Japan's climate & carbon policy in 2012 and beyond: An overview

Development and implementation of alternative market mechanisms:
BOCM proposed by Japan

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What’s BOCM?

• BOCM: Bilateral Offset Credit Mechanism

• Originally proposed by Japanese Government in 2010 after COP15

• One of new market mechanisms categorised in so-called “various approaches” in COP17 decision

• Baseline-and-Crediting scheme (similar to CDM)
What’s BOCM?

• Decentralized governance (in contrast to CDM)
• Best reflect individual circumstance of each host country
• Contribution to UNFCCC’s ultimate objective
• Within basic principals under COP decisions
• Complement to other market mechanisms such as CDM
• Methodologies, guidelines are under developing
• Plans to be started in April 2013
What’s BOCM?

Boostrap

Governance structure of BOCM

**Joint Committee**
- Develops/revises the rules and guidelines
- Registers projects
- Discusses the implementation of BOCM

**Government**
- Manages the amount of credits
- Notifies registration of projects
- Reports issuance of credits
- Requests registration of projects
- Submit PDD/monitoring report
- Validates projects
- Verifies amount of GHG emission reductions or removals
- Requests issuance of credits

**Project Participants**
- Implementation & monitoring of projects
- Request registration of projects
- Submit PDD/monitoring report
- Request registration of projects
- Submit PDD/monitoring report
- Implementation & monitoring of projects

**Third party entities**
- Validate projects
- Verify amount of GHG emission reductions or removals
- Inform results of validation/verification

**Host Country**
- Manages the amount of credits
- Notifies registration of projects
- Reports issuance of credits
- Requests registration of projects
- Submit PDD/monitoring report
- Implementation & monitoring of projects
- Request registration of projects
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**Governance structure of BOCM**

Source: Japanese Government (2012) with modifications
Governance structure of CDM

Kyoto Protocol

Conference of the Parties (CMP)

The CDM Executive Board

Guidance

Registration and Issuance Team
Accreditation Panel
Methodologies Panel
A/R CDM WG
Small-Scale WG

Secretariat

DOE (Designated Operational Entity)

Annex I Countries

Government
DNA (Designated National Authority)

Transfer of CERs
Approval

Legal Entity

Issuance of CERs

Non-Annex I Countries

Government
DNA (Designated National Authority)

Approval

Legal Entity

Project

GHG emission reduction

Verification
Validation

Registration

Planning / Implementation

Distribution of CERs

Planning/Implementation/ Fund Technology

Approval

Verification

Validation

Registration

GHG emission reduction

MRV

BOCM under UNFCCC

UNFCCC
Framework for Various Approaches

COP
- Establishes basic principles
- Provides a reporting system and formats
- Shares lessons learned

Reporting Process
(could be incorporated in BR/BUR and IAR/ICA process)

BOCM is here

Market Mechanisms under
the Centralized Governance
- modalities and procedures are developed at the UN.
- Implementations are supervised by the UN body.

Market Mechanisms under
the Decentralized Governance
- Individual countries may design, establish and implement the mechanisms.
- The standards are developed by implementing Parties.

Source: Japanese Government (2012) with modification
Measures taken by Japan to address climate change

2008～2012

Domestic emissions reduction
Carbon sinks by domestic forestry activities
Utilisation of Kyoto mechanism

2013～

Domestic emissions reduction
Carbon sinks by domestic forestry activities
Utilisation of Kyoto mechanism
Utilisation of BOCM

Source: Japanese Government (2012) with modification
Key features of BOCM

• Eligibility criteria for BOCM project
  – Positive list of technologies, products, services etc.

• Reference emissions (unlike baseline emissions)
  – Not BAU emission
  – More conservative but simple setting, leading to a net decrease in GHG emissions

• Monitoring methodologies
  – Simple enough using default values where possible, but in a conservative manner
  – Feasible in host countries without excessive burdens on project participants
Key features of BOCM

• Third-party entities (GHG validation/verification bodies)
  – Accredited by participating countries (not by UNFCCC) based on the international standards

• Two-ways of use of certified emissions reductions achieved by BOCM
  – Direct offsetting of GHG emissions without crediting
  – Issuance of tradable credits to be retired (like CERs)
Policy implications of BOCM

• Increase in opportunities of GHG emission reductions in developing counties which have not been fully explored by CDM

• Some limitations at “scale” due to project based mechanisms similar to CDM

• CDM and BOCM seem to be converged in the same direction in terms of MRV methodologies

• CDM has begun to change into simpler, more practical and feasible like BOCM