

Accessing JCM Financing Programme by Ministry of the Environment Japan

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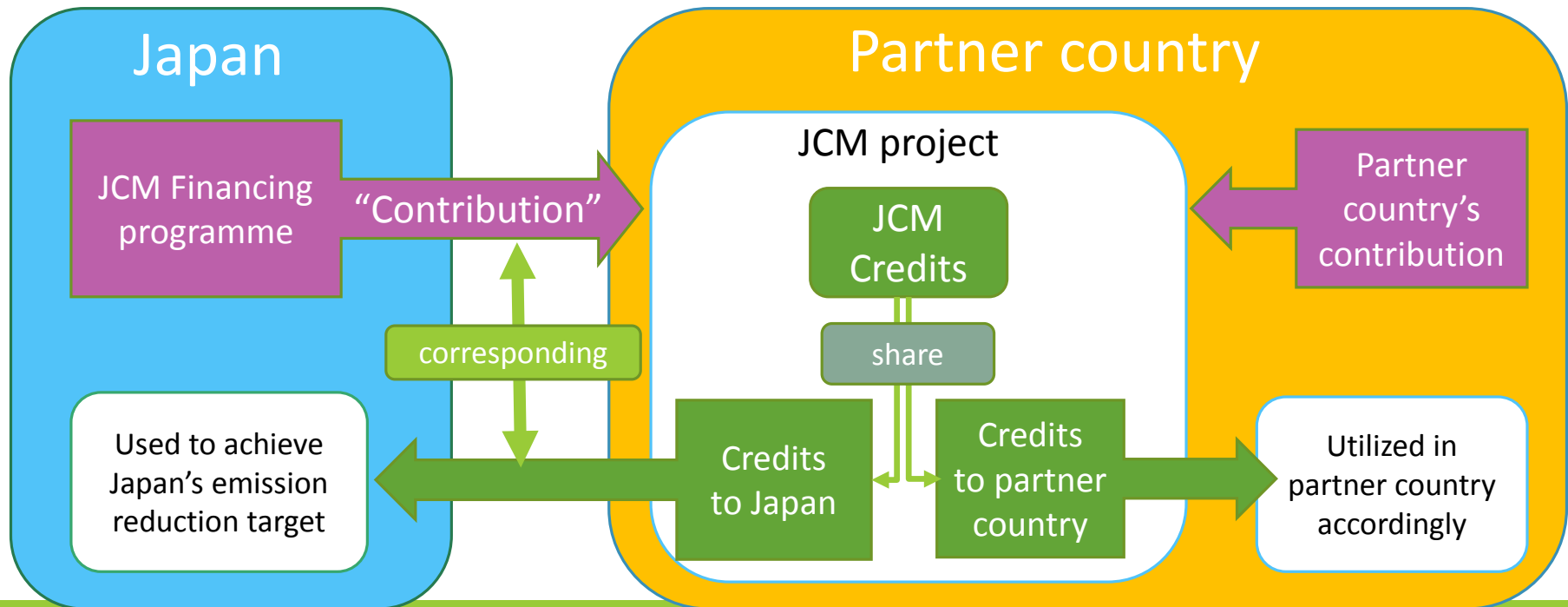
Available Financing Programme for Project Developers

1) JCM Financing Programme

2) Technical/financial support for JCM documents and procedures

The Joint Crediting Mechanism (JCM)

- JCM is to implement a GHG emissions reduction and removal projects in partner countries.
 - As a result of emission reductions, Japan will acquire credits according to its contribution.
 - Credits issued in Japan can be used to achieve Japan's emission reduction target
 - Credits issued in partner country will be also used accordingly
- Partner country will share credits with Japan based on understanding and being convinced of the merits of implementation of JCM.
- JCM Financing Program is acknowledged as "contribution" from Japan by partner countries.
 - Once the project is adopted by JCM Financing Program, it has possibility to be registered as JCM project



1) JCM Financing Programme

JCM Model Project

- Finances **up to the half** of an investment cost for facilities, equipment, vehicles, etc. which reduce CO₂ from fossil fuel combustion.
- This programme includes projects which will have the collaboration with **JICA and other government-affiliated financial institute.**

JCM REDD+ Model Project

- Finances part of project cost for **REDD+** projects.
- At least half or ratio of financial support to project cost of JCM credits issued are expected to be delivered to the government of Japan except the amount which is allocated to the partner country based on its legislation.

