

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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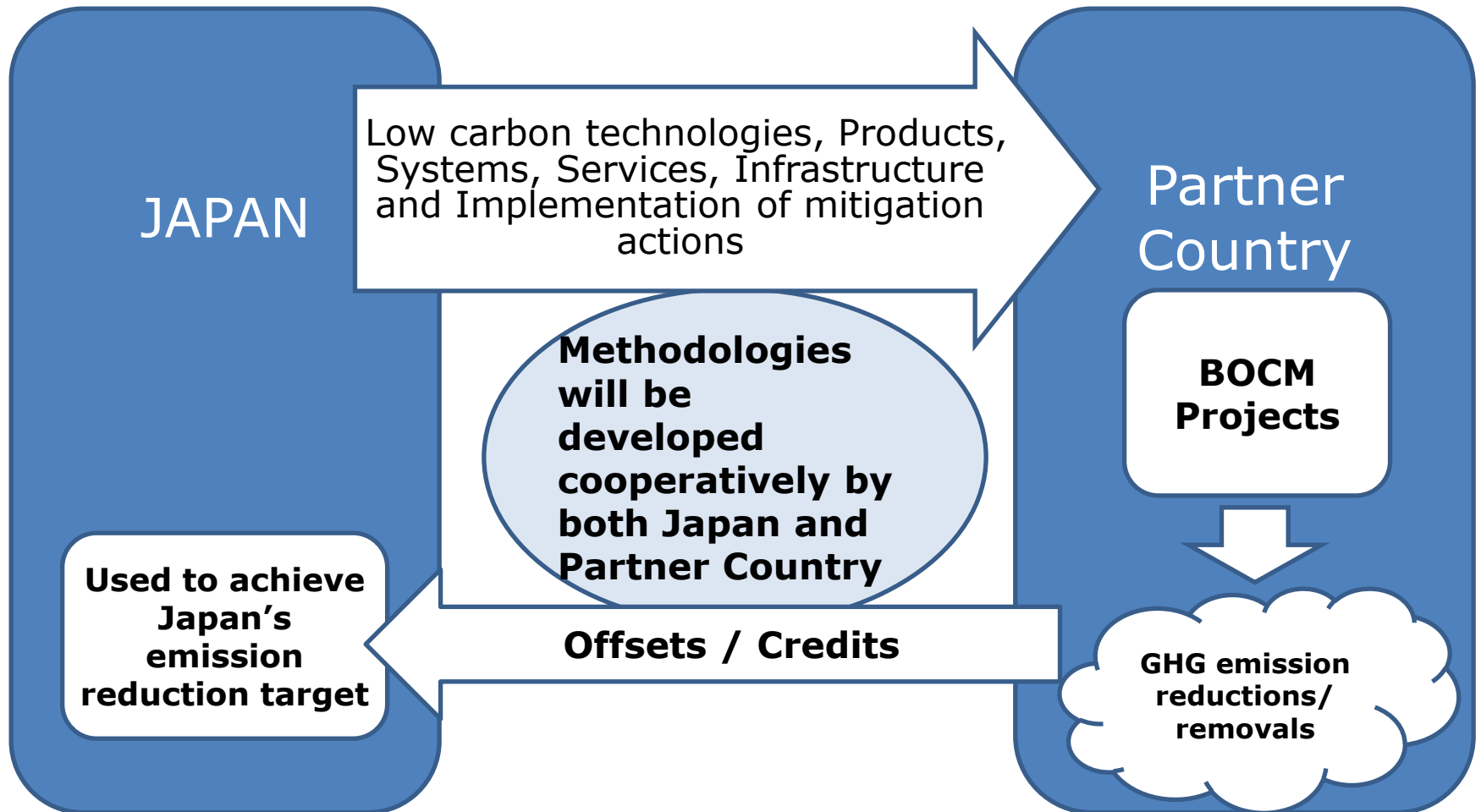
What's BOCM?

- BOCM: Bilateral Offset Credit Mechanism
 - ≈ JCM: Joint Crediting Mechanism (in Indonesia-Japan Joint press Release in Oct. 2012)
- 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?

