Prospects for JI after 2012

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Scenarios for JI post-2012

Worst case:

- No deal, no continuity under KP (a gap or a significant delay).
- Current JI hosts switch to voluntary markets for post-2012 credits.

Best case:

- A new agreement (single outcome).
- New countries take on legally binding targets, JI is reformed to accommodate those switching from CDM and the architecture of the new deal.
- Significant growth of volumes.

Most likely case:

- Second commitment period under KP for current Annex B countries (-US), pledge and review system for the US and the rest of MEF countries.
- JI continues as is, no new host countries added, PoAs gain momentum.
- Crediting after post-2012 on normal basis.
- Open question whether the crediting period for current projects can be extended.

Uncertainties

- ERUs in the US
  - ERUs have not been included in the draft US cap-and-trade bills
- ERUs in the EU
  - Will the EU press ahead with its threat to block import of Track 1 ERUs?
- Crediting period
  - Will it finish in 2012 or can it be renewed/extended?
- Link with AAUs
  - AAUs are required for issuance
  - Keeping the AAU-based system means keeping the AAU surpluses
  - How will the surplus problem be solved?

Expectations

- JI is likely to continue.
  - Existing infrastructure needs to be put to use: experts, market, and institutional framework.
  - Necessary carrot to involve Russia and Ukraine in the new deal.
  - Any revisions to JI are likely to mirror those undertaken towards CDM.
- ERUs are to be used together with CERs to meet post-2012 commitments.
  - All current negotiating texts allow countries to use all KP mechanisms to meet their pledges under a future scheme.
- New mechanisms will likely open new opportunities
  - Large-scale emission reductions could be developed through sectoral approaches either through 'new' GIS/NAMAs, or pilot ETS.
  - Russia: capitalize on the experience of regional inventories and corporate pilots
  - Ukraine: currently working on a draft ETS concept.