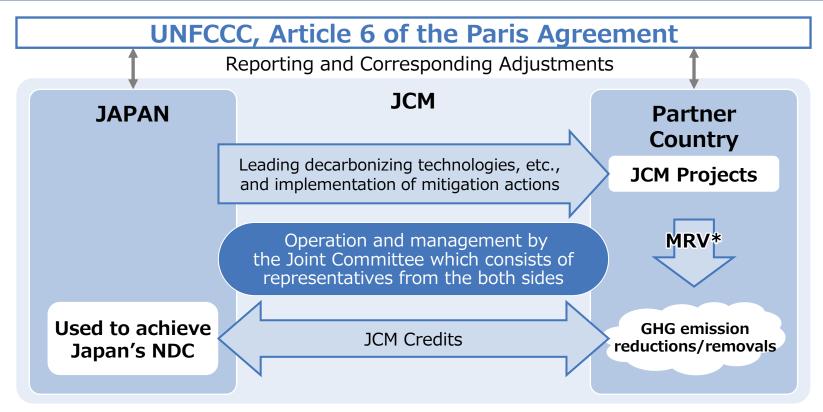
Recent Developments of the Joint Crediting Mechanism (JCM)

July 2023 Government of Japan

All ideas are subject to further consideration and discussion with partner countries

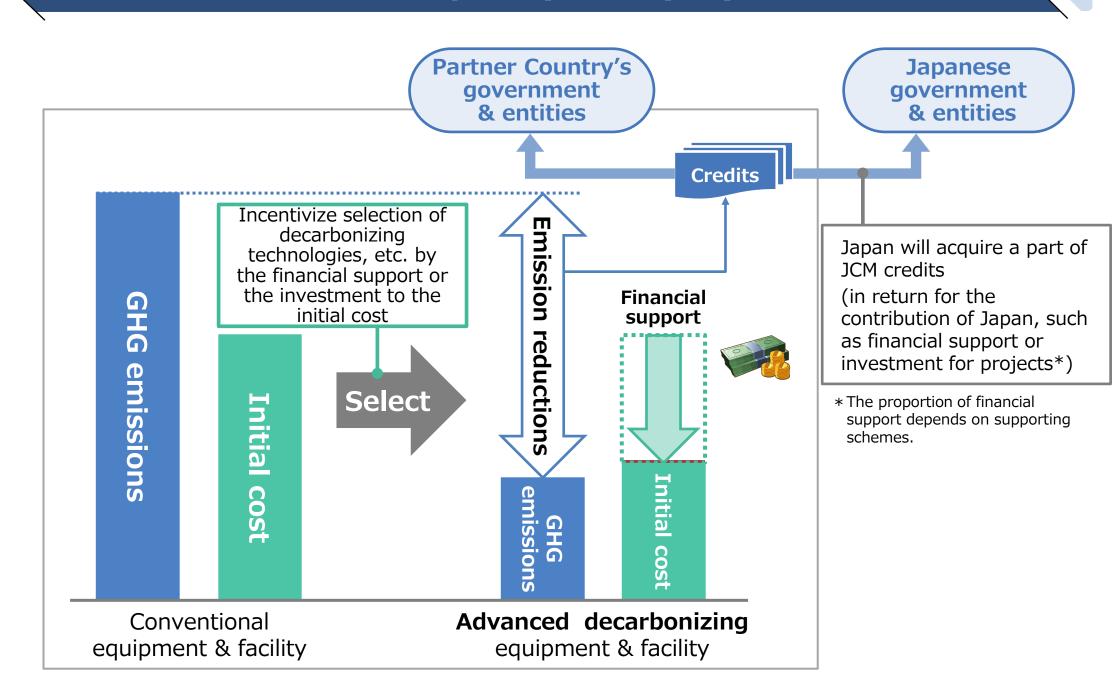
Basic Concept of the JCM

- Facilitate diffusion of leading decarbonizing technologies and infrastructure, etc., through investment by Japanese entities, thereby contributing to GHG emission reductions or removals and sustainable development in partner countries.
- Contribute to the achievement of both countries' NDCs while ensuring the avoidance of double counting through corresponding adjustments.
- Implement the JCM consistent with the guidance on cooperative approaches, referred to in Article 6, paragraph 2 of the Paris Agreement.



