

## Rules of Implementation of the Joint Crediting Mechanism

The Government of Japan and the Government of the Republic of Chile (hereinafter referred to individually as a “government” and collectively as “both governments”) hereby formulate the rules of implementation of the Joint Crediting Mechanism (JCM) established by the Memorandum of Cooperation on the Joint Crediting Mechanism between the Government of Japan and the Government of the Republic of Chile as follows:

### A. Terms and Definitions

1. For the purposes of this Rules of Implementation, the following definitions apply:

- (a) “**Authorization of ITMO**” is a statement that each government publish to authorize the use of internationally transferred mitigation outcomes, issued as JCM credits from emission reductions or removals achieved after 1 January 2021 by a project, towards the achievement of a nationally determined contribution (NDC) of Japan, and/or other international mitigation purposes as appropriate, consistent with the guidance on cooperative approaches, referred to in Article 6, paragraph 2 of the Paris Agreement (hereinafter referred to as “the guidance”);
- (b) “**Corresponding adjustment**” refers to adjustments applied by a Party to the Paris Agreement to prevent double counting consistent with the guidance;
- (c) “**Crediting period**” is the period in which verified GHG emission reductions or removals attributable to a JCM project, may result in the issuance of JCM credits from that JCM project;
- (d) “**GHGs**” are carbon dioxide (CO<sub>2</sub>), methane (CH<sub>4</sub>), nitrous oxide (N<sub>2</sub>O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), sulphur hexafluoride (SF<sub>6</sub>) and nitrogen trifluoride (NF<sub>3</sub>);
- (e) “**The guidance**” is relevant decisions of the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement (CMA) in relation to cooperative approaches referred to in Article 6, paragraph 2, of the Paris Agreement;
- (f) “**JCM credits**” are credits issued in the JCM registry of Japan and/or Chile for verified GHG emission reductions or removals, as applicable, attributable to a JCM project;
- (g) “**JCM project**” is a GHG emission reductions or removals project activity under the JCM;
- (h) “**Joint Committee**” is a committee established by paragraph 4 of the Memorandum of Cooperation on the Joint Crediting Mechanism between the Government of Japan and the Government of the Republic of Chile;
- (i) “**ITMOs**” are internationally transferred mitigation outcomes authorized for use toward an NDC or other international mitigation purposes;
- (j) “**Methodology**” is a method for estimate, calculate and monitor emission reductions or removals achieved by a JCM project;
- (k) “**PDD**” is a project design document prepared by a project participants of the JCM project, which sets out in detail of the JCM project;
- (l) “**Chile JCM Registry**” is the registry used by Chile for the issuance of JCM credits;
- (m) “**Registry**” is a digital system operated by each government for tracking mitigation outcomes, ensuring transparency, and enabling manual issuance and transfer procedures;
- (n) “**Sustainable development implementation plan**” is a document prepared by the project participant(s), containing information relating to the possible contribution to the sustainable

development, where applicable, negative impacts of the project and their mitigation measures;

(o) “**Sustainable development implementation report**” is a document prepared by the project participant(s), containing information relating to the contribution made to the sustainable development and, where applicable, negative impacts of the project and their mitigation measures taken;

(p) “**Validation**” is the process of independent evaluation of a proposed JCM project by a third-party entity in line with the validation guidelines as developed by the Joint Committee on the basis of the PDD;

(q) “**Verification**” is the periodic independent review and *ex post* determination of monitored GHG emissions reductions or removals for a specific monitoring period of a JCM project conducted by a third-party entity.

## **B. Scope and Applicability**

1. This Rules of Implementation applies to new projects and existing projects that generate GHG emission reductions or removals, identified by both governments under the JCM as JCM projects. Credits are issued based on the quantified amount of GHG emission reductions or removals achieved by the contribution of project participants in the implementation of JCM projects during the crediting period.
2. The existing projects started and identified by both governments to which this Rules of Implementation is applicable are those listed in Appendix to this Rules of Implementation.
3. A new project which started operation on or after 1st January 2021 is eligible for consideration as the JCM project by both governments.
4. Each JCM project may select either a fixed crediting period of ten (10) years or a renewable period of five (5) years, which may be renewed once, unless otherwise specified in rules and guidelines of the JCM.

