



The Joint Crediting Mechanism (JCM) at a glance

Yuji Mizuno, Kentaro Takahashi and Alexis R. Rocamora
Climate and Energy Area, IGES

Executive Summary

The Article 6 of the Paris Agreement lays the groundwork for the operation of carbon market after 2020 by providing room for top-down and bottom-up approaches. Linkages between these mechanisms should be promoted to fully enable the potential of market mechanism to contribute to climate mitigation. Although the accounting method toward Nationally Determined Contributions (NDCs) remains to be established, the Joint Crediting Mechanism (JCM) partner countries have recognised that JCM credits can be used as part of their own NDC's pledge for mitigation efforts, while avoiding double counting, ensuring transparency and environmental integrity. This discussion paper summarizes the current status of the JCM for further understanding on its implementation.

1. Current status of the Joint Crediting Mechanism

The JCM promotes low-carbon development through diffusion of leading low carbon technologies, products, systems, services, and infrastructure as well as implementation of mitigation actions according to the government of Japan (GOJ 2017). It is implemented under bilateral agreements between Japan and partner countries. Since 2010, Japan has supported 342 feasibility studies for the JCM in 15 JCM partner countries with financial support from the Ministry of Environment Japan (MOEJ) and Ministry of Economy, Trade, and Industry, Japan (METI) (IGES, 2017). These studies aimed to evaluate the feasibility of using the JCM in the country, potential projects, needed technologies, and the potential emissions reductions.

Since 2013, Japan has started four financing programmes for project implementation: the JCM Model Project, the JCM REDD+ Model Projects, the Japan Fund for JCM (JF JCM) managed by ADB, and the JCM Demonstration Projects financing programme. As of 30 June 2017, 138 financed projects in 17 countries are being implemented under JCM financing support, including co-financing with ADB (see Figure 1). These projects, including the registered ones, are expected to reduce approximately 1.0 million tCO₂/year (IGES, 2017).

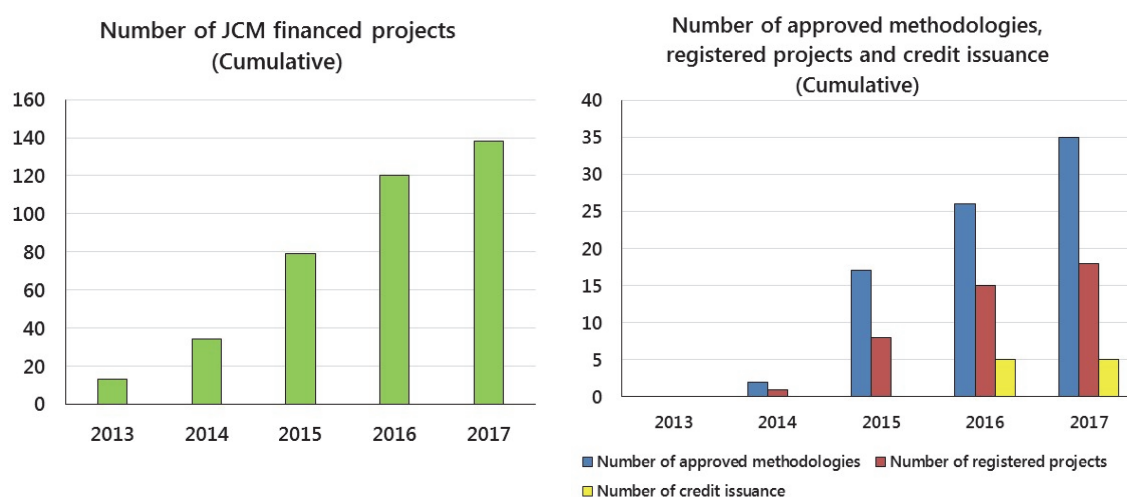


Figure 1. Number of Active JCM Financed project by Type of project and country
(Source: IGES JCM Database, 2017)

2. A governance of the JCM prioritizing efficiency: summary of decisions taken by Joint Committees

The JCM is governed in a decentralized way, bilaterally between Japan and each partner country. The ruling body of the JCM is called the Joint Committee, which is composed of representatives of Japan and each partner country. Accordingly, there is a different Joint Committee for each partner country. This diffuse governance system allows for a smooth governance, taking into accounts the local characteristics of each partner country in which projects are developed.

