Japan’s Initiative on New Market Mechanism- Introduction of Bilateral Offset Credit Mechanism (BOCM)

Workshop for New Market Mechanism in Mongolia
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Towards the 2 Degree Target

**Cancun agreements** recognize the need for deep cuts in *global* GHG emission reduction to keep global temperature below 2 Degree C.

This means that:
- **25-40% by 2020** (for developed countries)
- **Substantial deviations** from currently projected emissions (for developing countries)

There is a need for:
- Developing **Nationally Appropriate Mitigation Actions**
- Supported by finance, technology, and capacity building
- Utilization of **market mechanisms beyond the CDM**
CDM Needs Reform and Beyond

- Uneven distribution of project types and countries
- Activity is limited to project and program and it does not fully cover all the mitigation actions
- Long time for process and high hurdle to register and issue

CDM projects by country

- China 46%
- India 21%
- Brazil 6%
- Mexico 4%
- Vietnam 2%
- Republic of Korea 2%
- Indonesia 2%
- Malaysia 2%
- Other 12%

CDM project type

- Hydro Power 30%
- Wind Power 22%
- Biogas 11%
- Methane recovery & utilization 7%
- Waste gas/heat utilization 6%
- Energy efficiency 3%
- Other 11%

New market mechanisms

Status of UNFCCC Negotiation

Mechanisms under Kyoto Protocol

- Establishment of standardized baselines
- Adaptation of the guideline of loan scheme for courtiers with fewer than 10 registered CDM projects.

CDM Executive Board - Oct 2011

- “Guidelines for the establishment of sector specific standardized baseline”
- Standard rule for PoAs

Invitation of Parties’ view - Feb 2011

- Parties submitted views on new market mechanism

New market mechanisms

COP 16/CMP6 - Dec 2010

Decision of considering establishment of one or more market-based mechanism

AWG-KP, AWG-LCA - Dec 2011

Decision of supporting Kyoto Protocol regime?

Decision of establishment of one or more market-based mechanism?
Overview of New Market Mechanisms

Segment
- NAMA: National Appropriate Mitigation Action
- Sectoral (Economy-wide) approach
- Program
- Project
- REDD+: Reducing Emissions from Deforestation and Forest Degradation

Mechanisms
- Crediting
  - Issuance of credit after emission reductions
- Trading
  - Allocation of emission allowance

Governance
- Centralized
  - Supervisory Board
  - Common framework
- Decentralized
  - Bilateral
  - Unilateral

Bilateral Offset Credit Mechanism (BOCM)
- Based on bilateral agreement
- Facilitate diffusion of low carbon technologies, products, and services from Japan
- Methodology will be developed jointly
**Initiative to Promote BOCM**

**Capacity Building for BOCM (IGEC)**
- Consultative meetings/WSs
- Development of MRV methodologies

**Feasibility Studies (FS) for BOCM (GEC)**
- Implemented by Japanese entities
- 29 Projects around the world

**Information Platform for BOCM (OECC)**
- New Mechanisms Information Platform Website

**New Registry System for BOCM**
- Development of new registry system


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**IGES MRV Capacity Building**

- The programme funded by the Ministry of the Environment, Japan
- Since FY2003 (CDM) and FY2011 (MRV)
- 9 Collaborating countries:
  - Cambodia
  - China
  - India
  - Indonesia
  - Lao PDR
  - Mongolia
  - the Philippines
  - Thailand
  - Vietnam
Database on Market Mechanism (incl. CDM)
- IGES is well recognized as the top research institute in the world with respect to Kyoto Mechanisms and related quantitative data as well as analysis.

- **New Market Mechanisms**
- **Kyoto Protocol Related Information**
- **CDM Reform Reports & Papers**
- **CDM Country Fact Sheet**
- **CDM/JI Project Database (Updated every month)**
- **Grid Emission Factors data / Emission Reductions Calculation Sheet Series**

IGES Capacity Building in Mongolia for the Establishment of New Market Mechanisms
Memorandum of Understanding (MOU) to collaborate in establishing new market mechanisms in Mongolia was signed by IGES and MNET. (Apr. 2011)

**Market Mechanism for Mongolia**
1. Aiming to establish mechanisms suitable for domestic situation of Mongolia through the consultation with Mongolian government
2. Supporting the development of MRV methodology in Mongolia
3. Establishing the standardized baseline:
   Boiler replacement projects-supply side energy efficiency
Workshops Jointly organized by IGES and MNET

IGES and MNET organized workshops in July 2011.

1. New Market Mechanism and MRV Workshop
   - Nationally appropriate mitigation actions (NAMA) and MRV
   - Mitigation and air pollution reduction programme

2. CDM (PoA) Programme of Activity Workshop
   - Design & possibility of PoA
   - Expectations & lessons learned

More Information on BOMC

Ministry of Environment Japan

Institute for Global Environmental Strategies (IGES)

Overseas Environmental Cooperation Center (OECC)
http://www.mmechanisms.org/e/index.html

Global Environmental Centre Foundation (GEC)