

Evaluation Criteria for selecting JCM Model Projects in FY2016

(Tentative translation)

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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 or decided to establish the JCM will be prioritized (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

- 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 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.