Promoting Market Mechanism: Development of the JCM in Indonesia

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Indonesia Joint Crediting Mechanism Secretariat

Asia and Pacific Regional Workshop: Promoting CDM and Market Mechanisms
Emerging market mechanisms: FVA and NMM
14 October 2014
The National Commitment

26/41%

26% carbon emissions reduction from Business As Usual (BAU) Up to 41% with international support

Market-Based

CDM
- 215 projects
- 33 delivered 9.4 million tons CERs

JCM
- 13 projects in the pipeline
- 2 approved methodologies

Non Market-Based

SKN
Start from facilitating voluntary offset developed and traded in Indonesia

PMR
Market readiness program: establishing MRV
Why use carbon market instruments?

- Offer greater **certainty** and **visibility** in achieving the objectives of emissions reduction.
- **Internalize** external costs.
- Greater **flexibility** for business to meet their objectives → lower compliance costs.
- **Incentivize** business to invest in innovation to reduce their impact on the environment.
- Support **employment** when used in the context of green fiscal reform.
- Promotes **competitiveness** without imposing an undue burden on consumers.

*Source: Commission of the European Communities, 2007*

The enthusiasm for market schemes is still high in Indonesia
Why JCM?

Technology – Policy – Finance – Multiplier effect
Measurable emissions reduction – Sustainable development – Growth

Japan and Indonesia have own national emission reduction target to be achieved. Both countries also need to improve economic development and develop opportunities for their private sectors to grow.
# JCM Rules and Guidelines

## Overall
- Rules of Implementation
- Project Cycle Procedure
- Guidelines for Designation as Third Party Entity (TPE)
- Glossary of Terms

## Joint Committee
- Rules of Procedures for the Joint Committee

## Project procedures
- Guidelines for Developing Proposed Methodology
- Guidelines for Developing PDD and Monitoring Report
- Guidelines for Validation and Verification

Some national guidelines are being prepared for the JCM implementation, e.g.:
- Project Monitoring and Evaluation Guidelines
- Sustainable Development Implementation Guidelines
- Capacity Building Implementation Procedures
- Etc

Continuous discussions between Indonesian and Japanese side is crucial for development of these guidelines and procedures
## MRV Methodologies: 2 Approved, 5 Proposed

### Approved Methodology
- "Power Generation by Waste Heat Recovery in Cement Industry"
- "Energy Saving by Introduction of High Efficiency Centrifugal Chiller"

### Proposed Methodology
- "Installation of Energy-efficient Refrigerators Using Natural Refrigerant at Food Industry Cold Storage and Frozen Food Processing Plant"
- "Installation of LED Lighting for Grocery Store"
- "Installation of Inverter-Type Air Conditioning System for Cooling for Grocery Store"
- "GHG emission reductions through optimization of refinery plant operation in Indonesia"
- "GHG emission reductions through optimization of boiler operation in Indonesia"

### Project Design Document
- "Energy Saving for Air-Conditioning and Process Cooling by Introducing High-efficiency Centrifugal Chiller“ at Primatexco textile company, Batang, Central Java

All documents available on www.jcmindonesia.com
# 13 Projects in the Pipeline

<table>
<thead>
<tr>
<th>No</th>
<th>Project</th>
<th>Participants</th>
<th>Location</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Energy saving by double bundle-type heat pump at hotel</td>
<td>Toyota Tsusho</td>
<td>West Java</td>
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<tr>
<td>2</td>
<td>Energy saving for air-conditioning at textile factory</td>
<td>Ebara Refrigeration Equipment &amp; Systems</td>
<td>Tangerang/Bekasi, Jawa Barat</td>
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<tr>
<td>3</td>
<td>Energy saving for air-conditioning and process cooling at textile factory</td>
<td>Ebara Refrigeration Equipment &amp; Systems, Nippon Koei, Primatexco Indonesia</td>
<td>Batang, Central Java</td>
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<td>4</td>
<td>Energy Savings at Convenience Stores</td>
<td>Lawson, Midi Utama Indonesia</td>
<td>Jakarta, Tangerang, Depok</td>
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<tr>
<td>5</td>
<td>Energy Efficient Refrigerants to Cold Chain Industry</td>
<td>Mayekawa Manufacturing Company, Adib Global Food Supplies</td>
<td>Jakarta</td>
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<tr>
<td>6</td>
<td>Energy Saving Through Introduction of Regenerative Burners to The Aluminum Holding Furnace of the Automotive Components Manufacturer</td>
<td>Toyotsu Machinery Corporation, Yamaha Motor Parts Manufacturing Indonesia, Hokuriku Techno, Matahari Wasiso Utama</td>
<td>Bekasi</td>
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<td>7</td>
<td>Palm waste biomass power generation project</td>
<td>Shimizu, PTPN III</td>
<td>Sei Mangkei SEZ, North Sumatera</td>
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<td>8</td>
<td>Solar Power Hybrid System Installation to Existing Base Transceiver Stations in Off-grid area</td>
<td>ITOCHU, Telekomunikasi Selular, Awina Sinergi</td>
<td>Kalimantan</td>
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<td>11</td>
<td>Remote Auto-Monitoring System for Thin-Film Solar Power Plant in Indonesia</td>
<td>Sharp Corporation, PLN</td>
<td>Lombok, NTB</td>
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<td>12</td>
<td>Energy Saving by Optimum Operation at Oil Refinery</td>
<td>Yokogawa Electric Corporation, Pertamina</td>
<td>Balikpapan, East Kalimantan</td>
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<td>13</td>
<td>Utility Facility Operation Optimization Technology - &quot;RENKEI&quot; Control</td>
<td>Azbil, Pertamina</td>
<td>Cilacap, Central Java</td>
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75 FS conducted and reported to Indonesian government

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<td>Total FS</td>
<td>8</td>
<td>23</td>
<td>26</td>
<td>19</td>
<td>75</td>
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18 studies are currently ongoing
Can the JCM be adopted by Framework on Various Approaches (FVA) or New Market Mechanism (NMM)?
Indonesian and European view

We think the JCM can be adopted under the FVA

Source: Submission by Indonesia: Views on FVA, NMM, and NMA for The 38th session of the Subsidiary Body for Scientific and Technological Advices (SBSTA-38), 2013

Key Aspects

Technical Instruments

- Strategic Communication and Promotion
- Monitoring & Evaluation tools
- Robust Methodology with local content
- Local Capacity Building
- Sustainable Development Criteria
- Social Economic
- Technology Environment
- Registry link to ITL
- Scheme referring to ISO 14065
- Compliance to national regulations
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