

2nd Call for Proposals for JCM Model Projects in 2016

Guidelines for Submitting Proposals

(Tentative translation)

5 September 2016

Global Environment Centre Foundation

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1. Purpose

Japan establishes and implements the Joint Crediting Mechanism (hereinafter referred to as “JCM”) in order both to appropriately evaluate contributions from Japan to GHG emission reductions or removals in a quantitative manner achieved through the diffusion of low carbon technologies, products, systems, services, and infrastructure as well as implementation of mitigation actions in developing countries.

Starting from Mongolia in January 2013, Japan has established the JCM with 16 partner countries (Mongolia, Bangladesh, Ethiopia, Kenya, Maldives, Viet Nam, Lao PDR, Indonesia, Costa Rica, Palau, Cambodia, Mexico, Saudi Arabia, Chile, Myanmar and Thailand) at this moment.

In order to support the implementation of candidate JCM projects, Ministry of the Environment, Japan (hereinafter referred to as “MOEJ”) has launched the “JCM Model Projects (hereinafter referred to as “model project”),” which includes collaboration with projects supported by the Japan International Cooperation Agency and other governmental-affiliated financial institution.

The purpose of this model project is to financially support the implementation of projects which reduce GHG emissions by utilizing leading low carbon technologies in developing countries, and in return seeks to acquire JCM credits for achievement of Japan’s GHG emission reduction target.

2. Contents

(1) Overview

Participants in the model project shall implement projects to reduce GHG emissions utilizing leading low carbon technologies in developing countries with which Japan has established or has been consulting to establish JCM, and also shall conduct the measurement, reporting and verification (MRV) of GHG emission reductions.

The model project will finance part of an investment cost, as premises for seeking to deliver JCM credits (at least half of issued credits) to the Government of Japan. The finance will be provided to a Japanese representative participant in an international consortium composed of a Japanese participant(s) and a JCM partner-country participant(s) which shall efficiently promote the implementation of projects (hereinafter referred to as “international consortium”).

Participants shall conduct the following procedures of their relevant project.

(a) Application for registration as JCM Project:

Participants shall apply their relevant project to be registered as a JCM project, including a local stakeholder consultation and cooperation with a Third Party Entity (TPE) which implements validation of their relevant project. The application for the registration shall be conducted within 1 year from the start of the operation of the facilities introduced by the project in principle. In order to apply for the registration of JCM project, it is necessary to

develop an appropriate JCM methodology(ies) approved by the Joint Committee. Participants shall cooperate with JCM methodologies developers, by providing information necessary for the development of JCM methodologies applicable to the relevant project, etc.

(b) Monitoring

Participants shall conduct monitoring to quantitate the effects of the facilities on GHG reductions, and report the results to MOEJ each fiscal year until the end of legal durable years of the facilities as stipulated by the Japanese law.

(c) Request for Issuance of JCM Credits

Based on the monitoring results mentioned in (b), participants shall request for the issuance of the JCM credits and deliver at least fifty percent of the issued JCM credits to the Japanese government.

(d) Issuance Period

Participants shall request for the issuance of the JCM credits for emission reductions achieved during the legal durable years (Only for the period that bilateral documents are valid. Participants are not prevented from requesting for the issuance of JCM credits beyond the legal durable years. In this case, participants are required to deliver at least fifty percent of the issued JCM credits to the Japanese government.)

(e) When to Request for Issuance

The first request for the issuance shall be conducted within 1 year from the registration of the JCM project in principle. After the first request, participants may request at once for the issuance of the JCM credits for emission reductions achieved during several years, but they shall request by the end of 2021 for the issuance of the JCM credits for emission reductions achieved by 2020, and by the end of 2031 for the issuance of the JCM credits for emission reductions achieved from 2021 to 2030.

* Costs related to (a) through (e) are not covered by this model project. However, if MOEJ considers it's necessary, it may be covered by contract other than JCM model project by MOEJ for development of methodologies, Project Design Documents (PDDs) and monitoring reports, and validation/verification for the first credit issuance.

