



Title	International and Japanese Movement of Carbon Credit and REDD-plus
Author(s)	Kobayashi, Noriyuki
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# **International and Japanese Movement of Carbon Credit and REDD-plus**

Noriyuki Kobayashi  
Law School Nihon University  
Oct 10, 2013  
Hokkaido University, Sapporo

# CONTENTS

- I. The value of forest, peatland and REDD-plus
- II. Market-based Mechanism and Climate Change Policy Approach
- III. Japanese Policy on Climate Change
- IV. J-Credit System
- V. JCM (JCM: Joint Crediting Mechanism)
- VI. REDD-plus and Carbon-offset scheme

# **I. The value of forest, peatland and REDD-plus**

# I-1. The value of forest and peatland for climate change

- Forest and peatland play important role in the prevention of global warming by acting as sink for the removal and storage of carbon dioxide (CO<sup>2</sup>). Stopping deforestation and forest degradation and enhancement of forest carbon stock are the most important solutions to the problem of global warming.
- “Forestry can make a very significant contribution to a low cost global mitigation portfolio that provides synergies with adaptation and sustainable development.” (IPCC AR4, WGIII, 2007, p69-70)

# I-2. REDD-plus Activities

Full name:

“Reducing Emissions from Deforestation and forest Degradation and the role of conservation, sustainable management of forest and enhancement of forest carbon stock in Developing countries”.

Activities:

- Reducing emissions from deforestation
- Reducing emissions from forest degradation
- Conservation of forest carbon stock
- Sustainable management of forest
- Enhancement of forest carbon stock

(The Cancun Agreement, COP16, 2010)

# I-3. The role of REDD-plus

## Developing countries

- Achieving to reduce GHGs through activities of REDD-plus

## Developed countries

- Providing economic assistance for REDD-plus projects
- Receiving credits accordance with amount of reduced emissions

## **II. Market-based Mechanism and Climate Change Policy Approach**



## II-1. Market-based Approach

- Market-based mechanism is one of approach for environment issue. For climate change issue, this approach is more effective than “command and control” approach
- Kyoto Mechanism of Kyoto Protocol is typical international market-based approach so called “flexibility mechanism”

## II-2. Existing carbon market

- Compliance market
  - International market
    - Kyoto protocol Emission Trading(ET)
  - Regional market
    - EU-ETS
  - Domestic market
    - NZ, Australia, RGGI(US),
    - Tokyo metropolitan government(Japan)
- Voluntary market
  - International market
    - VCS
  - Domestic market
    - J-VER, J-VET(Japan)
  - J-Credit

## II-3. Concept of Carbon-offset

All member of society aware of your own emission of GHG



Make an effort to reduce emission of GHG



To cover the difficult portion of reduction, purchasing the reduction or removal (credits : VER) occurred in another location



Partially or wholly compensation for emission by VER

VER : Verified Emission Reduction

## II-4. COP17 Draft decision [-/CP.17]

### Outcome of the AWGLCA(1)

- Market-based approach will play important role for climate change approach
- Two different types of “new market mechanisms” were agreed at COP17 and carbon Credit expected to be used for target 2020 and new framework from 2020 (Ninomiya)
- Important paragraph(para) of COP17 Draft decision [-CP.17] are follow
  - Parties may, individually or jointly, develop and implement such approach in accordance with their national circumstance. (Preface of Chapter E)
  - Various approach must meet standard that deliver real, permanent, additional and verified mitigation outcomes (para79)

## II-5. COP17 Draft Decision [-/CP.17] (2) continued

- A new market based mechanism, operating under the guidance and authority of the COP to promote mitigation action---, may assist developed countries to meet part of their mitigation target or commitments under UNFCCC.  
(para83)

Also defined regarding REDD-plus market-based mechanism as follows

- Consider that, in the light of the experience gained from current and future demonstration activity, appropriate market-based approach could be developed by the COP to support result-based action by developing country Parties ---. (para66)

# **III. Japanese Policy on Climate Change**

# III-1. Policy for first commitment period Kyoto Protocol

- Being promoted under “The Act on Promotion of Global Warming Countermeasure” (1998, revised 2002, 2005, 2006, 2008 and 2013).

The main object of this act is for attaining “Kyoto Target” of the first commitment period of Kyoto Protocol.