*measurement, reporting and verification

Contribution from Japan (example)



JCM Partner Countries (27 countries)



Jan. 8, 201 (Ulaanbaatar)



Bangladesh



Ethiopia Mar. 19, 2013 (Dhaka) May. 27, 2013 (Addis Ababa)



Jun. 12, 2013 (Nairobi)



Maldives Jun. 29, 2013 (Okinawa)



Jul. 2, 2013 (Hanoi)



Lao PDR Aug. 7, 2013 (Vientiane)



Indonesia Aug. 26, 2013 (Jakarta)



Costa Rica Dec. 9, 2013 (Tokyo)



Jan. 13, 2014 (Ngerulmud)



Apr. 11, 2014 (Phnom Penh)



Jul. 25, 2014 (Mexico City)



Saudi Arabia May. 13, 2015



Chile May. 26, 2015 (Santiago)



Mvanmar Sep. 16, 2015 (Nay Pyi Taw)



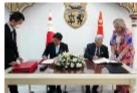
Thailand Nov. 19, 2015 (Tokyo)



Philippines Jan. 12, 2017 (Manila)



Senegal Aug. 25, 2022 (Dakar)



Tunisia Aug. 26, 2022 (Tunis)



Azerbaijan Sept. 5, 2022 (Baku)



Moldova Sept. 6, 2022 (Chisinau)



Georgia Sept. 13, 2022 (Tbilisi)



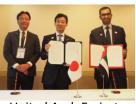
Sri Lanka Oct. 10, 2022 (Colombo)



Uzbekistan Oct. 25, 2022 (Tashkent)



Papua New Guinea Nov. 18, 2022 (Sharm-el-Sheikh)



United Arab Emirates Apr. 16, 2023 (Sapporo)



Kyrgyz Republic July. 6, 2023 (Bishkek)

Projects supported by the JCM financing programmes

Renewable Energy

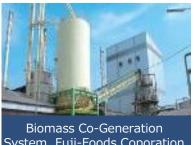




Floating Solar PV, TSB Co., Ltd.,Thailand



Hydro Power Plant, Toyo Energy Farm Co., Ltd., Indonesia



System, Fuji-Foods Coporation, Thailand



Binary Power Generation Project at Geothermal Power Plant, MHI, Ltd., Philippines

Energy efficiency [Consumer sector]



High-efficiency refrigerator, Mayekawa MFG, Indonesia



Energy saving at convenience stores, Panasonic, Indonesia



High-efficiency airconditioning system, Hitachi, Daikin, Vietnam

Energy efficiency [Industrial sector]



Optimization in petroleum refining plant, Yokogawa Electric Corp. Indonesia



communications base transceiver stations, KDDI Corp. Indonesía

Energy efficiency [Urban sector]



LED street lighting system with wireless network control MinebeaMitsumi, Cambodia



Amorphous transformers in power distribution, Hitachi Materials, Vietnam

Waste



Power Generation with Methane Gas Recovery System, NTTDATA, Mexico



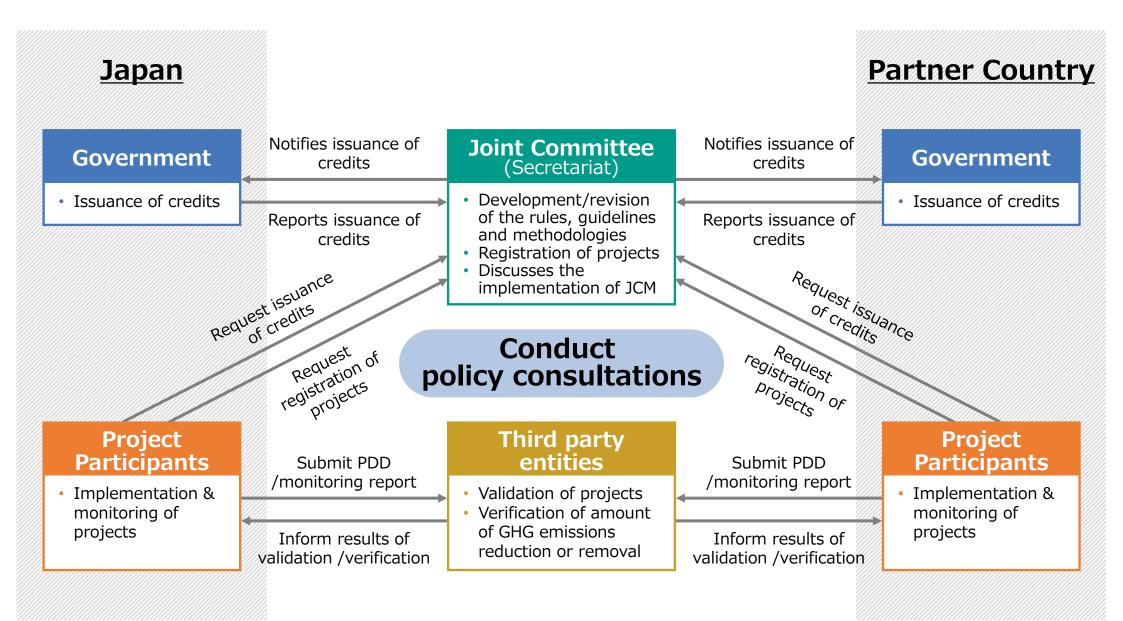
Waste to Energy Plant, JFE engineering, Myanmar

Transport



CNG-Diesel Hybrid Public Bus, Hokusan Co., Ltd., Indonesia

Scheme of the JCM



The role of the Joint Committee and each Government

- 1. The Joint Committee (JC) consists of representatives from both Governments.
- The JC develops rules and guidelines necessary for the implementation of the JCM.
- 3. The JC confirms no objection or objection to a project idea note (PIN).