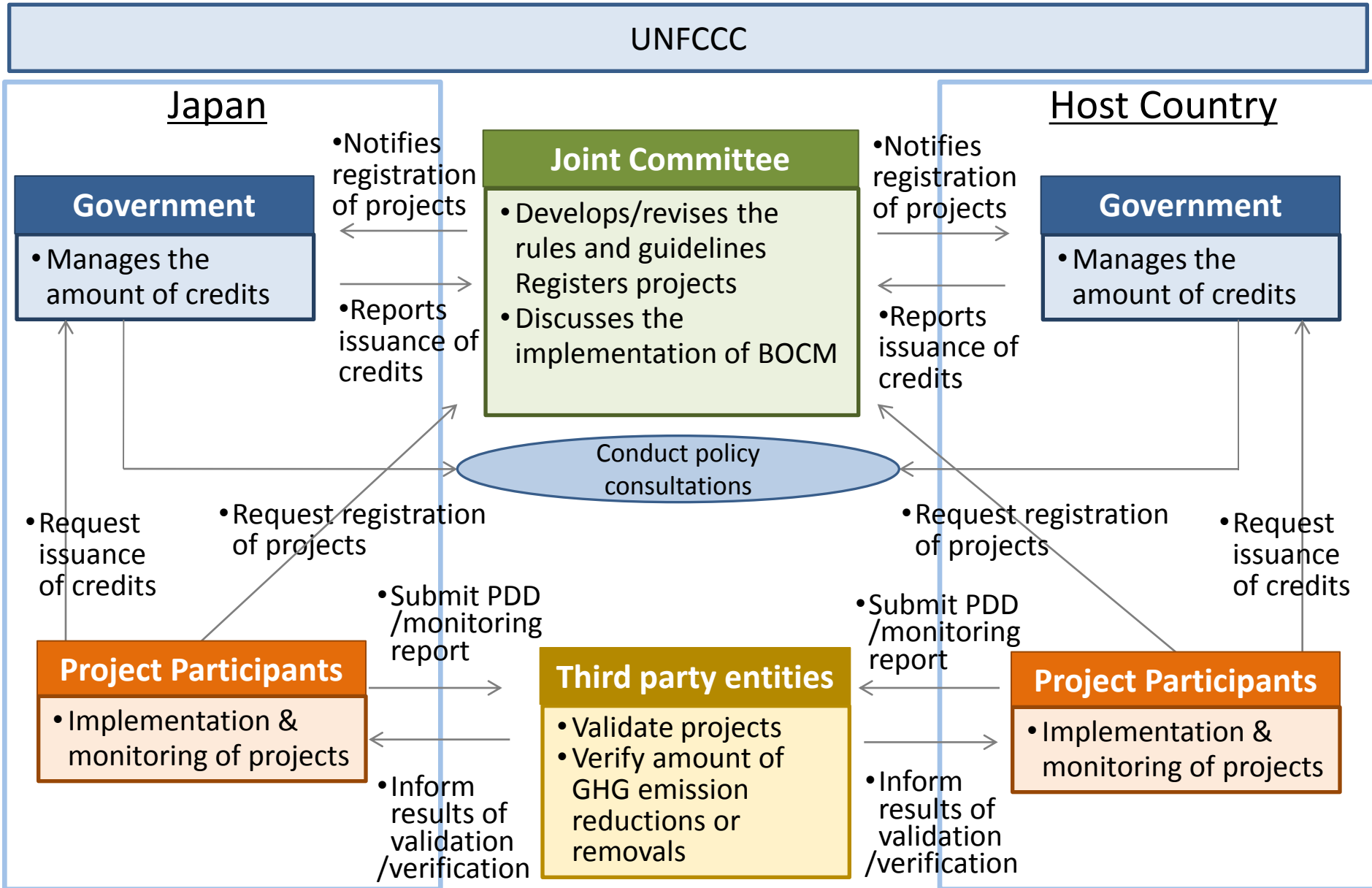
- Decentralized governance (in contrast to CDM)
- Best reflect individual circumstance of each host country
- Contribution to UNFCCC's ultimate objective
- Within basic principals under COP decisions
- Complement to other market mechanisms such as CDM
- Methodologies, guidelines are under developing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

What's BOCM?