- Japan has submitted to UNFCCC on Jan. 2010, 25% emission reduction in 2020. However this target is currently reviewed due to the Great East Japan Earthquake and nuclear disaster.

## III-2. Policy of the present government

- 1) The Liberal Democratic Party of Japan has established the government in Nov, 2012. Since then, Japanese policy on climate change has changed, as the important points are as follows;
  - Not participating in the second commitment period of Kyoto Protocol (decided at COP18 Nov. 2012)
  - “ The Bill for the basic Act on Global Warming Countermeasure” was rejected
  - Emission reduction target in 2020 shall be revised starting from scratch and the new target is not decided as of end Sept. 2013

- 2) The Act on Promotion of Global Warming Countermeasure revised in May. 2013.

The main object of this act was changed from attaining “Kyoto Target” to promotion of “Plan for countermeasure of global warming”.



# IV. J-Credit System

## **J-Credits System:**

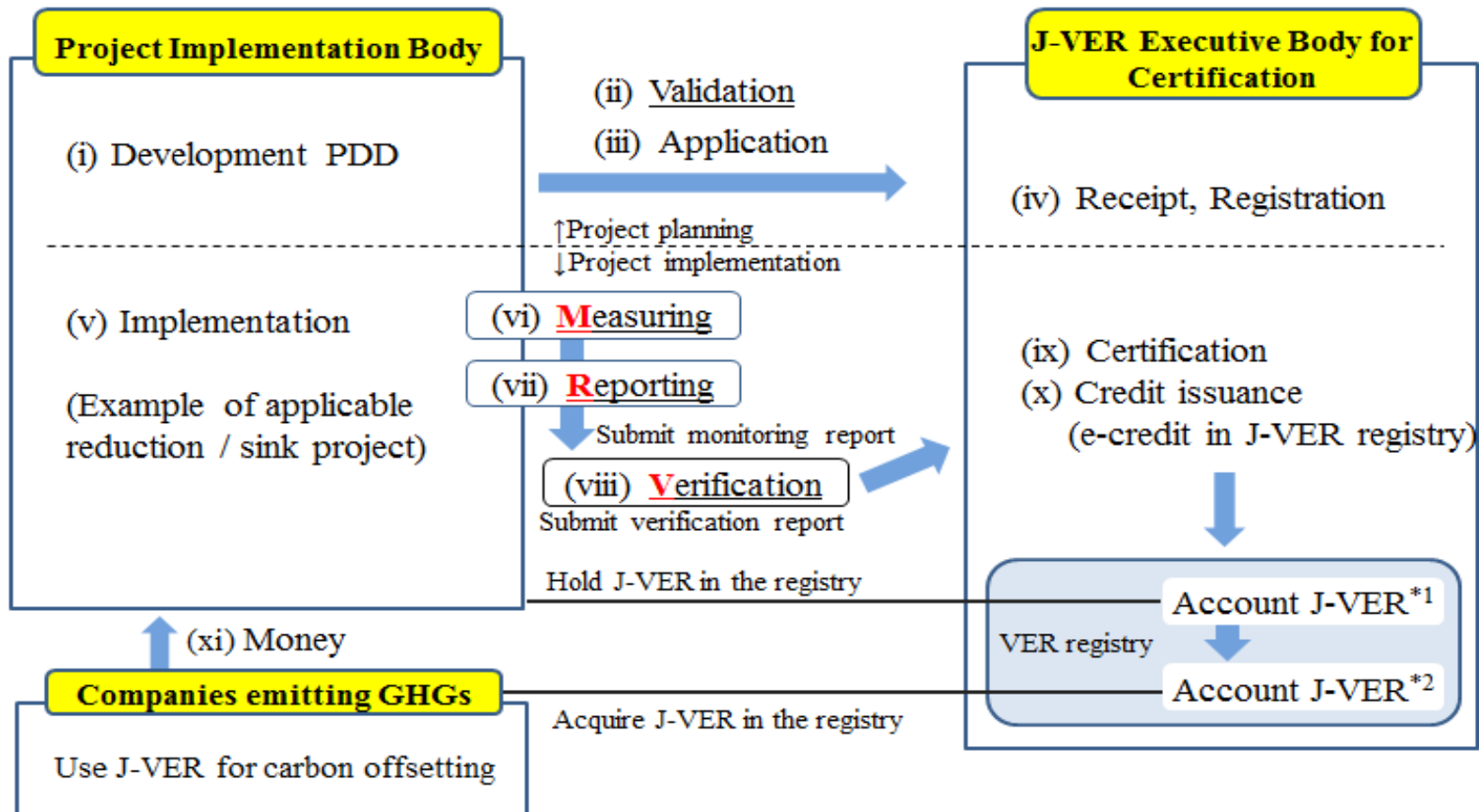
Japan's domestic certify credit system for emission reduction • increase removal on Global Warming countermeasure .

