

Application Criteria for the Joint Crediting Mechanism (JCM)

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Ministry of the Environment/ Ministry of Economy, Trade and Industry/ Ministry of Agriculture, Forestry and Fisheries, Japan
JCM Implementation Agency (JCMA), designated by the Government of Japan

1. For a project to be applicable for the JCM, it is required to demonstrate added value through the utilization of the JCM, specifically:
 - (1) The need for incentives from credits to ensure project viability (e.g., there is no revenue expected other than credit income, or even if revenue is expected, the payback period would be prolonged or the internal rate of return (IRR) would be low without credit income, making project implementation difficult). However, no uniform numerical standards, such as IRR or payback period, will be set.
 - (2) From the perspective of contributing to the partner country's NDC, the project is required to demonstrate particular excellence in aspects such as level of difficulty of the project/technology, scale of introduction, or speed of implementation.
 - (3) The potential and extent for spillover and horizontal expansion within the partner country (including participation of local companies and benefits to local industries through capacity building and technology acquisition).

The representative company or equivalent is requested to explain these points. Based on this, assuming the project aligns with sector-specific guidelines and methodologies, the relevant ministries and government agencies will comprehensively determine JCM applicability, considering factors such as accountability in an international context.

2. Before the earlier of the start date of procurement of equipment or construction of facilities for emission reductions or removals, the Project Idea Note (PIN) has been submitted to the government of the partner country through the Government of Japan. However, projects that have already started procurement or construction will be exempt from this condition, in case due to subsequent changes in circumstances (e.g., changes in the business environment causing difficulties in continuation), the representative company can reasonably explain that the need for incentives from credits or added value as indicated in paragraph 1 has arisen. The exemption also applies to projects implemented with public financial support for equipment or facilities that leads to an application of the JCM.
3. The criteria described in paragraph 2 above does not apply to projects that do not procure an equipment for emission reductions or removals (e.g., forest sector, agriculture sector, land use

sector). For the forest sector, activities started before the approval of the JCM guidelines for forest sector between Japan and the partner country may still be applicable if they meet the requirements described in the guidelines.

4. The PIN clearly explains the role of Japanese companies or the Government of Japan in emission reductions or removals and quantifies the financial contribution from Japan.

Please note that approval of a proposed project as the JCM requires consent with the government of the partner country, and meeting the above criteria does not guarantee approval of a JCM project.