In order to maintain quick decision-making and efficient project implementation, Joint Committees are not only decentralized but may also be dematerialized. Decisions can be taken through a formal gathering of Joint Committee members for important matters, or by electronic means. From 2016 to 2017, 15 Joint Committees were held in 12 of the 17 JCM partner countries. In addition, nine JCM partner countries adopted 18 electronic decisions in the same period. The 18 electronic decisions include three approvals for methodologies (including revisions), seven approvals for project registration and two decisions of credit issuance. This governance approach has facilitated effective decision-making and smoothen project implementation.

3. Ensuring environmental integrity: update on the development of JCM methodologies

The emission reductions achieved by JCM Projects are measured, reported, and verified (MRV), in accordance with the approved methodologies. Emission reductions to be issued are defined as the difference between reference emissions and project emissions (GOJ 2017). The calculation method is set in a conservative manner to ensure net emission reductions. As of 30 June 2017, 35 JCM methodologies developed by project participants and consultants have been approved by the Joint Committees in 11 countries. These methodologies cover six types of project and various technologies, such as energy efficiency (high efficiency centrifugal chiller, LED lighting, boiler, etc.), renewable energies (solar PV and hydro power), transportation (digital tachograph), biogas (anaerobic digestion), biomass, and waste gas/heat utilization (for electricity generation at cement factory).

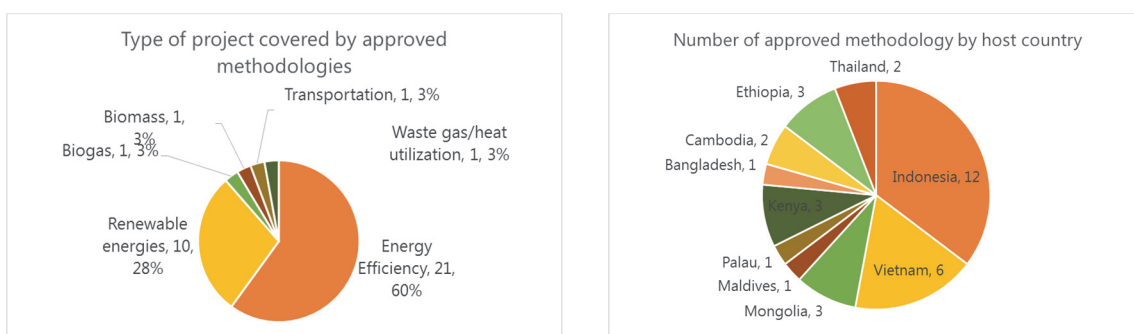


Figure 2. Number of approved methodologies by type of project and country
(Source: IGES JCM Database 2017)

The Institute for Global Environmental Strategies (IGES) has been actively supporting MRV process of the JCM since its inception. As of the end of June 2017, IGES has contributed to the development of more than 28 methodologies. Among this, IGES developed on its own 8 methodologies related to solar PV in Bangladesh, Cambodia, Chile, Costa Rica, Indonesia, Mexico, Mongolia and Vietnam, and also supported more than 20 methodologies proposals. This work, done in collaboration with project participants and consultants, allows to ensure the quality of low-carbon technology projects and to guarantee the integrity of emission reductions. The following methodologies are the proposed and submitted to the JCM Secretariat by IGES.

Table 1. List of JCM proposed methodologies submitted by IGES

Country	Name of the methodology	Status
Bangladesh	Installation of Solar PV System (BD_PM002)	Waiting for JC approval
Cambodia	Installation of Solar PV System ver 1.0 (KH_AM002)	Approved
Indonesia	Installation of Solar PV System	Waiting for public inputs
Mongolia	Installation of Solar PV System ver 2.0 (MN_AM002)	Approved
Vietnam	Installation of Solar PV System (VN_PM009)	Waiting for JC approval

In the development stage, setting default value is critical to reduce the monitoring burdens of project participants. The fundamental approach is to develop JCM methodologies by using only monitoring parameters that will be relevant to the project implementation. Figure 3 shows the amount of monitoring points and parameters defined in JCM methodologies. With more than 20 JCM approved methodologies requiring only one or two monitoring points and parameters, the monitoring of project implementation by project participants is greatly simplified.

