

# Financing Programme for JCM Model Projects

## Public Offering Guidelines (tentative translation)

### **1. Purpose**

Japan establishes and implements the Joint Crediting Mechanism (hereinafter referred to as “JCM”), and its basic concepts are following:

- 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 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.

In order to support the implementation of candidate JCM projects, Ministry of the Environment, Japan has launched the “Financing Programme for JCM Model Projects (hereinafter referred to as “financing programme”).” The purpose of this financing programme is to financially support the implementation of projects which reduce CO<sub>2</sub> emissions by saving energy and/or introducing renewable energy in developing countries with leading low carbon technologies. In return, this programme seeks to acquire JCM credits for achievement of Japan’s GHG emission reduction target.

### **2. Contents**

#### **(1) Overview**

Participants in the financing programme shall implement projects to reduce GHG emissions utilizing leading low carbon technologies in developing countries with which Japan has signed or has been consulting to sign bilateral document on the JCM, and also shall conduct the measurement, reporting and verification (MRV) of GHG emission reductions.

The financing programme will finance part of an investment cost (up to the half), as premises for seeking to deliver JCM credits (at least half of issued credits) to 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 projects.

- Participants shall apply their relevant projects to be registered as JCM projects, as well as cooperate with Third Party Entities (TPEs) which implement validation of their relevant projects. The application for the registration shall be conducted within 1 year from the start of the operation of the facilities introduced by the projects. In order to apply for the registration of JCM projects, it is necessary to develop appropriate JCM methodologies 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 projects, etc.
- Participants shall conduct MRV to quantitate the effects of the facilities on GHG reductions, and report the MRV results to the Global Environment Centre Foundation (GEC) or Ministry of the Environment, Japan each fiscal year until the end of legal durable years of the facilities as stipulated by the Japanese law.
- Participants shall request for the issuance of the JCM credits for emission reductions achieved during the legal durable years, as well as cooperate with TPEs which implement verification of emission reductions. The first request for the issuance shall be conducted within 1 year from the registration of the JCM project. 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.
- Participants shall deliver fifty percent or more of the JCM credits issued for emission reductions achieved by the relevant projects to the Japanese government.

## **(2) Eligible Projects**

The projects eligible for the financing programme shall satisfy the requirements (a) to (d) listed below:

- (a) Projects that reduce energy-related CO<sub>2</sub> emissions in developing countries with which Japan has signed or has been consulting to sign bilateral document on the 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.

The JCM shall prioritize the following countries that have already signed or decided to sign the bilateral documents:

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

(\*If other countries sign bilateral documents subsequently, they shall also be included.)

### **(3) Requirements**

1. Applicant eligible for the financing programme is a private company, an independent administrative institution, an incorporated association/foundation, a corporation established under the Japanese law, or any organization admitted as appropriate for the applicant by GEC with approval from the Minister of the Environment, Japan as appropriate for the applicant.

2. Applicant shall be the representative participant of international consortiums;

Note 1: Application shall be in the form of joint application by a Japanese participant(s) and a JCM partner-country participant(s), with the single Japanese entity to act as the representative participant. Members of an international consortium other than the representative participant are called as partner participants.

Note 2: The representative participant is responsible for the followings.

- (a) Application to the financing programme
- (b) Management of the progress in the project, development of the project implementation plan, and acting as the contact entity for accounting and other administrative work related to the project.
- (c) Introduction of the leading low carbon technology.
- (d) Purchase, installation and commissioning of the facilities.
- (e) Return of the finance resulting from violations of the Financing Regulations by any of the partner participants.

Note 3: All members of an international consortium are responsible for the followings.

- (a) To cooperate with JCM methodology developers by providing information required to develop a methodology applicable to the Project.
- (b) To cooperate with TPEs by providing materials and information required to efficiently conduct validation of the Project and verification of GHG emission reduction at the project site.
- (c) To reduce, monitor and calculate GHG emissions utilizing the facilities.
- (d) To execute measurement and reporting on the effect of GHG emission reduction by the facilities, and to report it to GEC or the Ministry of the Environment, Japan, annually until the end of the legal durable years of the facilities as stipulated by the Japanese law, that is \_\_\_\_ years for the Project.

- (e) 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.
  - (f) To deliver fifty percent or more of the JCM credit of GHG issued corresponding to emission reduction achieved by the Project for the abovementioned legal durable years to the Japanese government.
  - (g) To manage the facilities with due care of a vigilant manager within 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 JCM Model Project.
  - (h) To report to GEC in case that a constituent member is changed and to continue the above obligations from (a) to (h),
3. Applicant shall have developed structure for the implementation of the eligible project and have technological capabilities to appropriately implement the eligible project;
  4. Applicant shall have financial bases to bear costs necessary to appropriately implement eligible projects;
  5. Applicant shall have adequate management structures and handling capabilities for accounting and other administrative work related to eligible projects
  6. Applicant shall explain the contents, effect on GHG emission reductions, details of the cost, investment plan, etc. of the eligible project; and
  7. Applicant shall take a pledge regarding the exclusion of *boryokudan*, or organized crime syndicates.

#### **(4) Costs Eligible for the Financing**

The financing programme covers the following costs. Note that the financing 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
- (f) Cost of administrative work; and
- (g) Other necessary costs approved by the GEC

[Costs not eligible for financing]

The following costs are not covered by the financing programme:

- Cost of removing existing facilities (including miscellaneous expenses related to removal costs)
- Consumable supplies and materials to be used for periodical maintenance during the commercial operation
- 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
- Facilities that could become a source of small amounts of CO<sub>2</sub> emissions
- Peripheral facilities that does not contribute to CO<sub>2</sub> emission reductions (excluding monitoring equipment)
- Spare items used for the repair or replacement of failed units; and
- Exchange loss and costs of setting up a forward exchange contract

**(5) Amounts of financing**

Financing shall be capped at one-half of the aggregate amount of eligible costs listed in (4).

The amount of finance will be decided as described in a notice to a representative participant.

In line with the abovementioned notice, finance will be provided to the representative participant at end of each fiscal year, based on the cost which is verified as actually spent for implementation of the project. There is no disbursement prior to the spending of cost.

**(6) Implementation Period of Facilities Installation**

The implementation period of facilities installation shall be from the date of the decision on financial support until 28 February 2018 (one month before the end of Japanese fiscal year 2017). Contract or purchase order prior to this period is not covered by this financing programme.