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# 1

## MOEJ Measures on New Market Mechanisms in FY2011

### What approaches MOEJ is implementing for new market mechanisms?

In December 2010, 16th session of the Conference of the Parties (COP16) of the United Nations Framework Convention on Climate Change (UNFCCC) decided “to consider the establishment, at its seventeenth session, one or more market-based mechanisms” within its Cancun Agreements.

As approaches to establish such new mechanisms, MOEJ has been implementing feasibility studies, information dissemination through the platform and capacity building activities for developing countries. Those have been contributing to establish win-win relationships between developing countries and Japan through bilateral collaboration and learning by doing process. In FY2011, MOEJ intends to utilize know-how and networks acquired thus far toward actively building new market mechanisms.



Dr. Yuji Mizuno  
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Office of Market Mechanisms,  
Climate Change Policy Division,  
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### What kinds of new mechanisms should be built?

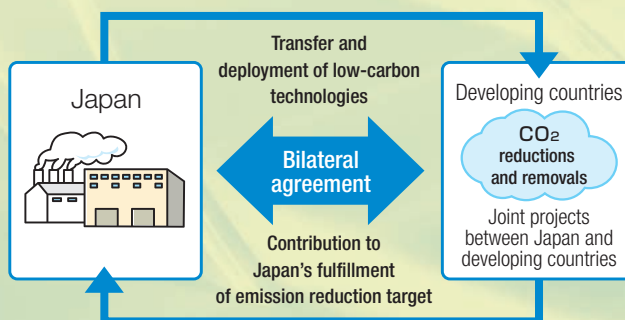
To promote more mitigation projects through international partnership, Japan wishes to build new international market mechanisms for emission reductions and removals which appropriately evaluate mitigation efforts. Moreover, to build those mechanisms, it is important to propose rules and procedures to secure environmental integrity and explain them to the international community, while steadily implementing demonstration projects in a way to benefit developing countries.

Under these circumstances, MOEJ will prioritize to implement the programmes shown below in FY2011. MOEJ will also contribute to the Partnership for Market Readiness Fund, initiated by the World Bank. MOEJ will actively participate in discussions on the fund and lead international efforts to build new market mechanisms.

### Building new international market mechanisms for emission reductions/carbon sinks

#### Development of Institutional infrastructure and support for Japanese businesses

- Study and demonstration of new mechanisms
- Study for developing a registry
- New Mechanisms Information Platform
- Feasibility study (plan to adopt 30 projects)



#### Support for developing country governments and businesses

- Support for human resources development to identify and formulate projects
  - Support for the development of validation and MRV system
- \*MRV: Measurement, reporting, and verification of GHG emission reductions and carbon sinks

Enter into agreements with developing countries, properly value emission mitigation projects implemented in those countries utilizing low-carbon technologies, and count reductions attributable to the fulfillment of Japan's emission reduction target.

# 2

## MOEJ New Mechanisms Workshop “Promoting New Market Mechanisms for Climate Change Mitigation”

MOEJ held new mechanisms workshop titled “Promoting New Market Mechanisms for Climate Change Mitigation” on February 18, 2011. The workshop presented a current status to create new market mechanisms in Japan. It also invited representatives of the Indonesian government and feasibility study implementers as a lecturer and panelist on new market mechanisms.



### Current status and outlook of new mechanisms in Indonesia and expectations for Japan



**Dr. Doddy Sukadri**  
Chairperson of the LULUCF  
Working Group  
Indonesia's National Council on  
Climate Change (DNPI)

#### Please give us an outline of your government's initiatives.

Indonesia is the first developing country in the world voluntarily committed to emission reduction. Accordingly, Indonesia submitted Voluntary Mitigation Actions to the UNFCCC Secretariat in early 2010. The document sets “business as usual” (BAU)\*<sup>1</sup> as a reference level.

It then targets to reduce/absorb GHG by 26% compared to BAU based on unilateral initiatives through commercially available technologies, environmentally sound policies and regulations etc. in contrast to 41% when Indonesia receives financial support from overseas. Indonesia's commitment in reducing its emission will be reflected in the National Mitigation Actions Plan (RAN-PE). RAN-PE would consist of about 70 mitigation activities ranging from forestry and peatland, energy, transportation, industry, agriculture, and waste sectors. Presently RAN-PE is being translated further into the provincial level, and will be the Provincial Mitigation Action Plans (RAD-PE).

As for NAMA credits which we plan to study for the next 2 years, we believe that reduction/absorption of GHG by more than 41% based on stricter MRV will serve as tradeable credits (see figure at the bottom left). We intend to continue discussions on MRV and new market mechanisms with MOEJ through feasibility studies etc. Moreover, we have great expectations for the technical capabilities of Japan's private enterprises in LULUCF\*<sup>2</sup>.