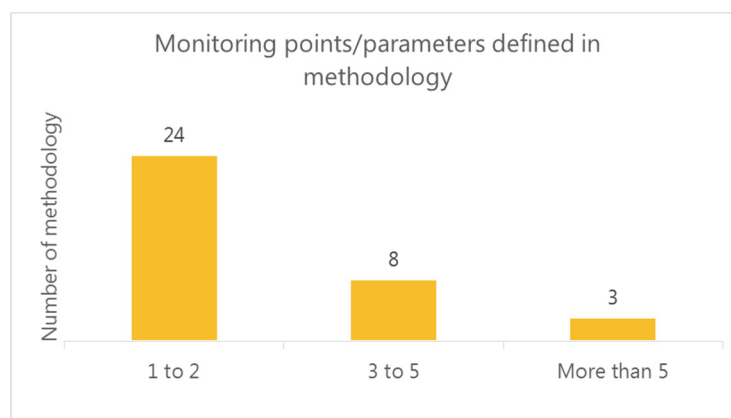


Figure 3. Number of monitoring points/parameters defined in JCM methodologies
(Source: IGES JCM Database 2017)

4. Promoting project implementation: update on the status of JCM project registration and credit issuance

As of 30 June 2017, 18 JCM projects have been registered by Joint Committees in four countries. These registered projects cover three types of project and various technologies in the fields of energy efficiency, renewable energies and transportation. Regarding credit issuance, five registered projects already issued JCM credits, covering renewable energy and energy efficiency registered projects from three countries.

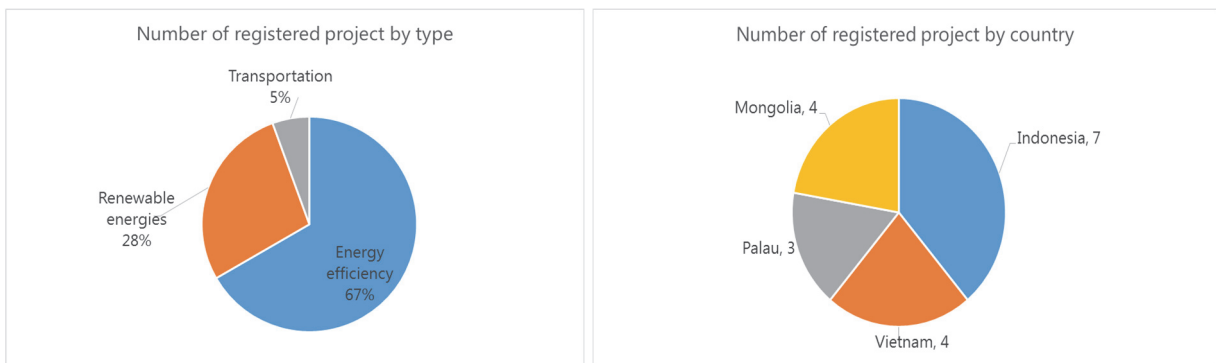


Figure 3. Number of approved projects by type of project and country
(Source: IGES JCM Database 2017)

IGES is also actively supporting the technical process that aims to formally register projects as JCM projects. This support involves organizing local stakeholder consultations (LSC) and developing a Project Design Document (PDD). Among more than 30 projects that IGES has supported until now, 12 projects have been successfully registered, and the rest is in the preparation stage. It can be noted that JCM project registration is likely to grow sharply in the near future, as approximately 20 projects are expected to be registered by the end of March 2018. In order to facilitate the issuance of JCM credits, IGES also supports the monitoring of JCM project implementation in various countries. This support notably includes the development of monitoring reports and credit issuance request forms. Among the 12 projects that IGES supported in this regard, five projects have successfully resulted in credit issuance. The rest of projects is expected to be issued by March 2018.

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Institute for Global Environmental Strategies (IGES)

Climate and Energy Area

2108-11 Kamiyamaguchi, Hayama, Kanagawa, 240-0115, Japan

Tel: 046-826-9601 Fax: 046-855-3809 E-mail: iges@iges.or.jp

www.iges.or.jp

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