(Translation by N. Kobayashi )

## IV-1. Two market-based credit system in Japan

- Since 2008, Japan-Verified Emission Reduction (J-VER) and the domestic CDM system have been promoted.
- J-VER: as carbon-offset system managed under MOE
- The domestic CDM: METI, MOE, MAF

# IV-2. J-VER scheme and procedure



\*This scheme is based on ISO14064-2, ISO14064-3

\*Validation and verification are by validator and verifier accredited based on ISO14065

(source : Adopted from MOEJ materials)

## Abbreviations:

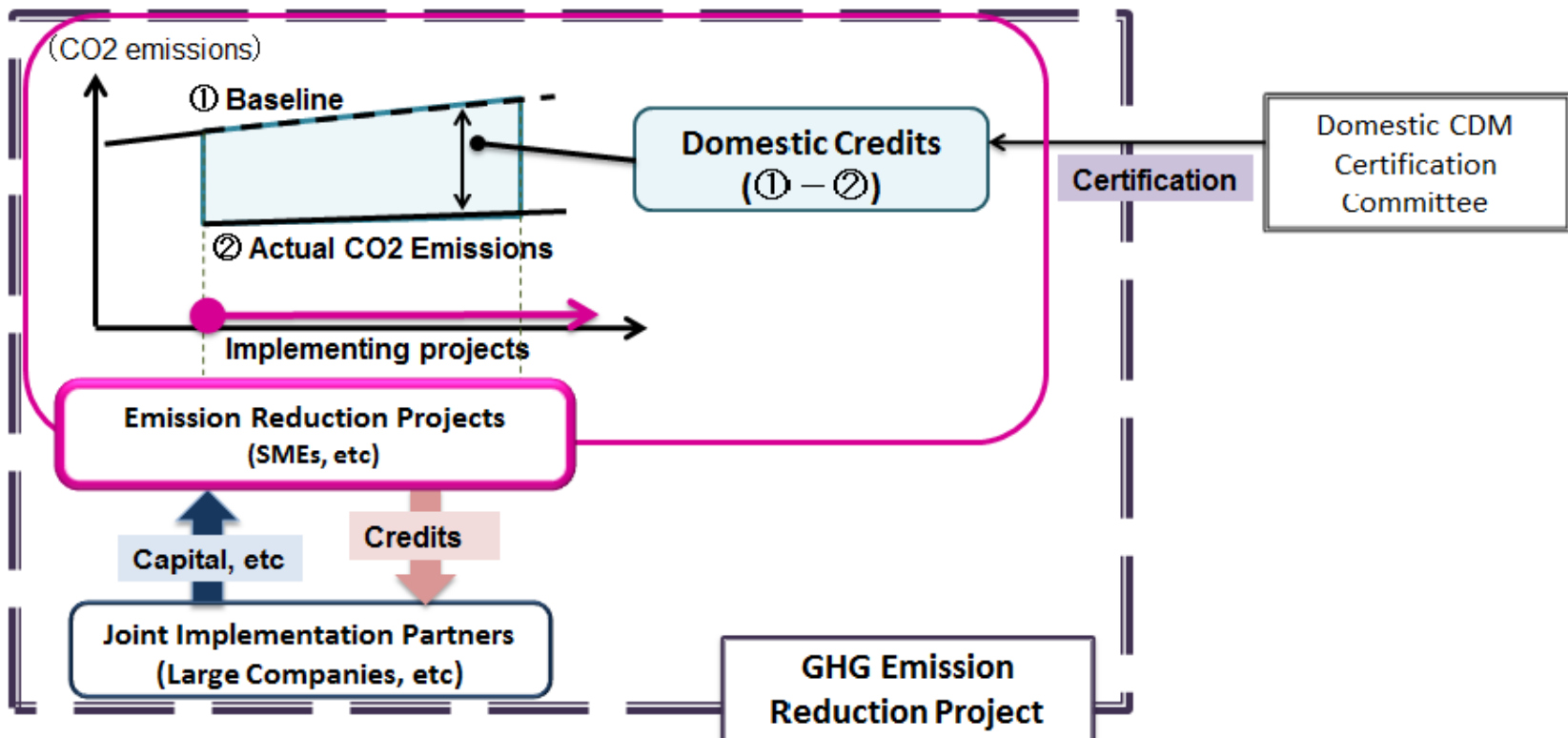
\*1: Account of Project Implementation Body