ADB Trust Fund (Japan Fund for JCM)

- **Grant** for incremental cost of technologies for projects under public and state-owned entities.
- **Interest subsidy to ADB-financed loans** for non-government projects, to private sector borrowers and financial institutions.

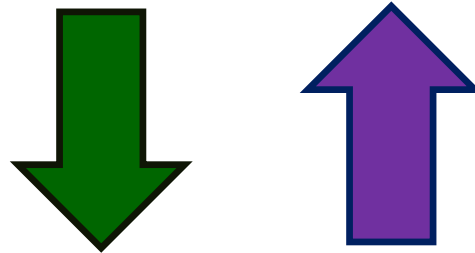
JCM Model Project by Ministry of the Environment Japan (MOEJ)

Draft Budget (FY 2016):
6.7 billion JPY in total by
FY2018

Government of Japan

** Includes collaboration with projects supported by JICA and other governmental affiliated financial institute*

Finances part of investment costs (less than half)



Conduct MRV and delivers at least half of the JCM credits issued

International consortium

- Joint application by an international consortium: Japanese participant(s) and JCM partner-country participant(s)
- Applicant profile: private company, independent administrative institution, incorporated association or foundation.

Source: Government of Japan, February 2016

JCM Model Project by MOEJ

Finances part of investment cost (up to half)

- Main construction
- Ancillary work
- Machinery and appliances
- Surveying and testing
- Facilities
- Administrative work
- Other necessary costs approved by the MOEJ

- *Projects completion period: installations start after the adoption of the funding and must be completed within 3 years.*

Schedule for selecting projects by MOEJ under JCM Model Project and REDD+ Model Project (Schedule and the finance rate)

Applications in FY2016 is scheduled as follows.

Items	Date
Starting date of call for request	Beginning or middle of April, 2016
Deadline for entities to submit their application	Beginning or middle of May, 2016
Announcement of selected Model Projects	1- 2 months later after the deadline

Finance rate will be determined based on the number of already selected JCM Model Projects using a similar technology in each country.

The scope of the similar technology will be defined by MOEJ, as appropriate.

Number of already selected projects using a similar technology in each partner country	None (0)	Up to 3 (≤ 3 , except 0)	More than 3 (> 3)
Maximum finance rate	50%	40%	30%

Criterion for selecting the JCM model project (Cost effectiveness and Payback period)

Cost effectiveness (*1) and payback period (*2) of a proposed project are some of the criteria during selection by MOEJ.

***1: Cost effectiveness (JPY/tCO₂) is calculated as follows;**

Amount of proposed subsidy

Accumulated emission reductions achieved during the legal* durable years

*under Japanese tax law

***2: Payback period (year) is calculated as follows;**

(Total initial cost) – (Amount of subsidy)

(Reduction for annual operation cost)

or

(Total initial cost) – (Amount of subsidy)

(Annual revenue) – (Annual operation cost)

Indicator for evaluating the cost effectiveness

- 5,000 JPY/tCO₂ : in case that the amount of the subsidy for a proposed project is more than 500 million JPY.
- 10,000 JPY/tCO₂ : in case that the amount of the subsidy for a proposed project is less than 500 million JPY.
- Note: GHG emission reductions is dependent on its calculation method and not necessarily able to achieve the planned emission reductions after the project implementation. Therefore, the cost effectiveness is not an absolute indicator for the evaluation.

Indicator for evaluating the payback period

- Payback period of a proposed project should be more than 3 years.
- Note:
 - Since the payback period is also dependent on its calculation method and not necessarily able to achieve the planned assumption after the project implementation, the payback period is not an absolute indicator for the evaluation.
 - If the proposed project sells an electricity and/or supplies heat, the revenue within 5 years by a proposed project should be returned to the government.