(2) Eligible Projects

A project eligible for the model project shall satisfy the requirements (a) to (d) listed below:

- (a) Projects that reduce energy-related CO₂ emissions with leading low carbon technologies in developing countries with which Japan has established or has been consulting to establish JCM, and that are expected to contribute to achieving Japan's emission reduction target through the JCM;
- (b) Implementation of projects will not adversely affect the environment and society of countries

where projects are implemented

- (c) Reduction of GHG emissions achieved by the projects can be quantitatively calculated and verified; and
- (d) Facilities installed by the projects do not receive any other subsidy by the Government of Japan.

(3) Countries of Priority

The model project shall prioritize the following countries that have already established the JCM (as of 5 September 2016):

Mongolia, Bangladesh, Ethiopia, Kenya, Maldives, Vietnam, Laos, Indonesia, Costa Rica, Palau, Cambodia, Mexico, Saudi Arabia, Chile, Myanmar and Thailand
(*If other countries establishes JCM subsequently, they shall be included.)

(4) Who Is Eligible to Participate?

A participant which is entitled to request and receive financial support under the model project shall satisfy the requirements (a) to (g) listed below:

- (a) A representative participant of the model project shall be a Japanese entity which is:
 - i. a private company,
 - ii. an independent administrative institution,
 - iii. an incorporated association/foundation,
 - iv. a corporation established under the Japanese law, or
 - v. any organization admitted as appropriate by the Global Environment Centre Foundation (GEC) with approval from the Minister of the Environment, Japan
- (b) A participant described in (a) shall be the representative entity of an international consortium.
Note 1: International consortium is an association (no legal personality) that consists of a Japanese entity mentioned in (a) and a foreign entity(ies), etc., with the objective of effectively implementing the project.
Note 2: Application for the model project shall be in the form of joint application by the international consortium, with the single Japanese entity to act as the representative participant. Member(s) of the international consortium other than the representative participant is called as a partner participant(s).
Note 3: Unless GEC approves, the representative participant and a partner participant(s) cannot be changed after the selection of project.
- (c) A participant shall have developed structure for the implementation of the eligible project and have technical capacity to appropriately implement the eligible project;
- (d) A participant shall have a financial basis to bear costs necessary to appropriately implement the eligible project;

- (e) A participant shall have adequate management structures and handling capacity for accounting and other administrative work related to the eligible project;
- (f) A participant shall explain the contents, effect on GHG emission reductions, details of the cost, investment plan, etc. of the eligible project;
- (g) A participant shall take a pledge regarding the exclusion of *boryokudan*, or organized crime groups.

(5) Requirements of International Consortium Members

- (a) Japanese entity as a representative participant of an international consortium is responsible for the followings:
 - i. Applying for the model project,
 - ii. Managing the progress in the project, developing the project implementation plan, and acting as the contact entity for accounting and other administrative work related to the project,
 - iii. Introducing the leading low carbon technology,
 - iv. Purchasing, installing and commissioning of the facilities during the construction period, and managing the facilities to be utilized according to the purpose of the model project for the legal durable years of the facilities as stipulated by the Japanese law,
 - v. Return of the finance resulting from violations of the Financing Regulations by any of the partner participants.
- (b) All members of the international consortium are responsible for the followings:
 - i. To cooperate with JCM methodology developers by providing information required to develop a methodology applicable to the project for GHG emissions reduction;
 - ii. To cooperate with TPEs by providing materials and information required to efficiently conduct validation of the abovementioned project and verification of GHG emission reduction at the project site;
 - iii. To reduce, monitor and calculate GHG emissions utilizing the facilities with leading low carbon technology;
 - iv. To estimate the GHG emission reductions by the project, and to report it to GEC or MOEJ annually until the end of the legal durable years of the facilities as stipulated by the Japanese law, which is unique to each project;
 - v. To request the Joint Committee to issue credits and take necessary actions such as application for the project registration by the Joint Committee set up or to be set up by the Governments of Japan and JCM partner- country;
 - vi. To deliver at least fifty percent of the JCM credits of GHG issued corresponding to emission reduction achieved by the project for the abovementioned legal durable years to the Japanese government;

- vii. To manage the facilities with due care of a prudent manager for their legal durable years as stipulated by the Japanese law in order to realize their efficient operation in accordance with the purpose of the financial support even after the completion of the model project.
- viii. To report to GEC in case that a constituent member is changed and to continue the above obligations from i. to vii.

(6) Costs Eligible for Financing

The model project covers the following costs. Note that the financial support is limited only to those costs that can be verified as having been spent for implementation of eligible projects.