 * Under consultation with partner countries. Please refer to the next page.
- 4. The JC determines either to approve or reject the proposed methodologies, as well as develops JCM methodologies.
- 5. The JC designates the third-party entities (TPEs).
- 6. The JC decides on whether to register JCM projects and the percentage of JCM credit allocation.
- 7. Each Government establishes and maintains a registry.
- 8. Each Government issues the notified amount of JCM credits to its registry on the basis of notification for issuance of JCM credits by the JC.

Can be conducted by the same TPE Can be conducted simultaneously

Project Cycle of the JCM

Project Participant

Joint Committee

Project Participant /
Each Government
Joint Committee

Joint Committee

Project Participant

Third Party Entities

Joint Committee

Project Participant

Third Party Entities

Joint Committee decides the amount Each Government issues the credit

Submission of PIN*

Confirmation of no objection

Submission of Proposed Methodology

Approval of Proposed Methodology

Development of PDD*

Validation

Registration

Monitoring

Verification

Issuance of credits

<Terminology>

- PIN (Project Idea Note): A document used to explain the outline of the project to the partner country and confirm whether there is an objection.
- PDD (Project Design Document): A document that includes monitoring methods and estimated emission reductions. Required for project registration.

<Note>

For the latest information on JCM rules and guidelines, including the PIN procedures adopted with each Partner Country, please refer to each partner country page on the JCM website.

Japan's Nationally Determined Contribution (NDC)

(Decided on October 22, 2021)

Japan's NDC

Japan aims to reduce its greenhouse gas emissions by 46 percent in fiscal year 2030 from its fiscal year 2013 levels, setting an ambitious target which is aligned with the long-term goal of achieving net-zero by 2050. Furthermore, Japan will continue strenuous efforts in its challenge to meet the lofty goal of cutting its emission by 50 percent.

Description about the JCM

Japan's Greenhouse Gas Emission Reduction Target

Japan aims to contribute to <u>international emission reductions and removals at the level of a cumulative total of approximately 100 million t-CO2 by fiscal year 2030</u> through public-private collaborations. Japan will appropriately count the acquired credits to achieve its NDC.

Information to facilitate clarity, transparency and understanding

- Japan will establish and implement the Joint Crediting Mechanism (JCM) in order to quantitatively evaluate contributions of Japan to greenhouse gas emission reductions and removals which are achieved through the diffusion of, among others, leading decarbonizing technologies, products, systems, services and infrastructures as well as through the implementation of measures in developing countries and others, and in order to use such contributions to achieve Japan's NDC. By doing so, through public-private collaborations, Japan aims to secure accumulated emission reductions and removals at the level of approximately 100 million t-CO2 by fiscal year 2030. Japan will appropriately count the acquired credits to achieve its NDC.
- With regards to the JCM which Japan has initiated to establish, Japan secures environmental integrity and the avoidance of double-counting in line with the international rules including the Paris Agreement. Also, based on its experience in the JCM, Japan intends to lead international discussions, thereby contributing to the development of appropriate international rules for the use of market mechanism.

Position of the JCM in the Plan for Global Warming Countermeasures

*Cabinet Decision, October 2021

Description about the JCM

• Japan will establish and implement the Joint Crediting Mechanism (JCM) in order to quantitatively evaluate contributions of Japan to greenhouse gas emission reductions and removals which are achieved through the diffusion of, among others, leading decarbonizing technologies, products, systems, services and infrastructures as well as through the implementation of measures in developing countries and others, and in order to use such contributions to achieve Japan's NDC. By doing so, through public-private collaborations. Japan aims to secure accumulated emission reductions and removals at the level of approximately 100 million t-CO2 by fiscal year 2030. Japan will appropriately count the acquired credits to achieve its NDC.

