Promoting market mechanism through the Joint Crediting Mechanism (JCM)

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The JCM supports low carbon growth in developing countries

- Facilitating diffusion of leading low carbon technologies, products, systems, services, and infrastructure as well as implementation of mitigation actions, and contributing to sustainable development of developing countries.

- Appropriately evaluating contributions to GHG emission reductions or removals from Japan in a quantitative manner, by applying measurement, reporting and verification (MRV) methodologies, and use them to achieve Japan’s emission reduction target.

- Contributing to the ultimate objective of the UNFCCC by facilitating global actions for GHG emission reductions or removals, complementing the CDM.

Source: Government of Japan
## Key features of the JCM in comparison with the CDM

(Subject to further consideration and discussion with host countries)

<table>
<thead>
<tr>
<th>JCM</th>
<th>CDM</th>
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<tbody>
<tr>
<td><strong>Governance</strong></td>
<td><strong>“centralized” structure</strong></td>
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<tr>
<td>- “de-centralized” structure</td>
<td>- “centralized” structure</td>
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<tr>
<td>(Each Government, Joint Committee)</td>
<td>(CMP, CDM Executive Board)</td>
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<tr>
<td><strong>Sector/project Coverage</strong></td>
<td><strong>Specific projects are difficult to implement in practice</strong></td>
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<td>- Broader coverage</td>
<td>- (e.g. USC coal-fired power generation)</td>
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<td><strong>Validation of projects</strong></td>
<td><strong>Only DOEs can conduct</strong></td>
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<tr>
<td>- In addition to DOEs, ISO14065 certification bodies can conduct</td>
<td>- Assessment of additionality of each proposed project against</td>
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<td>- Checking whether a proposed project fits eligibility criteria</td>
<td>- hypothetical scenarios</td>
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<td>which can be examined objectively</td>
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<tr>
<td><strong>Calculation of Emission Reductions</strong></td>
<td><strong>Various formulas are listed</strong></td>
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<tr>
<td>- Spreadsheet are provided</td>
<td>- Strict requirements for measurement of parameters</td>
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<td>- Default values can be used in conservative manner when monitored</td>
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<td>parameters are limited.</td>
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<td><strong>Verification of projects</strong></td>
<td>**In principle, the entity which validated the project can not</td>
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<tr>
<td>- The entity which validated the project can conduct verification</td>
<td>- conduct verification</td>
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<tr>
<td>- Validation &amp; verification can be conducted simultaneously</td>
<td>- Validation &amp; verification must be conducted separately</td>
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</table>

Source: Government of Japan
Roadmap for the JCM

Governmental Consultation (Increasing numbers of JCM Partner countries)
Consultations with interested countries

Signing Bilateral Document

JCM Operation

Establishment & operation of the JC
Development of rules and guidelines

Development of methodologies
Registration of projects

JCM Demonstration Projects and JCM Model Projects

Feasibility Studies & Capacity Building

UNFCCC negotiations

Source: Government of Japan
12 countries signed on bilateral documents with Japan

- **Mongolia**
  Jan. 8, 2013
  (Ulaanbaatar)

- **Bangladesh**
  Mar. 19, 2013
  (Dhaka)

- **Ethiopia**
  May 27, 2013
  (Addis Ababa)

- **Kenya**
  Jun. 12, 2013
  (Nairobi)

- **Maldives**
  Jun. 29, 2013
  (Okinawa)

- **Viet Nam**
  Jul. 2, 2013
  (Hanoi)

- **Lao PDR**
  Aug. 7, 2013
  (Vientiane)

- **Indonesia**
  Aug. 26, 2013
  (Jakarta)

- **Costa Rica**
  Dec. 9, 2013
  (Tokyo)

- **Palau**
  Jan. 13, 2014
  (Ngerulmud)

- **Cambodia**
  Apr. 11, 2014
  (Phnom Penh)

- **Mexico**
  Jul. 25, 2014
  (Mexico City)

Source: Government of Japan
Variety of financial supports are available

(FY2014 budget)

• **Financing Programme for JCM Model Projects (MoEJ, $12M)**
  – No more than half of the initial installation cost of equipment is provided as subsidy

• **Fund for expansion of low-carbon technologies (MoEJ, $42M)**
  – Portion of the initial installation cost of equipment is provided as subsidy to a project which receives JICA’s overseas investment

• **ADB trust fund (MoEJ, $18M)**

• **JCM Demonstration Projects (METI, $61M)**
  – Projects are implemented by NEDO, which supports project cost
  – A participant(s) should purchase equipment at its residual value after MRV

• **JCM Special Financing Scheme (JSF) (METI)**
  – Loan (JBIC) and insurance (NEXI) for projects

*Note: METI (Ministry of Economy, Trade and Industry), MoEJ (The Ministry of the Environment), JBIC (Japan Bank for International Cooperation), NEXI (Nippon Export and Investment Insurance)*
Energy efficiency projects are popularly implemented

Feasibility studies and model projects for the JCM
(Total 339 cases: 2010-2014)

By type
- Energy efficiency: 38%
- REDD+: 10%
- Transportation: 8%
- Other: 11%
- Waste heat/gas utilization: 3%
- Hydro power: 4%
- Other renewable energy: 4%
- Thermal energy: 5%
- Biomass: 5%
- PV: 5%
- Methane recovery: 7%

By country
- Indonesia: 26%
- Vietnam: 15%
- India: 15%
- Thailand: 7%
- Mongolia: 6%
- Cambodia: 3%
- Malaysia: 3%
- Myanmar: 3%
- Mexico: 2%
- Kenya: 2%
- Sri Lanka: 2%
- Maldives: 2%
- Bangladesh: 2%
- Lao PDR: 2%
- Other: 19%

Source: Author
Feasibility studies, MRV applicability verification studies and demonstration projects supported by METI and NEDO in FY2014

Source: Government of Japan
Model projects and project planning/feasibility/REDD+ studies supported by MOEJ in FY2014

Source: Government of Japan
Information related to the JCM

The Joint Crediting Mechanism

http://www.jcm.go.jp/

New mechanisms information platform

http://www.mmechanisms.org/e/index.html/