- (a) Cost of main construction work
- (b) Cost of ancillary work
- (c) Cost of machinery and appliances
- (d) Cost of surveying and testing
- (e) Cost of facilities (including monitoring equipment)
- (f) Cost of administrative work; and
- (g) Other necessary costs approved by GEC

[Costs NOT eligible for financing]

The following costs are not covered by the model project:

- (a) Cost of removing existing facilities (including miscellaneous expenses related to removal costs)
- (b) Consumable supplies and materials to be used for periodical maintenance during the commercial operation
- (c) Civil engineering work and building (excluding structures that directly contribute to energy-related CO₂ emission reductions)
- (d) Cost related to a “simple restoration of function,” such as restoring the function to the state at the time of installation by updating existing facilities
- (e) Facilities that could become a source of small amounts of CO₂ emissions
- (f) Peripheral facilities that does not contribute to CO₂ emission reductions (excluding monitoring equipment)
- (g) Spare items used for the repair or replacement of failed units
- (h) Cost related to writing reports
- (i) Cost of setting up a forward exchange contract and bank transfer fee

(7) Amounts of Financial Support

Maximum amount of financial support shall be calculated by multiplying the aggregate amount of eligible costs by the percentage listed in (8).

Actual amount of financial support shall be determined based on the cost which is verified as actually spent for implementation of the project and be indicated in a notice to a representative participant. There is no disbursement prior to the spending of cost.

(8) Maximum Percentage of Financial Support

Please refer to “Categorization by applied technology type, Number of JCM model project by each country” for actual number of already selected projects.

Number of already selected project(s) using a similar technology in each partner country	Percentage of financial support
None (0)	Up to 50% (determined by participants)
Up to 3 (1 – 3)	Up to 40% (determined by participants)
More than 3 (>3)	Up to 30% (determined by participants)

(9) Implementation Period of Model Projects

The implementation period of the model projects (i.e. the period for installation of facilities) shall be from the date indicated on the Notice of Contract of Finance until 31 January 2019. Contract or purchase order prior to or after this period is not covered by this model project.

(10) Schedule

Date	Items
Monday, 5 September 2016	2nd call for proposals (GEC starts accepting proposals from 5 Sept 2016, and they are reviewed in order.)
Friday, 2 December (12:00 JST)	Deadline for submitting proposals (Application may close before the deadline because of the availability of financial support.)
After the evaluation of proposals	Selection of model projects Informational meeting for participants of selected projects
Within 90 days from the date of preliminary selection	Review of application documents (technical aspects and projects budget (including supporting documents for the budget), etc.)
	Notice of Contract of Finance issued to participants Implementation of model projects

3. Evaluation of Proposals

(1) Selection of Model Projects

GEC conducts call for request for proposals and evaluates them according to the “Evaluation Criteria for selecting JCM Model Projects” (hereinafter referred to as “Evaluation Criteria”). After the assessment and hearings, in consultation with MOEJ, GEC will select model projects within the budget.

(2) Announcement of Selected Model Projects

GEC will issue a notice to participants of selected model projects, and the information about these selected projects (name of Partner Country and representative participant, title of project, and expected GHG emission reductions, etc.) are publicly posted on MOEJ and GEC’s websites.

GEC will also inform participants that their model projects are not selected. Please note that result of evaluation or reasons for not selecting the projects cannot be disclosed.

4. Procedure after Announcement of Selection

(1) Application for Contract of Finance

Participants of selected model projects shall submit application documents for Contract of Finance between the participants and GEC within 90 days since their selection was announced. If these documents are not fully developed and not submitted within 90 days, their applied project may be regarded as difficult to be implemented, and the selection may be cancelled.

(2) Conclusion of Contract of Finance

GEC shall examine the contents of the submitted documents (such as technical aspects and projects budget, including supporting documents for the budget), and conclude Contract of Finance with the participants when these documents are appropriately completed. It should be noted by the participants that it will normally take 30 days for the examination by GEC. Hence, participants are recommended to complete their documents at least 30 days before starting their model projects.

(3) Points to be Considered for Starting Model Projects

Starting a model project is possible only after the Contract of Finance is concluded. Participants should note the following points to be considered.