Example of Registered JCM projects

Project Type	Project Title	ERs (t-CO ₂ /y)	Registration Date	Country
Energy Efficiency	Energy Saving for Air-Conditioning and Process Cooling by Introducing High-efficiency Centrifugal Chiller	114	31-Oct-14	Indonesia
Energy Efficiency	Project of Introducing High Efficiency Refrigerator to a Frozen Food Processing Plant in Indonesia	120	29-Mar-15	Indonesia
Energy Efficiency	Project of Introducing High Efficiency Refrigerator to a Food Industry Cold Storage in Indonesia	21	29-Mar-15	Indonesia
Energy Efficiency	Promotion of green hospitals by improving efficiency / environment in national hospitals in Vietnam	515	30-Nov-15	Vietnam



High-efficiency Centrifugal Chiller



High Efficiency Refrigerator



Example of Registered JCM projects

Project Type	Project Title	ERs (t-CO ₂ /y)	Registration Date	Country
Energy Efficiency	Centralization of heat supply system by installation of high-efficiency Heat Only Boilers in Bornuur soum Project	92	30-Jun-15	Mongolia
Energy Efficiency	Installation of high-efficiency Heat Only Boilers in 118th School of Ulaanbaatar City Project	206	30-Jun-15	Mongolia
Renewable energy	Small scale solar power plants for commercial facilities in island states	227	21-Apr-15	Palau
Transport	Eco-Driving by Utilizing Digital Tachograph System	296	4-Aug-15	Vietnam



High-efficiency Heat Only Boilers



Solar Power Plants



Digital Tachograph System



JCM REDD+ Model Project by MOEJ



※REDD+ (Reducing Emissions from Deforestation and Forest Degradation in developing countries; and the role of conservation, sustainable management of forests and enhancement of forest carbon stocks in developing countries)

Purpose

Implement activities for REDD+ and seek to acquire JCM credits for achievement of Japan's GHG emission reduction target

Project budget and implementation term

Up to 40 million JPY/year (fixed)

Eligible Companies

Japanese corporation(the representative of international consortiums)

Source: Government of Japan, February 2016

ADB Trust Fund (Japan Fund for JCM)

General eligibility of projects

Project co-financed with an ADB or ADB-administered funds with proven advanced low-carbon technologies

Leads to a reduction of environmental pollution and/or other social economic benefits

Grant and Interest Subsidy

Sovereign/public sector: maximum grant of

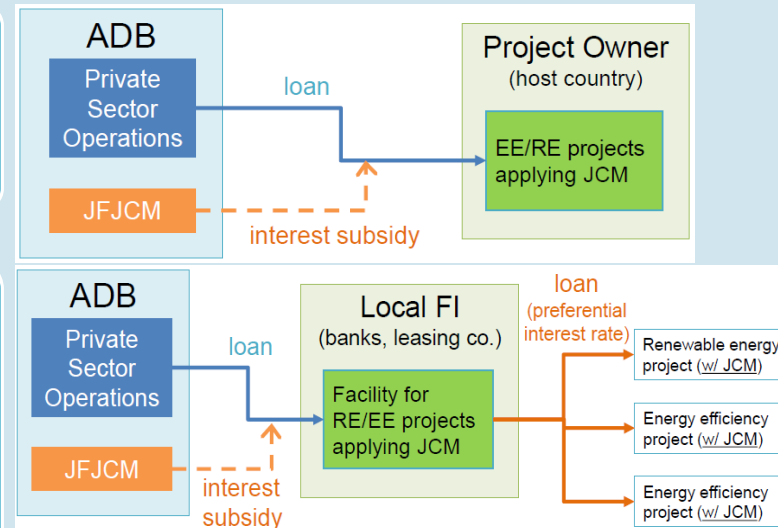
\$10 million or 10% of the project cost, whichever is lower, or \$5 million if the project cost < \$50 million

Non-sovereign - Project Owner

Interest subsidy up to \$10 million or 10% of the project cost, whichever is lower

Non-sovereign - Local Financial Institution

Interest subsidy further reduces financing cost of host country financial institutions (banks, ESCOs, leasing companies)



Source: ADB, February 2016

Application and information : [ADB webpage for Japan Fund for JCM](http://www.adb.org/site/funds/funds/japan-fund-for-joint-crediting-mechanism) - <http://www.adb.org/site/funds/funds/japan-fund-for-joint-crediting-mechanism>

Steps to develop JCM projects

Develop business idea

- Secure finance other than JCM, or
- Find another financial source for the rest of initial cost (JCM financing programs will not cover all cost, e.g. JCM Model Project covers less than half of the investment cost)

