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FOR A FRAMEWORK CONVENTION ON CLIMATE CHANGE
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Agenda item 2 (b)

MATTERS RELATING TO COMMITMENTS

Criteria for joint implementation

The attached document, submitted under cover of a letter dated 18 August 1993, is being circulated at the request of the **German** delegation.

A/AC.237/Misc.29
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Information Document on Criteria for Joint Implementation
Agenda item 2 b)

1. Germany sees Joint Implementation as an instrument contributing to reach the objective in Art. 2 of the Framework Convention on Climate Change. It offers an opportunity to achieve progress in climate protection in an economically efficient way and for the benefit of all participants.

Therefore we take interest in an intensive and constructive discussion within the framework of this first meeting of working group I in order to create a basis for the development of an operational framework for the implementation of this concept.

At present we are not yet in a position to submit a comprehensive concept and differentiated criteria for Joint Implementation. Nevertheless, we should like to make some general comments on our understanding of Joint Implementation already now and also to address some points contained in the document of the secretariat A/AC 237/35.

The secretariat deserves all credit and thanks for bringing back into our memories with the document and in such an excellent manner the framework which was laid down for Joint Implementation by the Convention and for making us aware along which lines a discussion on the further development of Joint Implementation is now necessary.

2. With reference to our statement of 12 December 1991 on the 4th meeting of the INC, we should like to make the following general comments on Joint Implementation.

To ensure that Joint Implementation be applied by the international community it has to be developed into an instrument whose theoretically possible benefits can be put into practical terms and whose draw-backs can be kept as low as possible. The decisive question will be in particular whether it will be possible to provide for the following scopes of action by giving the Joint Implementation an appropriate shape:

- The desire of the countries to develop their economies must be taken into account. By the transfer of technology and investment into the developing countries and/or countries in transition to market economy which is automatically linked to Joint Implementation, economic development and climate protection can be connected in a purposeful way.
- The flexibility inherent to Joint Implementation may make it easier for contracting parties to commit themselves to far-reaching reduction obligations, the more so as cost savings can also be expected. Thereby quicker stabilisation of the greenhouse gas concentrations and thus the goal of the Convention could be promoted.

- By means of Joint Implementation reduction potentials may also be made use of in countries which, due to their present level of economic development, cannot yet be expected to meet specific obligations pursuant to Article 4.2 of the Framework Convention on Climate Change.

In addition to these benefits, Joint Implementation however also entails the risks of developments in the wrong direction. It is in the common interest of both developed and developing countries to make global climate protection as efficient as possible. This has to be done within the framework of equal partnership. It would be harmful for the further development of a strategy on climate protection which is backed by as many countries as possible, if the developing countries gained the impression that the developed countries were desirous of using Joint Implementation for avoiding fulfillment of their own obligations to protect the climate.

3. We should like to make the following comments to the document of the secretariat:

a) Section II "Convention Provisions relating to Joint Implementation"

- This section quotes the climate convention provisions relevant for Joint Implementation and adds helpful explanations and interpretations. The German delegation gives full support in particular to the comments on items 5, 7, 10 and 11.

The Convention does not contain a definition of Joint Implementation. However, such a definition is urgently required for all further discussions. The distinction made in item 11 of the secretariat's document between "measures or commitments, as provided for in Article 4.2 (a) and (b) and, on the other hand, various kinds of financial and/or technical assistance" is helpful but, in our opinion, requires further specification. We suggest that Joint Implementation be understood merely on the basis of the application of the offset concept. According to this idea Joint Implementation is considered a procedure by which contracting parties of the climate convention jointly apply the concept of emissions-trading and, in particular, the offset-principle contained within this concept: according to this interpretation, fulfilling a certain part of the obligation to reduce greenhouse gas emissions of one Party by a reduction measure in the territory of another Party would therefore be central for Joint Implementation. An important advantage thus arising for the partner is given by a transfer of financial resources and technology. Joint Implementation is to be understood along these lines.

- Concerning the question of different partnerships in Section II B of the secretariat's document:

The document mentions Joint Implementation of contracting parties included in Annex I among each other and with other contracting parties not included in Annex I and between private companies from these countries.