- (a) For the contracts which are necessary to implement the model project between participants and other entities, the date of concluding contracts must be later than the date of concluding Contract of Finance.
- (b) For the abovementioned contracts, participants should select other entities through competition principle as long as it’s applicable.
- (c) For the abovementioned contracts, payments to other entities should be completed by end of

each fiscal year.

(4) Changes in Implementation Plans

When significant changes stipulated in the Financing Regulations will occur, participants shall seek an approval of changes in the implementation plan by GEC, and be approved prior to the occurrence of the changes.

(5) Cost

For the cost covered by the model project, participants shall prepare and maintain account books. The books shall separate other costs which are not covered by the model project, and record amount of income, expense and its usage, attached with relevant evidences of such income and expense.

The account books and evidences shall be stored for 5 years after the model project is completed.

(6) Reports to be Submitted and its Review

- (a) Reports by each end of fiscal year

Participants shall submit reports by each end of fiscal year to GEC by 10th April

- (b) Report for completion of model project

Participants shall submit a report for completion of model project within 30 days from the completion of model project, or 10th March, 2016. All payments by participants to other entities in line with respective contracts shall be completed by the submission of report for completion of model project.

- (c) Reports on monitoring

Participants shall conduct monitoring to evaluate GHG reductions, and report the results each fiscal year. Please refer 2 (1) b. for details.

(7) Reimbursement of Finance

GEC will pay financial support to the representative participants in response to the request for reimbursement submitted by the participants at end of each fiscal year. The request is based on the completed portion of the model project by the end of each fiscal year. GEC will conduct on-site visits for reviewing submitted requests.

(8) Management of Acquired Property

Participants shall prepare a property ledger for the property acquired or gained its value through the model project (hereinafter referred to as “property”), in order to properly manage such property. When participants plan to use, sell, exchange, lend, pledged as collateral or dispose property (limited to equipment or facility etc. with more than 500,000 JPY) for the purpose other than the model project, participants shall seek an approval by GEC prior to these actions taken for the property. Note that such

actions may result in return of finance.

When participants plan to use, sell, exchange or lend property among members of the international consortium in line with the purpose of the model project, participants shall report to GEC prior to these actions taken for the property. In this case, participants shall not earn profit through these actions.

All of the equipment, facility, etc. installed through the model project must have a sticker showing that it is part of the JCM Model Project by MOEJ.

(9) Changes in Members of International Consortium

In case when the name or address of the participants are changed, or the participants are merged with other entities within 5 years from the completion of the model project, the representative participants shall report it to GEC without delay.

(10) Cancellation of Contract of Finance

When participants corresponds to one of the following actions, Contract of Finance may be cancelled fully or partially. Participants shall return whole or part of the received finance.

- (a) Violate relevant Laws, Financing Regulations, or order by GEC
- (b) Use the finance to other purpose that are not relevant to model project
- (c) Act inappropriately
- (d) Need to implement the model project is vanished due to the changes in the circumstances of participants

(11) Penalty for Injustice Acts

When false application, receiving of other subsidy by the Government of Japan, or any violations to other Laws are identified, Contract of Finance may be cancelled and/or return of finance may be ordered.

5. Submission of Proposals

(1) Deadline for Submission of Proposals

Friday, 2 December 2016 (12:00 JST)

- * Application may close before the deadline because of the availability of financial support.
- * GEC accepts proposals 10:00 - 12:00 and 13:00 - 17:00 (except Saturdays, Sundays and public holidays)

(2) Documents to be Submitted

- (a) Form No.1 Application Form
- (b) Form No.2 Declaration by Representative Participant

- (c) Form No.3 Project Implementation Plan
- (d) Form No.4 Project Idea Note for the Model Project
 - * Without prior notice to a representative participant, this document may be shared with government officials of a partner country where a project will be implemented. Also, we may forward questions from the government officials and request for the answers.
- (e) Form No.5 Budget (including supporting documents of the budget)
- (f) Company information (such as company brochure) and certificate of incorporation of both representative participant and partner participant(s)
- (g) Financial statement of both representative participant and partner participant(s) (audited, recent 3 consecutive years)
- (h) Draft international consortium agreement and status toward signing the agreement
- (i) Form No.6 Agreement on the Allocation of JCM Credits
- (j) Form No.7 Checklist for Submission of Proposal
- (k) Other supporting documents

(3) Where and How to Submit a Proposal?