Find Japanese partner

- Through workshops and secretariat
- **Project Idea Note**
- Contact Japanese companies in the JCM Database, JCM webpages, etc.
- Business forums, associations, Japanese business websites e.g. <http://ibo.jcci.or.jp/>

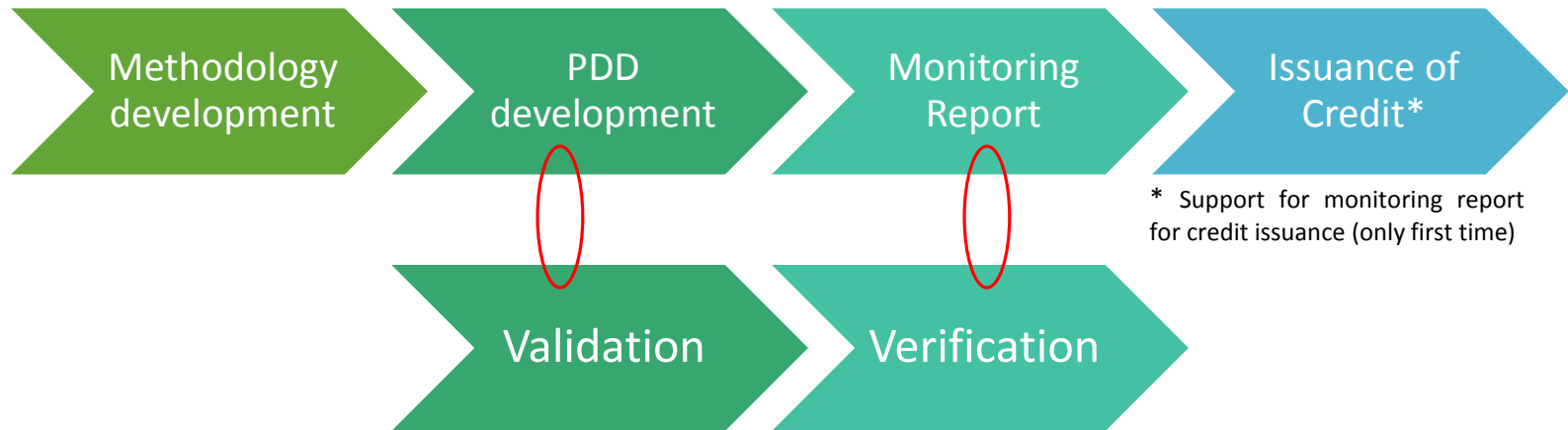
Develop consortium (joint venture etc.)

Sample document of "Agreement on International Consortium (Example)"

Apply JCM financing programme and develop methodology

Japanese entity submits application (in Japanese)

2) Technical/financial support for JCM documents and procedures



Applicable for project participants of JCM Model Projects and ADB Trust Fund (JF JCM).

IGES provides technical support (Methodology Development, PDD development and Preparation of monitoring Report)

Websites for further JCM information

Contact address

- Kentaro Takahashi: k-takahashi@iges.or.jp
- Aryanie Amellina: amellina@iges.or.jp

Official JCM Webpage: rules and guidelines for each country, JCM methodology, public inputs announcement, JCM projects



<https://www.jcm.go.jp/>

GEC website: call for proposals, financial and project development support scheme, outline of JCM Model Project and feasibility study, JCM booklet



<http://gec.jp/jcm/index.html>

New Mechanisms Information Platform:

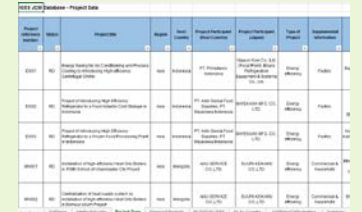
recent development of the JCM, list of JCM projects and studies



<http://www.mmechanisms.org/e/>

IGES JCM Database:

details of methodologies, project cycle, feasibility studies, duration, statistics, etc.



Project ID	Name	Project Description	Start Year	End Year	Project Cycle	Project Status	Implementation Status
0001
0002
0003
0004
0005
0006
0007
0008
0009
0010

<http://bit.ly/igesjcmdatabase>

IGES

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[HTTP://WWW.IGES.OR.JP/EN/CLIMATE-ENERGY/INDEX.HTML](http://www.iges.or.jp/en/climate-energy/index.html)