

⁷ https://www.carbon-markets.go.jp/eng/

⁸ https://www.waseda.jp/top/en/