The JCM related Articles in the Paris Agreement

Article 6 of the Agreement

- 2. Parties shall, where engaging on a voluntary basis in cooperative approaches that involve the use of internationally transferred mitigation outcomes towards nationally determined contributions, promote sustainable development and ensure environmental integrity and transparency, including in governance, and shall apply robust accounting to ensure, inter alia, the avoidance of double counting, consistent with guidance adopted by the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement.
- 3. The use of internationally transferred mitigation outcomes to achieve nationally determined contributions under this Agreement shall be voluntary and authorized by participating Parties.
- Use of market mechanisms, including the JCM, is articulated under Article 6 which prescribes for the use of emissions reductions realized overseas towards national emissions reduction targets.
- The amount of emissions reduction and removal acquired by Japan under the JCM will be appropriately counted as Japan's reduction consistent with the guidance on cooperative approaches, referred to in Article 6, paragraph 2 of the Paris Agreement (Decision 2/CMA.3).

Implementation of the Article 6 rules into domestic rules

Plan for Global Warming Countermeasures (Cabinet decision on Oct 22, 2021)

- Designate the JCM implementing authorities to establish the JCM Promotion and Utilization Council
- Designate the JCM Promotion and Utilization Council to authorizes JCM credits issued in the JCM registry of Japan and decide the procedures for authorization as a Party to the Paris Agreement.

Establishment of the JCM Promotion and Utilization Council consisting of five relevant Ministries* (Jan 17,2022)

* Ministry of the Environment; Ministry of Economy, Trade and Industry; Ministry of Foreign Affairs; Ministry of Agriculture, Forestry and Fisheries and Ministry of Land, Infrastructure, Transport and Tourism

The Council's duties include:

- 1. the <u>authorization of JCM credits</u> as a Party to the Paris Agreement,
- 2. the determination of a method to apply corresponding adjustments to prevent double counting,
- 3. the revision of the Guidelines for the Implementation of the JCM.

Formulation of the procedures on the authorization and corresponding adjustments (Apr 7, 2022)

 Establishment "Procedures for Authorization as a Party to the Paris Agreement regarding the Joint Crediting Mechanism (JCM)" and "Procedures for Corresponding Adjustments regarding the Joint Crediting Mechanism."

* Reference: https://www.env.go.jp/content/000060562.pdf

^{*} Reference: https://www.env.go.jp/content/000060591.pdf

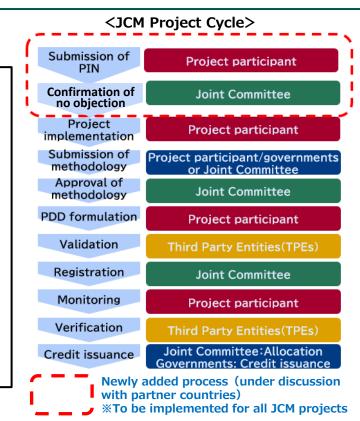
Private-Sector JCM projects

<Background>

- In order to achieve the JCM target of "cumulative international emission reduction/removal of approximately 100 million t-CO2 by 2030 through public-private partnership" based on the Global Warming Countermeasures Plan(approved by the Cabinet in October 2021), in addition to the conventional JCM project formation using financial support from the government, there is a need to promote the formation of JCM projects invested and implemented by private companies without any governmental financial supports for the purpose of obtaining JCM credits (private sector JCM), in light of the growing interest in the use of JCM credits on the part of private-sector companies in recent years.
- In FY2021, the "Study Group on Measures to Promote the Use of JCM by the Private Sector" released "Recommendations" including the following.
 - Significance of utilization of private-sector JCM and expectations from the private sector for the development of the system: Necessity of <u>developing specific procedures for the JCM system</u>, etc.
 - Promotion of partner countries' understanding of the concept of credit allocation, etc.: Importance of improving foreseeability through the advance inquiry process, etc.

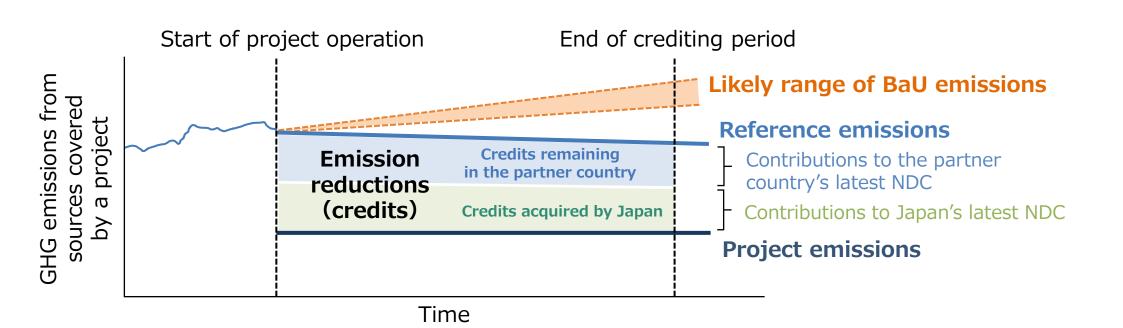
Promotion through the <u>formulation of "Guidance on the development of Private-Sector JCM projects invested and implemented by private companies without any governmental financial supports</u>