\*2: Account of Companies Emitting GHGs

## IV-3. The domestic CDM system scheme and procedure

### About the Domestic CDM

- Large companies and SMEs conduct **joint projects** for GHG reduction.
- Other than SMEs, emission reductions by the agriculture and forestry sectors (forest biomass) and the civilian sector (operations, residential, etc.) are also targets of this system.
- Large companies provide necessary capital **in exchange for domestic credits**, which are certified as credits by the Domestic CDM Certification Committee.
- They utilize those credits to achieve voluntary action plan goals for the Kyoto Protocol, CSR, offsets, etc.



## IV-4. The purpose of J-Credit system

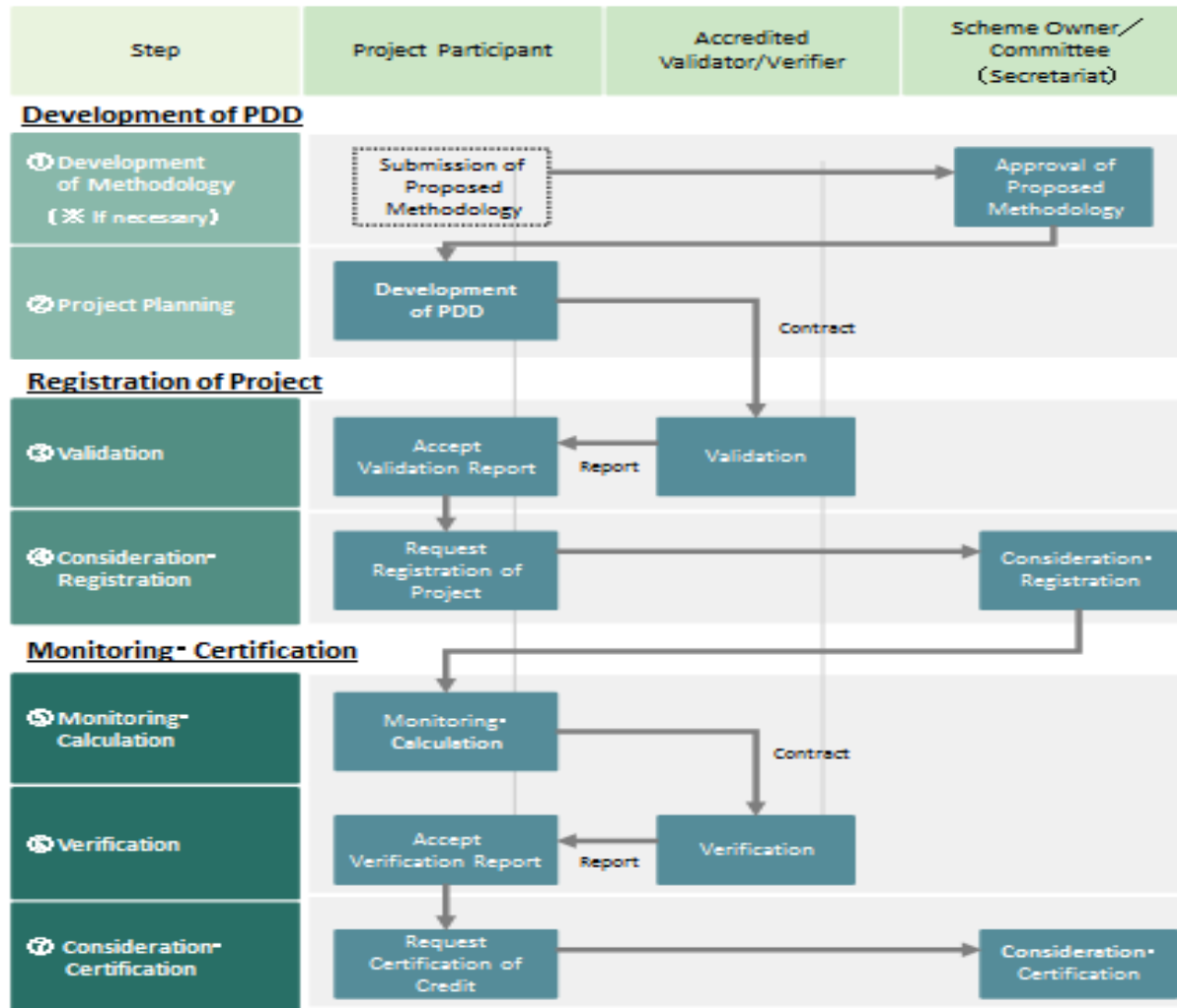
Integration of J-VER system and J-Credit system and started April 1<sup>st</sup>, 2013

