Overview of the Financing Programme for JCM Model Projects

August 25, 2020

Global Environment Centre Foundation (GEC)
1. Overview of the Financing Programme for JCM Model Projects

2. Introduction of Business Matching Platform “JCM Global Match”
Basic concepts of JCM

Facilitating diffusion of advanced low-carbon or decarbonizing technologies, products, system, services and infrastructure as well as implementation of mitigation actions, and contributing to sustainable development of developing country.

 Appropriately evaluating contributions from Japan to GHG emission reductions or removals in a quantitative manner 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.
Basic concept of JCM Model Projects

**MOEJ**
- Incentivizes selecting low-carbon technologies by the financial support to initial cost
- Provides funds to cover up to half of project’s investment cost.
- Collaboration with "City-to-City Collaboration Programme for Low-Carbon Society"
- Collaboration with various international financing schemes under JICA, JBIC, ADB, World Bank, etc.

**International Consortium**
- **Japanese entity A**
  - Representative participant
  - Project management & report MRV result
- **JCM partner-country entity B**
  - Partner participant
  - Installation and maintenance of equipment & conduct MRV

**Japanese government & entities**
- Japan will acquire a part of JCM credits (in return to the financial support)
- Expected to deliver at least half of JCM credits issued

**Project in the partner country**
- Conventional equipment & facility
- Low-carbon equipment & facility
- Financial support
- GHG emissions
- Initial cost
- Emissions reduction

**Partner country government & entities**
- The consortium conducts MRV to estimate GHG emission reductions
What kind of projects are supported by this financing programme?

- Reduce energy-related CO2 emissions with leading low carbon technologies in partner countries.

- Contribute to the sustainable development in partner countries.

- Reduction of GHG emissions achieved by the projects can be quantitatively calculated and verified.

- Facilities installed by the projects do not receive any other subsidy by the Government of Japan.
(a) A representative participant of the model project shall be a Japanese entity of an international consortium.
(b) A participant shall have capability for the implementation, such as technical capacity to appropriately implement the eligible project.
(c) A participant shall have a financial basis to bear the costs necessary to appropriately implement the eligible project.
(d) A participant shall have adequate management structures and handling capacity for accounting and other administrative work related to the eligible project;
(e) A participant shall explain the contents, effect on GHG emission reductions, details of the cost, investment plan, etc. of the eligible project.
### Costs Eligible for Financing

**What kind of cost is covered or not covered in this program?**

- **COVERED**
  - Facilities and Equipment
  - Monitoring Equipment
  - Main construction work
  - Surveying and Testing
  - Administrative Work
  - Other necessary costs approved by GEC

- **NOT COVERED**
  - Removal work for existing facilities and equipment
  - Civil engineering work
  - Consumable supplies and materials
  - Spare parts
  - Emergency facilities and equipment
  - Cost related to restoration of function
  - Cost related to land acquisition
  - Forward exchange contract and remittance charge
Overview of the financial support

Amount of the financial support

• Budget in FY 2020: 9 billion yen (Approx. USD 84 million)
• Max. financial support per project: Approx. 2 billion yen
• All the eligible costs for financing will be supported by the certain percentage of the support.

Percentage of the financing support

• According to the number of already selected project(s) using a similar technology in each partner country within the JCM programme.

<table>
<thead>
<tr>
<th>the number of similar technology in each partner country.</th>
<th>Zero (the first project)</th>
<th>One or more and less than 4</th>
<th>4 or more</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maximum percentage of the financial support</td>
<td>50 %</td>
<td>40 %</td>
<td>30 %</td>
</tr>
</tbody>
</table>
### Cost-effectiveness of emission reductions of GHG

<table>
<thead>
<tr>
<th>Cost</th>
<th>Formula</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>JPY4,000 / tCO2-e</strong></td>
<td>Amount of financial support[JPY] / Emission reductions of GHG [tCO2equivalent/y] × legal durable years[y]</td>
<td>Legal durable years of the facilities is stipulated by the Japanese law, and are dependent on the industry classification.</td>
</tr>
</tbody>
</table>

In case the number of similar technological projects in a partner country is 5 or more ("Solar Power" projects in Mongolia, Palau and Philippine and "Hydropower" projects in Indonesia), the cost is **JPY3,000 / tCO2-e**.

In case the number of similar technological projects in a partner country is 10 or more ("Solar Power" projects in Thailand), the cost is **JPY2,500 / tCO2-e**.
"JCM Eco Lease" scheme is financial support for leasing businesses.
Financial support is uniformly 10% of total leasing charge including leasing interest.
Leasing period is at least 5 years.

Chart of JCM ECO Lease Scheme

Japanese Government
(Ministry of the Environment)

Global Environmental Foundation
(GEC)
(Implementing Organization)

Representative participant

Leasing company

<Merit>
- Shorter MRV period
  - Equivalent to leasing period (At least 5 years)
- Simplified process
  - Less documents for application
  - No need to develop new methodology
    (Only applicable to approved methodology)

<Examples of eligible facilities/equipment>

PV

High Efficiency equipment
JCM Model Projects Schedule in FY2020

From April 5 to October 30: Proposal Acceptance Period

- Call for proposal
- Evaluation of proposals: Proposal Review & interview with applicants
- Submission of application
- Review of application documents
- Start Model projects
- Implementation of model projects
  - Notice of Contract of Financing
- Inspection
- Disbursement of financial support

- 1-year project:
  - Disbursement of financial support
  - Submission of final reports
  - Onsite inspection
- 2 or 3-year project:
  - Submission of midterm reports
  - Midterm inspection