- Introduction of the following new procedure, which is under discussion with each JCM Partner country:
 - Making an advance inquiry to the partner countries on the "Project Idea Note (PIN)" which includes the project contents and credit allocation plan
 - Confirming whether there are any objections at the Joint Committee prior to the implementation of a JCM project.
- Explanation of matters to be considered when proposing a private-sector JCM project by PIN and requesting credit allocation (e.g., the concept of financial and non-financial contributions).
- Support measures for implementation of private-sector JCM projects, points to keep in mind when dealing with human rights, etc., and introduction of the support desk.
- This guidance will be updated as necessary based on future revisions of JCM rules with JCM partner countries and the status of private-sector JCM projects.



JCM's contribution to NDC

- Emission reductions to be credited are defined as the difference between reference emissions and project emissions.
- The reference emissions are established in a manner that the proposed project contributes to the achievement of the latest NDC of a partner country.
- The credits acquired by Japan will be used towards the achievement of Japan's NDC.
- The credits remaining in the partner country will contribute to the achievement of the partner country's NDC.



JCM Website

URL: https://www.jcm.go.jp/

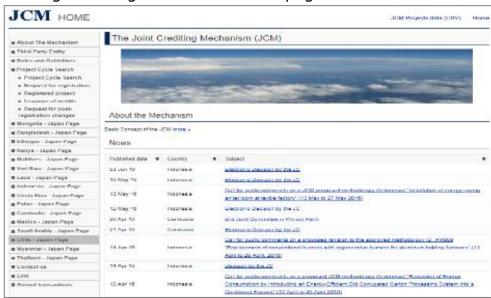
Contents

- General information page
- Individual JCM Partner countries-Japan page

Function

- Information sharing to the public, e.g.,
 - the JC decisions
 - rules and guidelines
 - methodologies and projects
 - issuance of JCM credits
 - call for public inputs/comments
 - status of TPEs, etc.
- Internal information sharing for the JC members, e.g.
 - File sharing for electric decisions by the JC

▼Image of the general information page



▼Image of the individual JCM Partner countries-Japan page





Overview of Japan's support for the JCM partner countries

	Programme	Type of support
Ministry of the Environment	Finance Programme for JCM Model Projects*	Subsidy
	Finance Programme for F-gas Recovery and Destruction Model Projects*	Subsidy
	Japan Fund for the JCM (JF JCM) - managed by ADB	Grant
	JCM support programme by UNIDO*	Grant for projects, technical cooperation
	Project development/capacity building/MRV support	Technical cooperation
Ministry of Economy, Trade and Industry	JCM Feasibility Study	Technical cooperation
	JCM Demonstration Programme	Government-commissioned project
Forestry Agency	Field studies for JCM REDD+	Government-commissioned project

^{*} These programmes can support projects implemented by government-owned companies but not those implemented by the government itself.

Finance Programme for JCM Model Projects by MOEJ

Budget for projects starting from FY 2023 is approx. <u>15 billion JPY</u> (approx. <u>USD 109 million</u>) in total by FY2025 (1 USD = 137 JPY)

Government of Japan

* Includes collaboration with projects supported by JICA and other governmental-affiliated financial institute.

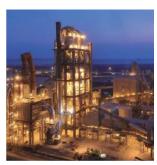
Finance part of an investment cost (up to half)



Conduct MRV and expected to deliver JCM credits issued

International consortiums (which include Japanese entities)







- Scope of the financing: facilities, equipment, vehicles, etc. which reduce CO₂ from fossil fuel combustion as well as construction cost for installing those facilities, etc.
- Eligible Projects: starting installation after financing is awarded and finishing installation within three years.

Finance Programme for JCM F-gas Recovery and Destruction Model Projects by MOEJ

[Budget for FY2023]
61 million JPY (approx. 0.45million USD)
(1 USD = 137 JPY)

Government of Japan

Finance part of the cost in flat-rate (up to 40 million JPY/year)



Conduct MRV to estimate GHG emission reductions. At least half or ratio of financial support to project cost (larger ratio will be applied) of JCM credits issued are expected to be delivered to the government of Japan

International consortiums (which include Japanese entities)

Manufacturers of equipment which uses F-gas

Users of equipment which uses F-gas

Entities for recovery and transportation of used F-gas (recycling or scrap entities)

Entities for destruction of used F-gas (may use existing facility for destruction)