A complete proposal must be submitted in a sealed envelope by registered mail, private courier service or by hand-delivery to the address below:

Postal address: Global Environment Centre Foundation Tokyo Office
 4th Floor Hongo Ozeki Bldg., 3-19-4 Hongo Bunkyo-ku,
 Tokyo 113-0033, Japan

A proposal sent by any other means (e.g. by fax or by e-mail) will be rejected.

(4) Questions and Answers

Questions can be submitted via e-mail: [jcm-sbsd\(at\)gec.jp](mailto:jcm-sbsd(at)gec.jp)

6. Treatment of Information

Documents including accounting documents and supporting documents (e.g. invoices, contracts, proof of payments) etc. and electronic data of these documents submitted to GEC in accordance with this Guidelines and Financing Regulations are treated with due care of prudent manager and used only for: evaluation of proposals; conclusion of Contract of Finance; and determination of amount of financial support.

7. Note

(1) Presentations on Model Projects

MOEJ will disseminate information on the overviews and results of the model projects to the world. Therefore, GEC will ask participants to share their photographs of facilities installed by the model projects which can be presented to public. Also, participants are encouraged to present their projects publicly by themselves, and when doing so, participants should explain that the projects are implemented as JCM Model Projects funded by MOEJ.

(2) Other

In addition to this Guidelines, participants to the model project shall conform to the Act on the Regulation of Execution of Budgets Pertaining to Subsidies, etc. (Act No. 179 of 1955), the Order for Enforcement of said Act (Order No.255 of 1955), and Financing Regulations.

ANNEX

Evaluation Criteria for selecting JCM Model Projects in FY2016

(Tentative translation)

April 2016

Revised in September 2016

Global Environment Centre Foundation

1. INTRODUCTION

In order to select JCM Model Projects (hereinafter referred to as “model projects”) in fair and transparent way, the Global Environment Centre Foundation (GEC) called an external committee and established this evaluation criteria, which was approved by the committee.

Based on this criteria, GEC will consult with the Ministry of the Environment, Japan, and select model projects with consideration of technological distributions etc.

2. PURPOSE OF MODEL PROJECT

The purpose of model projects is to financially support the implementation of projects (including collaboration with projects supported by the Japan International Cooperation Agency (JICA) and other government-affiliated financial institution) which reduce GHG emissions by utilizing leading low carbon technologies in developing countries, and in return seeks to acquire JCM credits for achievement of Japan’s GHG emission reduction target.

3. OVERVIEW OF CRITERIA

Proposals for model projects will be reviewed based on the following criteria. Hearings are conducted for applicants who satisfy all the eligibility criteria.

A. Eligibility Review

A proposal will be reviewed whether it meets the following eligibility criteria. When all of these eligibility criteria are met, the proposal will proceed to the “B. Assessment Review.” If any of these eligibility criteria is not met, the application will be rejected.

- 1) Does the applicant meet the criteria for an eligible participant?

The applicant shall meet 2.(4) in the “Guidelines for Submitting Proposals”.

- 2) Is the model project expected to reduce emissions of energy-related CO₂ and GHG through JCM?

The technology applied in the project shall reduce emissions of energy-related CO₂, that means:

- Amount of emission reductions can be quantitatively calculated;
- The emission reductions are not result of decreased activities, such as lower production; and
- The emission reductions from the project can be clearly separated from the emission reductions by other factors that may influence the emissions.

- 3) Can the technology be introduced in the country where the model project is implemented (hereinafter referred to as “partner country”), while the technology is internationally in practical use, but not adequately utilized in the partner country yet?
 - The technology should be realized in other project(s) in commercial operation (certificates etc. will be reviewed); or
 - The facility or equipment using the technology should be commercially manufactured (Catalogues, specification etc. will be reviewed.).

- 4) Can the applicant objectively show the superiority of the technology introduced in the model project?
 - The evidence of its superiority, such as catalogue or literature should be present.
 - The technology should demonstrate high performance in terms of energy savings, etc. specified in a standard of the partner country.

- 5) Does the model project have no adverse effect on the environment or social-economic circumstance in the partner country?
 - The installation and operation of the facility/equipment shall comply with the environmental laws and regulations of the partner country and international practices and guidelines regarding the environmental protection (air pollution, water contamination, waste treatment, noise/vibration, ecosystem etc.).
 - The project should contribute to the sustainable development of the partner country.