Concerning the question of Joint Implementation on the level of private business we assume that within the framework of the Convention only contracting parties will be eligible for crediting for Joint Implementation (offsetting reduction obligations against

emission credits).

b) Concerning section III "Considerations relating to Criteria"

We mentioned earlier scopes for action which are to be provided by Joint Implementation. In our opinion, these scopes of action represent general criteria, whose realization is the most essential requirement for justifying Joint Implementation from the outset, and the degree to which they are put into practical terms may be used as a measure for the success of Joint Implementation.

Section III of the secretariat's document refers to the criteria for the practical structure and application of Joint Implementation. Discussions on such criteria are very difficult as they depend on the different levels where Joint Implementation might take place. In particular for discussing the criteria for accounting procedures and communication of results clear ideas on possible levels of Joint Implementation are necessary. These ideas still have to be developed. We will refer to them in our comment on section IV "Process and Institutions" of the secretariat's document.

Concerning the criteria mentioned in item 15 of the secretariat's document we should like to make the following comments:

Ad a:

The problem of the use of different reference years ought to be solved in a pragmatic way. We assume that the present commitment in the convention to return greenhouse gas emissions to their 1990 levels by the year 2000 as well as the commitment taken by the European Community and its member states to stabilize CO₂-emissions by the year 2000 are not to be met by Joint Implementation projects but by measures in the individual countries. This does not rule out assistance to other countries but precludes crediting of emission reductions for such assistance. As we clearly said already in our December 1991 statement: Joint Implementation under the Framework Convention on Climate Change in our understanding is to be applied to reduction commitments. Moreover, we continue to advocate that Parties should have to implement a certain and specified share of their reduction commitments through measures taken on their own territories. This is essential in order to further develop the state of the art for the reduction of greenhouse gas emissions at a national level and so to maintain the necessary incentives for technological innovation.

With regard to more far-reaching reduction obligations planned we ought to try to agree on the same reference years.

Ad b)

Concerning this item, we believe that a Joint Implementation activity between the countries included in Annex I cannot be initiated before the criteria required by Article 4 para 2 d) have been agreed by the first Conference of Contracting Parties.

Ad c)

We agree with the secretariat that it is necessary "to consider the full cycle of processes involved in a project". Otherwise, for example in the case of relocations of plants to other countries, a situation could occur where emissions are lower than the standard in the country receiving the respective plant, but which, at a global level, means a deterioration as compared to the status quo ante. Such a measure would obviously be harmful for climate protection and would therefore be unsuitable for getting an emission credit. Evaluation problems with regard to emission credits can also arise in the case of new investments. Therefore the question concerning the comparative basis of Joint Implementation projects has to be asked in general. In order to make progress at this point it might be worth considering whether typical Joint Implementation projects could be compiled in a list. Possibly a certain degree of "standardisation" of emission credits arising from such "typical" projects might be achieved. However, untypical projects would have to be decided upon according to the conditions prevailing in the individual case. The procedure of accounting ought to be agreed upon.

Ad d)

Concerning the "contribution of the project to other specific commitments" we assume that it is not permitted that provisions of this Convention be contravened by these projects but that in general they are only measured against the criterion "reduction of greenhouse gas emissions".

As recommended by the secretariat under item 18 we also agree that the points mentioned under item 17 ought to be left to the discretion of the collaborating parties.

c) Concerning Section IV: "Process and institutions"

We share the view of the secretariat that a first step might be the establishment of the Clearing House for the exchange of information on possible projects. In addition, however, the discussion will have to be intensified considerably.

We will have to reflect on which of the following three levels and in which way Joint Implementation can be put into practice with regard to institutions and procedures:

- private business
- intergovernmental level
- and arranged by an international Clearing House in the framework of the Convention.

These three levels of Joint Implementation can serve to achieve different advantages and may thus complement each other in their objectives.

4. These few examples alone show what comprehensive and challenging work lies ahead. Germany will continue to take on an active and committed role in accomplishing this work.