Purpose

To recover and destroy F-gas (GHG except for energyrelated CO2, etc) from used equipment instead of releasing to air, and reduce emissions

Scope of Financing

- Establish scheme for recovery and destruction
- Install facilities/equipment for recovery/destruction
- Implementation of recovery, transportation, destruction and monitoring

Project Period

Three years in maximum (Ex. 1st year for scheme, 2nd year for facilities, 3rd year for recovery/destruction)

Eligible Projects

- After financing is awarded, start implementation of recovery/destruction within three years
- Aim for the registration as JCM project and issuance credits

ADB Trust Fund: Japan Fund for Joint Crediting Mechanism (JFJCM)

Budget

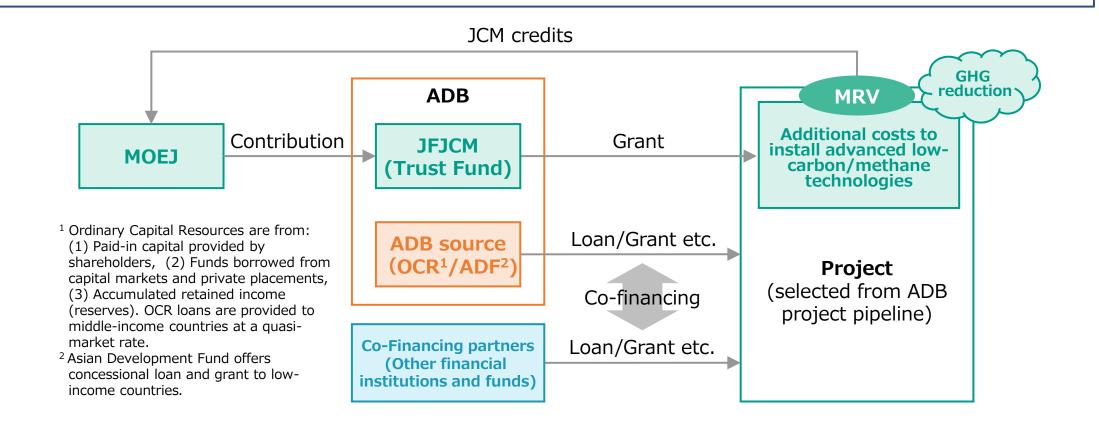
Cumulative contribution from 2014: JPY 14 billion (approx. USD 100 million) **Budget for 2023: JPY 0.2 billion (approx. USD 1.5 million)

Overview

To provide financial incentives for the adoption of expensive but advanced low-carbon/methane in projects financed by Asian Development Bank (ADB)

Purpose

To develop ADB projects with sustainable and low-carbon transition perspective by introducing advanced low-carbon technologies as well as to acquire JCM credits



JCM support programme by UNIDO

Budget

Cumulative contribution from 2021: JPY 400 million (approx. USD 2.92 million) **Budget for 2023: JPY 100 million (approx. USD 0.73 million)

Overview

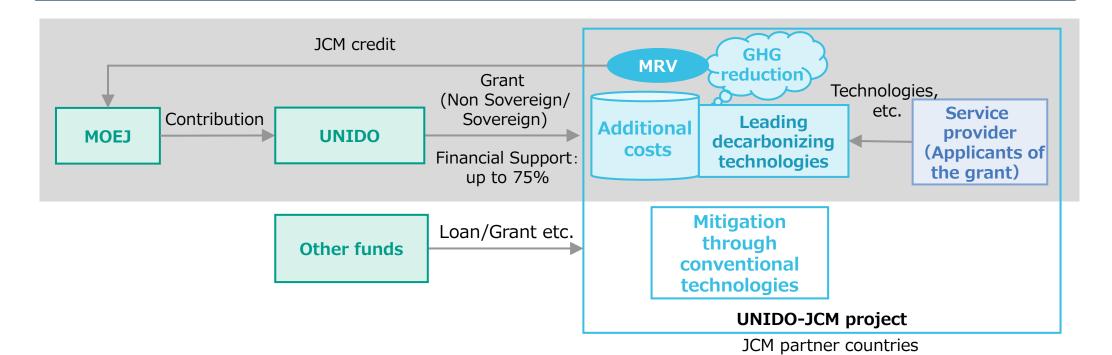
- Japanese service providers support the implementation of projects that utilize leading decarbonizing technologies/methane emission reduction technologies in JCM partner countries.
- Reduce the additional costs of the introduction of leading decarbonizing technologies/methane emission reduction technologies through financial support from UNIDO

Purpose

Targeting JCM partner countries, mainly in the African region, promote the transition to a decarbonization of society by developing a leading decarbonizing technologies, through the JCM scheme and aim to acquire JCM credits from realized GHG emissions reductions

Feature (Non-Sovereign)

- Application: Japanese company as a service provider/ an international consortium
- Maximum Percentage of Financial Support: up to 75%
- Monitoring period: an annual basis for at least 5 years etc.