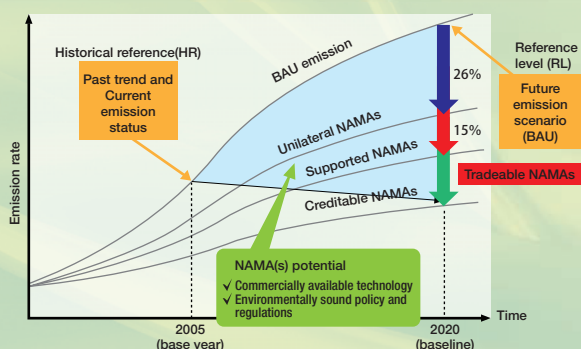
**Dr. Agus Justianto**  
Director of Forest Utilization  
Planning, Ministry of Forestry

#### What concrete approaches are being made toward GHG reduction/absorption?

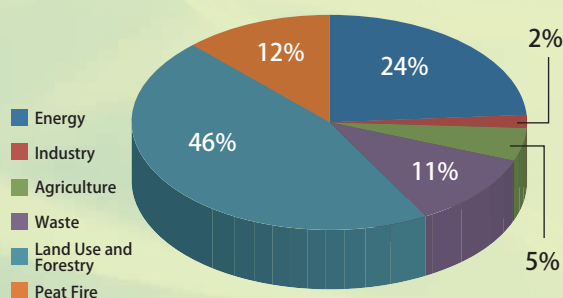
Roughly 60% of Indonesia's GHG emissions comes from land use and forestry, and peat fire (see figure at the bottom right). In fact, GHG emissions from Indonesia's peatland have contributed a significant level of emissions from all peatlands in the world. Consequently, REDD+\*<sup>3</sup> has been garnering the most interest in Indonesia's GHG reduction measures. Although REDD+ faces issues regarding MRV and financial mechanisms, it appears to be implementable at lower cost than renewable energy projects.

In FY2011, Shimizu Corporation implemented a feasibility study on Indonesia's peatland management through initiatives of MOEJ. We hope that this study will promote projects on peatland conservation that have yet to get off the ground, and, above all, produce valuable know-how in MRV. Furthermore, we intend to continue working with MOEJ and various private businesses to make such projects reality.

#### Indonesia's NAMA(s) potential up to 2020 (hypothetical analysis)



#### Sources of GHG emission in Indonesia (Indonesia SNC, 2009)



\*1: LULUCF: Land Use, Land Use Change, and Forestry \*2: REDD+: Forest conservation, sustainable forest management, and enhancement of forest carbon stock

\*3: An amount of GHG emissions by assuming that Indonesia's current economic growth will continue until 2020 and that no countermeasures will be implemented



# 3 Results and Issues regarding Feasibility Studies on FY2010 Mechanisms toward the Next Year

## An outline of MOEJ feasibility study projects



Mr. Tomoya Motoda  
Program Manager  
Carbon Management Department,  
Global Environment Centre  
Foundation (GEC)

### Please tell us about projects on New Flexibility Mechanism Feasibility Studies (FS) in FY2010 and their current status.

MOEJ solicited FS on projects/activities of new flexible mechanisms in conjunction with existing CDM/JI FS, and adopted the three FS shown below. These FS were selected to accumulate know-how, knowledge, and experiences through conducting case studies for institutional designs of new flexible mechanisms (NAMAs, SCM, REDD+, etc.) being considered under the next framework from 2013 onward\*4.

Organization	Title of Feasibility Studies
Pacific Consultants Co.,Ltd.	Feasibility Study for NAMA in Waste and Wastewater Management Sector in Thailand
Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.	Feasibility Study on NAMA in the Transport Sector of Laos
Shimizu Corporation	Feasibility Study on Sustainable Peatland Management in Indonesia under NAMAs

### What differences are seen between new mechanisms and the CDM?

Looking at FS in FY2010, it is apparent that the entities implementing them had big challenges, as the kinds of methodologies and systems of new mechanisms did not exist unlike the CDM. However, measures under NAMAs are promoted over a broader range compared to the CDM, which is project based. Thus, NAMAs have considerable appeal for host countries, as they can promote policies within "global warming countermeasures that have something extra." Consequently, relationships between host countries and FS implementers were deepened through these studies

### Please tell us about the proposal for reform of New Mechanisms Feasibility Study Programme toward FY2011.

We presented the improvement proposal based on the secretariat's experience in supporting FS in FY2010. The main content is that the number of new mechanisms FS should be increased, with the various ideas/proposals to be submitted from wide range of stakeholders, including private entities. We believe that know-how and knowledge gained from building relationships and sharing experiences not among only countries but also at the levels of government, private sector, and project will create future MRV standards.

## Case report on a feasibility study by an implementing organization



Ms. Akiko Ishii  
CDM/JI Consultant  
Clean Energy Finance  
Committee  
Mitsubishi UFJ Morgan  
Stanley Securities Co., Ltd.

### Please give us an overview of your feasibility study on new mechanisms in FY2010.

Mitsubishi UFJ Morgan Stanley Securities conducted a case study on the Master Plan on Comprehensive Urban Transport in Vientiane and implemented a "Feasibility Study on NAMA in the Transport Sector of Laos." Currently, there are concerns that economic development and population growth in Laos will lead to increased traffic volume, which in turn will bring about congestion, environmental pollution, and traffic accidents. Since no systems or MRV methods have been established for NAMAs, the expert advice we received from the task force for this FS proved extremely valuable in our work.