- To avoid confusion of the two existing system
- To enhance the credit system for promotion of emission reduction and removal of GHGs even after 2013
- To enhance the activities of industries for countermeasure for global warming and activities for CSR, carbon-offset

## IV-5. Concept J-Credit system

- Adopt the merit of the two current systems
- Viable environment but also convenient, applicable to a broad range of cases
- Support regional effort towards reduction of GHGs and local revitalization
- Highly evaluated internationally and used as a reference by international efforts to establish similar systems

# IV-6. J-Credit System Scheme and Procedure



Sources: MOE

# **V. Outline of JCM**



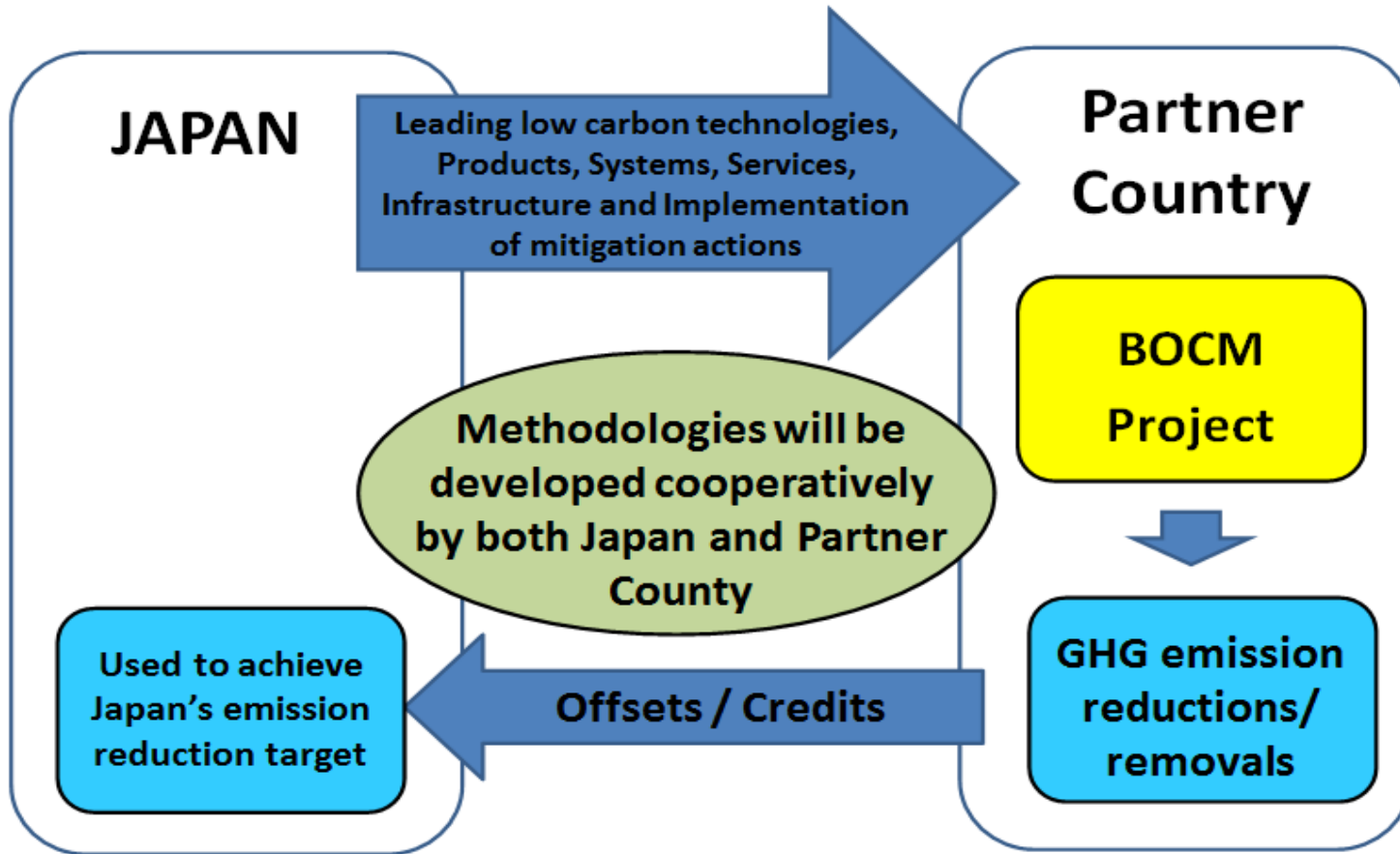
# V-1. Purpose of JCM

- Establishment of “win-win” relations between Japan and developing countries through promotion of technologies transfer and emission credits
- JCM projects include emission reduction projects such as power sector, transportation sector, industrial sector, agriculture sector, etc, also including REDD-plus projects
- Conclude agreement for JCM with partner countries (as of September 2013, with 7 countries)

## V-2. Concept of JCM

- 1<sup>st</sup> : To facilitate diffusion of leading low carbon technology, products, etc, as well as implementation of mitigation action and contributing sustainable development of developing countries
- 2<sup>nd</sup> : Through mitigation actions implemented in developing countries and use those emission reductions or removals to achieve emission reduction targets of the developed countries
- 3<sup>rd</sup> : To contribute to ultimate objective of the UNFCCC with supplement of CDM

# V-3. Concept of JCM



Sources: Materials by Government of Japan, July 2013

