

Call for Proposals for JCM Model Projects

Guidelines for Submitting Proposals

(Tentative translation)

8 April 2016

Global Environment Centre Foundation

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, as well as cooperate 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 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 or decided to establish the JCM (as of 8 April 2016):

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

(*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;
 - 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
Friday, 8 April, 2016	Call for proposals
Monday, 16 May (12:00 JST)	Deadline for submitting proposals
	Evaluation of proposals and hearings (in Tokyo)
Around end of June, 2016	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.