- 6) Is the expense for the model project appropriately estimated?
 - The expense should be estimated using the same or similar project implemented in the past; or
 - The expense should be based on the actual design and specification.
 - The evidence for estimation of personnel expense and travel cost is clear and appropriate.

- 7) Does the model project contribute to the climate change mitigation in collaboration with JICA or other government-affiliated financial institution? (for the collaboration project with JICA etc. only)
 - The project should aim to reduce energy-related CO₂ in collaboration with JICA or other government-affiliated financial institution.
 - The status of project selection by JICA or other government-affiliated financial institution will be reviewed.

- 8) The facility/equipment introduced by the model project shall not receive any other financial support or grant from the Government of Japan.

B. Assessment Review

After passing the eligibility review, the proposal will be reviewed and scored using the following assessment criteria. The project in the following countries which have already established the JCM will be prioritized (as of 5 September 2016):

Mongolia, Bangladesh, Ethiopia, Kenya, Maldives, Vietnam, Laos, Indonesia, Costa Rica, Palau, Cambodia, Mexico, Saudi Arabia, Chile, Myanmar and Thailand

- i. Robustness of the project implementation (40 points)
 - 1) Management and operational capacities of a representative participant and partner participant(s) to implement the project (10 points)
 - 2) Appropriateness of the project plan (including the schedule, decisions for the project location, concession and license for the project implementation, and status of concluding a Power Purchase Agreement in case of a power generation project) and financial plan (including the actual amount of investment by each participants and certainty of financing arrangements) (10 points)
 - 3) Profitability of the project, including economic performance, forecast of cash flow and payback period (For a tentative indicator, the payback period is preferred to be 3 years or longer with the financial support.) (10 points)
 - 4) Status of the project implementation structure (including the decision on financing arrangements and roles of each entity in the international consortium) (10 points)
- ii. Amount of emission reductions of energy-related CO₂, and cost-effectiveness of emission reductions of CO₂ and GHG (40 points)

Cost-effectiveness of financial support necessary to reduce 1 ton of CO₂ and GHG emissions will be evaluated. For the project with financial support of 500 million JPY or higher, cost-effectiveness of GHG emission reductions is expected to be 5,000 JPY/tCO₂ or better. For the project with financial support of less than 500 million JPY, cost-effectiveness of GHG emission reductions is expected to be 10,000 JPY/ tCO₂ or better.

1) Emission reductions of energy-related CO₂ (15 points)

Total emission reductions [tCO₂] = energy-related CO₂ emission reductions per year [tCO₂/y] × legal durable years of the facility/equipment as stipulated in the Japanese law [y]

2) Cost-effectiveness of emission reductions of energy-related CO₂ in terms of financial support (3 points)

Cost for emission reductions [JPY/tCO₂]

$$= \frac{\text{Amount of financial support [JPY]}}{\text{Emission reductions of energy-related CO}_2 \text{ (tCO}_2\text{/y)} \times \text{legal durable years [y]}}$$

3) Cost-effectiveness of emission reductions of GHG in terms of financial support (20 points)

Cost for emission reductions [JPY/tCO₂ equivalent]

$$= \frac{\text{Amount of financial support [JPY]}}{\text{Emission reductions of GHG (tCO}_2\text{equivalent/y)} \times \text{legal durable years [y]}}$$

4) Cost-effectiveness of emission reductions of energy-related CO₂ in terms of total investment cost which is related to emission reductions (2 points)

Cost for emission reductions [JPY/tCO₂]

$$= \frac{\text{Amount of total investment [JPY]}}{\text{Emission reductions of energy-related CO}_2\text{[tCO}_2\text{/y]} \times \text{legal durable years [y]}}$$

Above calculations should be performed in a rational way, such as using an approved JCM methodology or result obtained from a feasibility study. Also, refer to the relevant Japanese law for legal durable years.

iii. Potential of the dissemination of the technology (10 points)

- Size of the market for the technology in the partner country and effect of the project on the market
- Consistency in relation to the partner country's relevant policy
- System for supporting the entities in the partner country during the installation and operation of the facility/equipment

iv. Concept for developing JCM methodology and its developing status (10 points)

Eligibility criteria, calculation of reference emissions, calculation of project emissions, and monitoring structure will be reviewed.