Example of public transport development in Lao PDR

Modal shift: building bus-only roads



### How did the feasibility study in Laos work out?

The degree of priority placed on NAMAs varies from country to country. Consequently, we have learned it is best to set FS content in a flexible manner that matches the host country, rather than seeking uniformity in study implementation and results. In the case of Laos, no targets regarding GHG reduction values are set and recognition of NAMAs is still basic. Because of this, the study we carried out was of greater demand as support for dealing with the transport sector issues rather than simply as a FS for NAMAs.

### What about NAMAs in the transport sector?

Because, in the case of the transport sector, it is technically difficult to implement a CDM project, many countries seek to implement projects within NAMAs. Despite issues on MRV, there are high expectations for project implementation under NAMAs in forms that incorporate measures toward GHG reduction, reduced air pollution, alleviation of traffic congestion, and fewer traffic accidents. Given this, it will be necessary to expand FS, and to take approaches toward implementation of concrete projects in the future.

Photo source (right): JICA, "The Study of Master Plan on Comprehensive Urban Transport in Vientiane in Lao PDR"

\*4: The 1st year reports of the studies are publicly available on GEC website: [http://gec.jp/main.nsf/en/Activities-Climate\\_Change\\_Mitigation-nmfsrepDB-List](http://gec.jp/main.nsf/en/Activities-Climate_Change_Mitigation-nmfsrepDB-List)

## Results and issues in feasibility studies as seen from the technical perspective of an expert

### Please tell us about the activities of the new mechanisms task force.

The task force is comprised of experts in international negotiations, experts from the National Institute for Environmental Studies and GHG verification entities, and officers of MOEJ. Its purpose is to provide guidance for new mechanisms based on the reports on status and results of FS implementation, and to advise organizations that implement the studies.

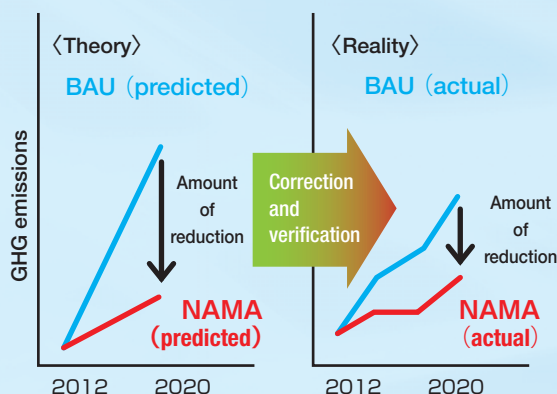
### What are the concrete discussions in the task force with regard to MRV?

The most realistic approach to calculate the emission reduction will be the difference between emissions under current conditions ("business as usual"; BAU) and emissions when countermeasures are taken (i.e. NAMAs).

New mechanisms must take into account the national objectives of host countries as well as uncertainties (GDP growth rate, etc.). This makes it necessary to correct and verify both BAU and actual emissions at regular intervals.



Mr. Kazuhisa Koakutsu  
Deputy Director  
Market Mechanism Group,  
Institute for Global Environmental  
Strategies (IGES)



Approach for correction and verification of MRV

### What are the differences between new mechanisms and the CDM?

CDM projects required private enterprises to engage in strict monitoring in order to receive credits, while new mechanisms will focus on promotion of reduction activities in developing countries. Since data necessary for MRV should be prepared by national/public organizations as part of policy and institutional framework, new mechanisms will be likely to reduce the burden on private enterprises.

While crediting from CDM projects will become more streamlined, new mechanisms should also incorporate this trend. It is important for implementing organizations of FS to develop methodologies in a particular country, and to conduct FS in a similar manner in other countries. The task force seeks to establish a common framework of the methodologies to be extracted from accumulated know-how as the Japanese standard, and to recommend this methodologies when a new institutional framework is being built.

## 4 New Mechanisms Information Platform

### ◆ Visit our new website!

MOEJ launched a new website to disseminate useful information on new market mechanisms to address climate change. The platform offers information regarding Japan's policies and support programmes including capacity building, feasibility studies and events for proposed bilateral mechanisms, NAMAs, REDD+, and other key areas.

**New Mechanisms Information Platform:**

URL : [www.mmechanisms.org/e/index.html](http://www.mmechanisms.org/e/index.html)

### ◆ Consultation support is now available!

The platform accepts inquiries into relevant matters from international stakeholders. Please contact the information desk of OECC by e-mail or telephone below.

### Main contents of the platform website in February:

#### Japan's Policy

- Submissions from the Government of Japan to the AWG-LCA (UNFCCC)
- MOEJ Initiatives on Bilateral Mechanisms for Mitigating Climate Change

#### Support Programmes

- MOEJ/GEC Feasibility Study Programme on New Mechanisms
- New Mechanisms Workshop: "Promoting New Mechanisms for Climate Change Mitigation" (organized by MOEJ and OECC, 18 Feb. 2011)

#### Other Useful Information

- Japan Verified Emission Reduction (J-VER) Scheme



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