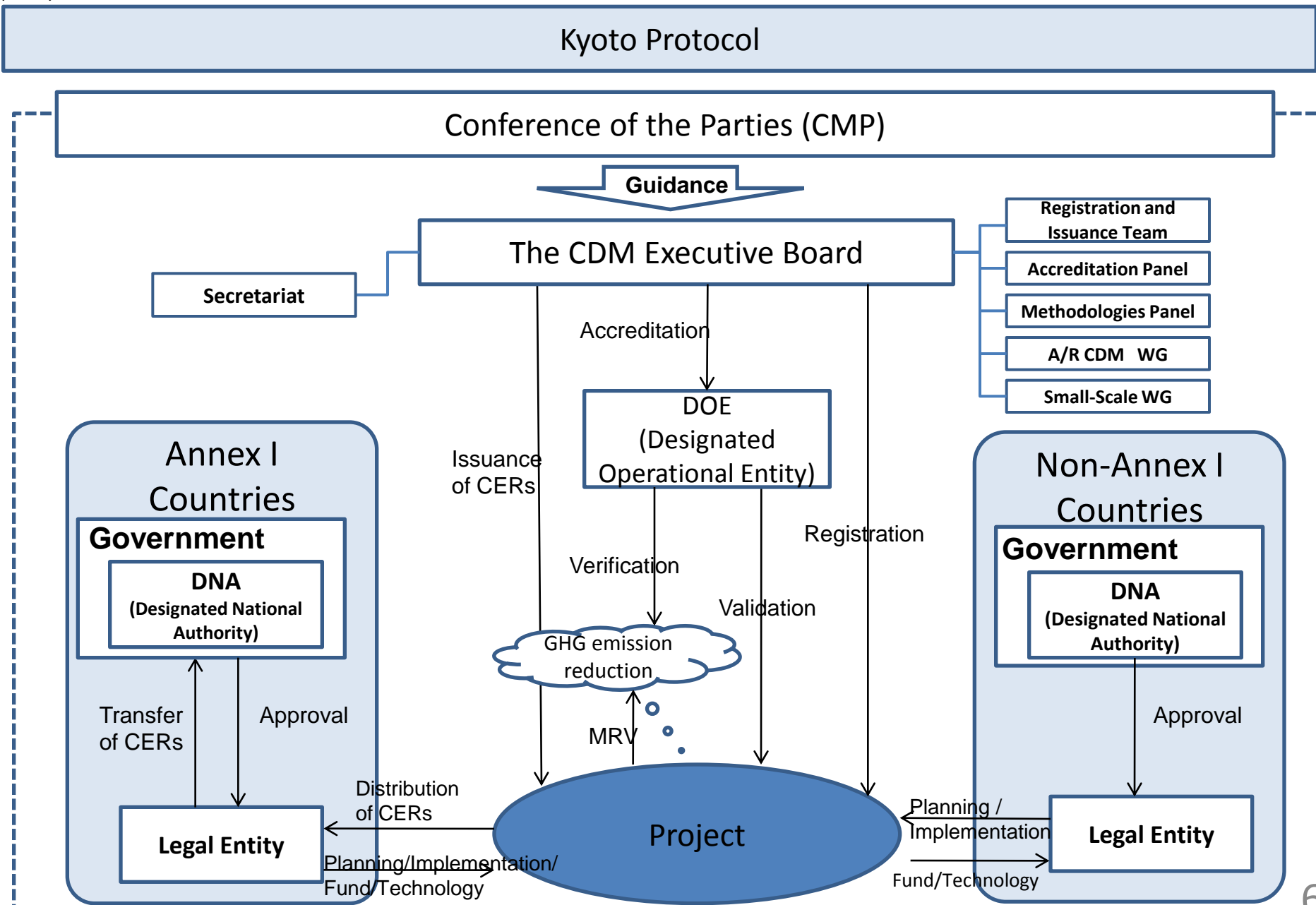
Source: Japanese Government (2012)

Governance structure of BOCM



Governance structure of CDM

Source: Japanese Government (2012)



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.



Complement
each other

Market Mechanisms under the Decentralized Governance

- Individual countries may design, establish and implement the mechanisms.
- The standards are developed by implementing Parties.

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

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 countries 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