Guideline for Submitting JCM model project proposal in FY2020
<table>
<thead>
<tr>
<th>Year</th>
<th>Entity</th>
<th>Project Title</th>
<th>Sector</th>
<th>Expected GHG Emission Reductions (tCO2/y)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>Toray Industries, Inc.</td>
<td>Reducing GHG Emission at Textile Factory by Upgrading to Airsaving Loom (Samutprakarn)</td>
<td>Energy Efficiency</td>
<td>390</td>
</tr>
<tr>
<td>2016</td>
<td>AGC Inc.</td>
<td>Introduction of High Efficiency Ion Exchange Membrane Electrolyzer in Caustic Soda Production Plant</td>
<td>Energy Efficiency</td>
<td>2,591</td>
</tr>
<tr>
<td>2016</td>
<td>FAST RETAILING CO., LTD.</td>
<td>Introduction of LED Lighting to Sales Stores</td>
<td>Energy Efficiency</td>
<td>1,649</td>
</tr>
<tr>
<td>Year</td>
<td>Company Name</td>
<td>Project Description</td>
<td>Energy Category</td>
<td>Cost (in THB)</td>
</tr>
<tr>
<td>------</td>
<td>---------------------------------------------------</td>
<td>---------------------------------------------------------------------------------------------------------</td>
<td>----------------------------------</td>
<td>--------------</td>
</tr>
<tr>
<td>2016</td>
<td>BANDO CHEMICAL INDUSTRIES, LTD.</td>
<td>Introduction of High-efficiency Boiler System to Rubber Belt Plant</td>
<td>Energy Efficiency</td>
<td>3,060</td>
</tr>
<tr>
<td>2016</td>
<td>YUASA Trading CO., Ltd.</td>
<td>Energy Saving by Air-Conditioning Control System in Precision Parts Factories</td>
<td>Energy Efficiency</td>
<td>2,493</td>
</tr>
<tr>
<td>Year</td>
<td>Company/Corporation</td>
<td>Project Description</td>
<td>Category</td>
<td>Energy Savings</td>
</tr>
<tr>
<td>------</td>
<td>--------------------------------------------------------</td>
<td>--------------------------------------------------------------------------------------</td>
<td>---------------------------------</td>
<td>----------------</td>
</tr>
<tr>
<td>2018</td>
<td>Kanematsu KGK Corp.</td>
<td>Introduction of 0.8MW Solar Power System and High Efficiency Refrigerator to Food Factory</td>
<td>Energy Efficiency/Renewable Energy</td>
<td>481</td>
</tr>
</tbody>
</table>

**Total 33 Projects**

- **Energy Efficiency:** 20 Projects
- **Effective Use of Energy:** 4 Projects
- **Renewable Energy:** 14 Projects
Trends in the JCM Model Projects

**Number and Ratio of JCM Large Projects**
(Projects with GHG Emission Reductions over 10KtCO2/year)

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of Projects</th>
<th>Ratio of Large Projects</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>1</td>
<td>17%</td>
</tr>
<tr>
<td>2014</td>
<td>2</td>
<td>12%</td>
</tr>
<tr>
<td>2015</td>
<td>3</td>
<td>14%</td>
</tr>
<tr>
<td>2016</td>
<td>4</td>
<td>37%</td>
</tr>
<tr>
<td>2017</td>
<td>5</td>
<td>42%</td>
</tr>
<tr>
<td>2018</td>
<td>6</td>
<td>55%</td>
</tr>
<tr>
<td>2019</td>
<td>7</td>
<td>55%</td>
</tr>
</tbody>
</table>

**Trends of JCM Financial Support**

- Total Budget: ¥100mil
- Average Financial Support: ¥9.9bil
- ¥6.9bil

**GHG Emission Reductions**

- Total Budget: ¥9.9bil (excluding abolished projects)

**Expected GHG Emission Reductions**

- 2013: 7
- 2014: 12
- 2015: 33
- 2016: 35
- 2017: 19
- 2018: 24
- 2019: 22

It is expected to propose a project that will achieve greater GHG emission reductions and cost effectiveness.
During the COVID-19 Period,

➢ “New Normal” is required in business.
  ✓ Digital Transformation
  ✓ Remote Control, Smart Factory
  ✓ Digital Supply Chain, etc.

➢ “Green Recovery” is needed for decarbonization.
  ✓ Recovery from the pandemic of COVID-19 is a good opportunity to accelerate decarbonization.

“Financing Programme for JCM Model Projects” is a good tool to tackle with these issues.
Consultation by GEC

GEC provides application consultation in order to assist project formation for entities interested in JCM Model Project. Please feel free to contact us. Please send an e-mail to jcm-info@gec.jp. Subject of e-mail should be “Consultation on application for JCM Model Project (Your company name)”.

Suitable for Getting advice on your proposal at various phases.

Contact:
Takeyama, Tango
Global Environment Centre Foundation (GEC) Tokyo Office
E-mail : jcm-info@gec.jp

※Currently, due to COVID-19, we are partially doing telework, and provide application consultation at web conference. Please send an e-mail to contact us.
Promotion of JCM

■ Webinar
※All events will be held as webinars in FY2020.
- Thailand: August 25 (15:00-17:00, GMT+7)
- Indonesia: September 30 (15:00-17:30, GMT+7)
- Vietnam: October
- Tokyo: November
- Chile: Jan. 2021

■ GEC’s Website on JCM
http://gec.jp/jcm/

■ GEC’s JCM Twitter
https://twitter.com/GEC_JCM_Info
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