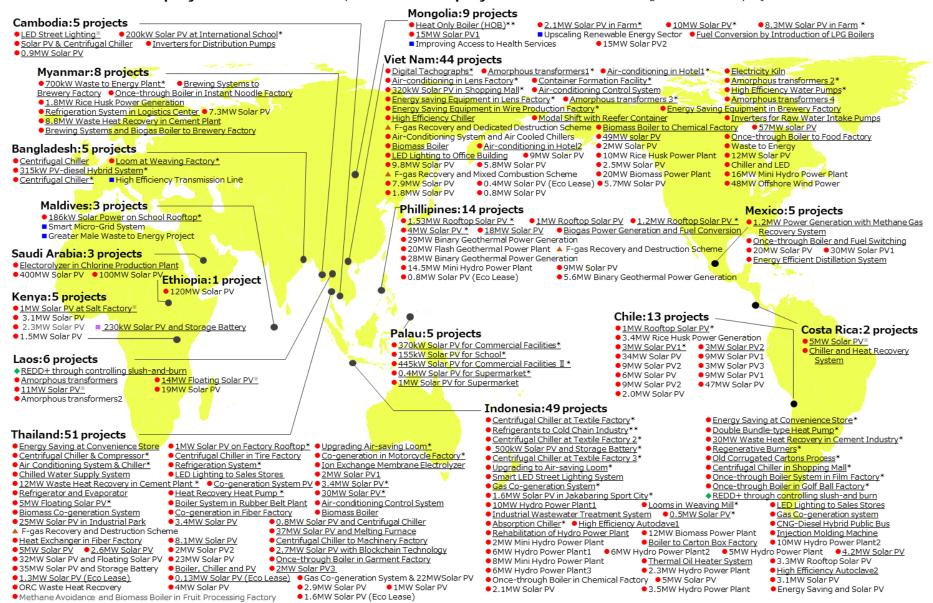
JCM Financing Programme by MOEJ (FY2013~2022) as of July 2023

Total 228projects (27 partner countries)

(●Model Projects (including Eco Lease: 5projects), ■ADB: 5 projects, ■UNIDO: 1 project, ◆ REDD+: 2 projects, ▲F-gas: 4 projects) Other 1 project in Malaysia

145underlined projects have been started operation.

68 projects with * have been registered as JCM projects.



Project development & outreach activities by MOEJ

JCM Project Development

- To identify barriers and needs for JCM project development in partner countries in terms of technology, financing and partnership, and provide solutions for overcoming barriers through consultations.
- To enhance overall capacity for JCM implementation through facilitating understanding on the JCM rules & guidelines, and MRV methodologies by organizing workshops, seminars, training courses and site visits.
- JCM Business Matching Site "JCM Global Match" provides business matching opportunities for sellers and buyers of low and zero carbon technology for the JCM project.

https://gec.force.com/JCMGlobalMatch/s/





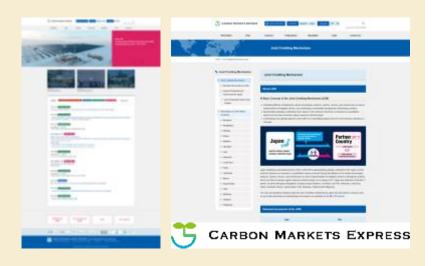




Outreach

- Carbon Markets Express website provides information on the latest updates on the JCM and relevant programmes such as JCM promotion schemes by the Government of Japan.
 - http://carbon-markets.env.go.jp/eng/index.html
- **E-mail Newsletter** and up-to-date information are distributed regularly. To register, access:

(for JP) http://carbon-markets.env.go.jp/newsletter/index.html
(for EN) http://carbon-markets.env.go.jp/eng/en_newsletter/index.html



METI's support for the JCM partner countries

- METI supports the introduction of <u>advanced decarbonizing technologies though</u>
 <u>Demonstration Projects</u> which contribute to the decarbonization of the JCM partner countries.
- The project cost burdened by Japanese side is 100% supported by Japanese government (METI/NEDO).

Examples of past projects





Total: 11 projects in 6 countries (As of July 2023)

JCM Feasibility Study by METI



Scope:

- Consider basic elements of the demonstration (technology, project site, stakeholders, etc.)
- Establish the basis of JCM methodology for quantification of the GHG emission reduction
- Study the possibility of dissemination of the introduced technology
- Project cost: 15 million JPY (approx.116 thousand USD) per study

Project period: Up to 1 year

Assumed technical areas: Energy efficiency with IoT, EMS, Renewable energy, CCS/CCUS, Hydrogen/Ammonia, etc.