## **C. Environmental Integrity and Sustainable Development**

1. Minimal principles and criteria relevant for ensuring environmental integrity of JCM credits, for which transfer and use are authorized, and for the promotion of sustainable development are hereby established:
  - a. Mitigation outcomes from a JCM project are real, verified, additional, and permanent or achieved under a system that ensures permanence, including by appropriate arrangement of any material reversals;

b. For the authorization of a JCM credit to become an ITMO, the mitigation outcome from a JCM project represents mitigation achieved from 2021 onwards;

c. The vintage year of a mitigation outcome and its use should be in the timeframe of the same NDC implementation period;

2. JCM credits originate from JCM projects that:

a. Do not lead to an increase in global emissions, within and between NDC implementation periods;

b. Consider conservative reference levels, below “business as usual” emission projections, including by taking into account all existing policies and addressing uncertainties in quantification and potential increase in emissions outside of the project boundaries;

c. Are in line with the long-term low emission development strategy and the NDC of Government of the Republic of Chile;

d. Foster the transition to low emission development, in line with net zero greenhouse gases emissions by 2050 at the latest;

e. Minimize the risk of carbon leakage and adjust for any occurred leakage in the calculation of emission reductions or removals;

f. Minimize the risk of non-permanence of mitigation across several NDC implementation periods and, when reversals of emission reductions or removals occur, ensure that these are addressed in full;

g. Take into account all existing and planned national policies, including legislations;

h. Minimize, and where possible, avoid the risk of negative environmental and social impacts, including on air quality and biodiversity, social inequality and the discrimination of population groups based on gender, ethnicity or age and respect national and international environmental regulations;

i. Are in line with sustainable development and any respective strategies and policies; and

j. Reflect the eleventh preambular paragraph of the Paris Agreement, acknowledging that climate change is a common concern of humankind, Parties should, when taking action to address climate change, respect, promote and consider their respective obligations on human rights, the right to health, the rights of indigenous people, local communities, migrants, children, persons with disabilities and people in vulnerable situations and the right to

development, as well as gender equality, empowerment of women and intergenerational equity

3. Each JCM project undergoes assessment of a sustainable development implementation plan prior to registration. This assessment identifies potential environmental and social risks, including impacts on local communities, biodiversity, health, and vulnerable populations, in line with the principles established in this paragraph.

4. Project proponents also submit a sustainable development implementation report in line with the project cycle procedures, documenting implementation of mitigation measures, contributions to the sustainable development, and any corrective actions taken.

5. The Joint Committee reviews these reports and may require additional information or modifications to ensure alignment with national and international environmental and social standards.

#### **D. Joint Authorization of Projects and JCM credits**

1. Both governments establish the necessary processes, in line with their respective national requirements, by which project applicants can submit requests for authorization of their project and JCM credits to the Government of Japan and the Government of the Republic of Chile.

2. All projects, new and existing, require authorization from both governments, in line with the process and any requirements established by each government. These authorizations are published with relevant decisions of the Joint Committee.

3. Once a project is authorized from both governments and registered under the JCM, the mitigation outcomes generated by the JCM projects are authorized in line with the national arrangements of each government. A JCM credit will be considered authorized once both governments have issued an authorization for use of the mitigation outcomes towards the achievement of Japan's NDC or other international mitigation purpose as appropriate.

4. The Joint Committee reviews project documentation, assessment of sustainable development implementation, and validation reports prior to providing a recommendation for the authorization of the project.

5. In case the ITMO authorization is granted for use towards other international mitigation purposes, the first transfer will be the moment of issuance in Chile JCM Registry.

## **E. Reporting and Transparency**

1. Each government fulfils its reporting commitments under the Paris Agreement, including the submission of an initial report, a biennial transparency report (including regular information) and annual information in line with Articles 6 and 13 of the Paris Agreement and relevant decisions adopted by the CMA.
2. Each governments ensure consistency between reported information and its authorization.
3. The Joint Committee oversees the consistency of reported data and facilitate the exchange of information between both governments.

## **F. Corresponding Adjustments**

In order to avoid double counting, each government applies a corresponding adjustment for each ITMO authorized under Article 6, paragraph 3, of the Paris Agreement.

Appendix: List of existing projects referred to in Article B paragraph 2 of the Attachment

No.	Project Title
1	12MW Solar Power and 33MWh Storage Battery Project in Rancagua City
2	34MW Solar Power and 104MWh Storage Battery Project Utilizing Farmland in the Metropolitan Area and O'Higgins Region
3	Introduction of 338MWh BESS in Huatacondo PV Plant in Tarapaca Region
4	6MW Solar Power Project Utilizing Farmland in Maule and Nuble Region
5	9MW Second Solar Power Project in Yungay, Biobio Region
6	9MW Solar Power Project in Teno, Maule Region
7	28MW Solar Power Project Utilizing PMGD Scheme
8	Energy Supply Project by 2.0MW Rooftop Solar Power System to Industrial Plastic Plant in Renca, Santiago Metropolitan Region
9	9MW Solar Power Project in San Antonio, Valparaiso Region
10	9MW Solar Power Project in Yungay, Biobio Region
11	3MW Solar Power Project Utilizing Farmland in Maule Region
12	3MW Solar Power Project Utilizing Farmland in Valparaiso Region
13	25.8MW Solar Power Project in Arica region
14	3.4MW Rice Husk Power Generation Project in Maule
15	3MW Solar Power Project in Chillan, Nuble Region
16	Introduction of 1MW Rooftop Solar Power System to University
17	14MW Solar Power and 40MWh Storage Battery Project in O'Higgins and Maule Region