# **VI. REDD-plus and Carbon-offset scheme (conclusion)**

# VI-1. Market-based mechanism for REDD-plus

- Market –based mechanism is playing important role of countermeasure on climate change and REDD-plus
- Credit price should be covered mitigation cost and transaction cost
- REDD-plus is expected to have a potential to create the new scheme of evaluating tropical forest and peat land in relationship with climate change .
- “ The positive incentive” credit price of REDD-plus should evaluate carbon value in together with social and environmental value

## VI-2. REDD-plus and carbon-offset

- As practical way before 2020, financial mechanism of REDD-plus will be carbon-offset scheme as market-based mechanism
- J-VER or J-Credit scheme can be applied to REDD-plus carbon-offset market-based mechanism such as T-VER in Thailand, I-VER in Indonesia
- Those VER scheme can be established international market through linkage of VER
- MRV of VER scheme should be compliant with the international standards such as ISO-14064, ISO-14065 and VCS

# VI-3. Carbon, Socio-economic and environmental value of forest and peatland

## <Environmental Function of Forest>

**Carbon Sequestration by forest**  
→Forest Sink of Kyoto protocol  
→Carbon-offset and other mechanism

## <Market mechanism>

•Kyoto Mechanism Emission Trading  
•Carbon-offset  
•REDD-plus



## <New value of Forest>

Social, environmental Value  
•Income by Emission Trading  
•Income by Carbon-offset  
•CSR for company  
•Income by REDD-plus credit

**CER(Emission Trading)  
VER(Carbon-offset)  
Co2 Certification  
REDD-plus credit**

•Mitigation of Climate Change  
•Protection of Forest and Environment  
•Sustainable Rural Development

**Thank you for listening**

[env.kobayashi.nori@gmail.com](mailto:env.kobayashi.nori@gmail.com)