JCM Demonstration Program by NEDO (*)

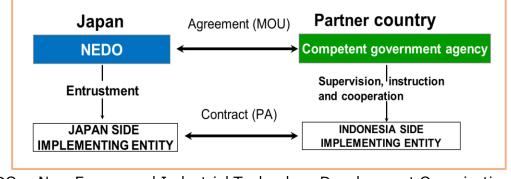


Scope:

Demonstrate and verify the effectiveness of advanced decarbonizing technology:

- Introduction of relevant facilities and systems, and conduct demonstration
- Quantification of GHG emission reduction effectiveness
- JCM procedure toward issuance of JCM credits
- Budget for FY 2023: 1.1 billion JPY (approx. 8.5million USD)

Project period: Pre-demonstration stage: up to 1 year
Demonstration stage: up to 3 year
Follow-Up Project stage: up to 2 year



* NEDO = New Energy and Industrial Technology Development Organization

Feasibility Studies by METI (as of July 2023)

Moldova:

• JCM feasibility study on the project of bio-gasification using ethanol distillation residues in the Republic of Moldova (SDG Impact Japan Inc.)

Uzbekistan:

• JCM feasibility study on the introduction of solar power generation and storage batteries, and boiler fuel conversion in public hospitals in the Republic of Uzbekistan (Hanwa Co., Ltd.)

Thailand:

 Private-sector JCM feasibility study on GHG emission reductions in textile dyeing process by utilizing highly efficient dyeing technology (Asahi Kasei Corp.)

Mongolia:

•JCM feasibility study on switching fuel for heating boilers to biochar in the city of Ulaanbaatar (PEAR Carbon Offset Initiative, Ltd.)

Lao PDR:

•JCM feasibility study on decarbonization of steam by systemization of hydrogen generators and hydrogen boilers in Lao People's Democratic Republic (Hitachi Zosen Corporation)

Vietnam:

• Private-sector JCM feasibility study on integrated energy management and data platform in industrial parks (Sojitz Corporation)

Brazil:

• JCM feasibility study on converting production process of caustic soda and chlorine in Federative Republic of Brazil (AGC Inc.)

Chile:

• JCM feasibility study on chemical goods/synthetic fuel production using CO2 emitted from pulp mill as a raw material (Toyo Engineering Corporation)

Indonesia:

• Program-type JCM feasibility study on practices to improve biodiesel yield from palm oil by utilizing AI (Kanematsu Corporation)

Total: 9 projects (9 countries)

Demonstration Projects by METI* (as of July 2023)

* Including NEDO and UNIDÒ

Mongolia:

 ★High efficiency and low loss power transmission and distribution system (Hitachi) ※Aug 2013 – Feb 2019

Kenya:

 Rural Electrification Project for Communities by Micro Hydro Power in Kenya

(NTT Data Institute of Management consulting, Inc.)

%FY2012 - Feb 2019

%implemented by UNIDO

Thailand:

- IoT utilization promotion project to streamline and advance power generation assets for electric power companies in ASEAN countries (Marubeni)
- **%Feb 2019 Feb 2023**
- Low-carbon Operation for Power Grid utilizing Optimized Performance Enabling Network for Volt/Var(Q) (OPENVQ)
 Nov 2019 –

Total: 11 projects (6 countries)

- Underlined projects, one in Mongolia, three in Vietnam, one in Lao PDR, three in Indonesia, one in Kenya were registered as JCM projects.
- Projects with "★" are those which JCM credits have been issued.

Vietnam:

- *Energy saving by inverter air conditioner optimum operation at National Hospital (Mitsubishi Electric) **Jan 2014 Jun 2017
- ★Energy saving by BEMS optimum operation at Hotel (Hibiya Engineering)

 **Jan 2014 Feb 2018
- ★ Energy Saving and Work Efficiency Improvement Project by special LED Equipment with new technology, COB(Stanley Electric)
 ※ Sep 2016 Feb 2018

Lao PDR:

• *Lao PDR Energy efficient date center(LEED) (Toyota Tsusho Corporation, Internet Initiative Japan)

%Jan 2016 - Oct 2018

Indonesia:

- Operation Optimization in Utility Facility (Azbil)
 ※Feb 2014 Dec 2018
- Energy Saving by Optimum Operation at Oil Refinery (Yokogawa)
 Nov 2013 Feb 2019
- The low carbonization of mobile communication's BTS (Base Transceiver Station) by the Introduction of "TRIBRID system" (KDDI)
- <u>**Apr 2017 Feb 2019</u>