

TABLE 6: COMPATIBILITY BETWEEN EMISSION REDUCTION UNITS ACHIEVED THROUGH JI, CDM AND EMISSION TRADING

Description	Pros and Cons
Option A: Consolidate CDM and JI under One Institutional Framework	
<p>Since the CDM and JI among Annex I countries are both project-based cooperative mechanisms, and thus will operate based on similar administrative and technical processes, these mechanisms could be managed and implemented by one institutional framework.</p>	<ul style="list-style-type: none"> ↳ Combining management and implementation of these mechanisms under one bureaucratic structure, would substantially reduce the overall administrative costs. ↳ However, it could be perceived as reminiscent of AIJ, and thus inconsistent with Canada's interest in making a clear distinction between the CDM and the AIJ pilot phase. ↳ Furthermore, developing countries would likely oppose this merging of the institutional frameworks.
Option B: Establish Consistent Measurement/Monitoring Protocols and Verification/Certification Procedures for the CDM and JI (Interdepartmental preference)	
<ul style="list-style-type: none"> ↳ measuring/monitoring protocols and verification/certification procedures should be designed to ensure that project GHG benefits are real, measurable, and long-term. ↳ As project-based cooperative mechanisms, the CDM and JI will encounter similar issues when developing these protocols and procedures. ↳ Given the similarities between the CDM and JI, one set of measuring/monitoring protocols and verification/certification procedures could be developed for both mechanisms. ↳ One way to do this, for example, would be to establish independent organizations accredited by COP/MOP. 	<ul style="list-style-type: none"> ↳ This would reduce the up-front administrative cost associated with establishing these protocols and procedures, while ensuring that CERs and ERUs generated through CDM and JI projects are both credible and comparable.
Option C: Develop National Level Baselines to Measure CDM and JI Benefits	
<ul style="list-style-type: none"> ↳ Under this option, developing countries interested in hosting CDM or JI projects could be required to develop national baseline emission projections, with a breakdown of emissions by sector or subsector. These national baselines could then be used to estimate the GHG benefits of CDM and JI projects. ↳ Since developing credible national baselines requires significant technical and financial resources, developing countries would likely need technical assistance from CDM/JI institutions. 	<ul style="list-style-type: none"> ↳ Although the up-front costs associated with developing these baselines may be high, once in place, they would help to increase the comparability and credibility of CDM and JI project emission reduction estimates. ↳ Moreover, the existence of national level baselines would significantly reduce the data collection costs incurred by CDM and JI project developers. For example, under many national AIJ pilot programs, project developers have been required to supply a range of national, sector, and project-level data to develop a baseline emission projection that credibly demonstrates that the project GHG benefits claimed are real, measurable, and additional. ↳ As expressed by many AIJ project developers, the costs associated with meeting these data requirements often exceed what they were willing or able to pay. With credible national baselines in place, project developers would not be required to develop their own baseline projections. ↳ national baselines could reduce transaction costs and risks associated with certified emissions reductions (CERs) and emissions reduction units (ERUs), making the CDM and JI more attractive to investors.