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Will JI serve as a link between national ETS’s, and ERUs - as a "hard" carbon currency?

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JI special features

- JI is only intended for the countries with carbon caps
- JI projects meet the same international standards and follow the same rules and requirements, including *additionality*
- Environmental integrity is immanent to JI

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ERU special features

- ERU represents sustainable GHG emission reductions resulting from investments into new technologies and installations
- ERUs are backed up by Host party's AAUs and are issued through conversion of Host party's AAUs
- Transfer of ERUs decrease AA of the Host party and increase AA of the Sponsor/Investor party respectively so the balance remains
- No new carbon units appear into the market uncontrolled to potentially destroy it
- Issuance and transfer of ERUs are not limited just because otherwise AAUs will be withdrawn to cover emissions that the project would avoid

Sustainable reductions vs “hot air”

- “Hot air” under ETS is over-allocation of emission allowances to all or particular sectors/installations
- Hot air is a source of carbon inflation that leads to lowers carbon prices the same as over-issuance of money leads to lower interest rates which in fact is cost of money
- Trading allowances cheap between different ETS’s is a threat to the whole idea of carbon constrains and provide perverse incentives
- Trading ERUs soften/eliminate the risks as, by definition, ERUs are emitted on project-by-project basis under international control following strict rules and requirements
- From this point of view **ERU is a real “hard” carbon currency** which has real GHG emission reductions as a basis

JI new rules (1)

- No more limits on emission reductions!
- No more contests or biddings among the projects!
- Each and every project complying with the established criteria should receive “go ahead” through approval procedure
- NFPs shall ensure that the applicant is the right entity which actually invests into the proposed project and also meets certain natural criteria (financial sustainability etc)
- JI should be available both for the installations under ETS and beyond
- Why not internal, unilateral JI, meaning that the company under cap has the right to invest into the project outside ETS in the same country and get reductions to be used against its own emissions?

JI new rules (2)

- Additionality should become a much more operational concept free of uncertainties and interpretations
- No more financial additionality unless financial analysis is smartly used to prove that what is a common practice in the rest of the industry does not apply to a particular installation/enterprise due to its very special features (like size and shape for instance)
- The main criteria to apply is common practice. If the project is common practice in the relevant sector than you should prove this practice does not apply in your case, otherwise no JI
- National laws and regulations are the second criteria to apply. Whatever is enforced by the law cannot qualify for JI

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JISC new role

- No more Track 1 and Track 2
- JISC shift its focus from project approval to establishing and ensuring JI general rules and standards
- Accreditation of AIEs is JISC first priority. Focus on post-accreditation control procedures rather than on pre-accreditation compliance
- Accreditation/endorsement of national project verification procedures
- JISC may not have power to stop or block natural verifications but can issue warn notices to the market and ask respective NFPs to check and remedy national procedures should they not fit into requirements
- ITL may refuse to register JI projects unless JISC warn notice remains and is not withdrawn by JISC

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Thank you for your attention!

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