Accessing JCM Financing Programme by Ministry of the Environment Japan

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Aryanie Amellina, Policy Researcher
Climate and Energy Area
Institute for Global Environmental Strategies (IGES)
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.

[Diagram showing the flow of credits between Japan and partner countries, including the JCM Financing Program and the 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.
The JCM Model Project by Ministry of the Environment Japan (MOEJ) involves a government and an international consortium. The government finances part of the investment costs (less than half) and conducts MRV and delivers at least half of the JCM credits issued.

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

- 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.

<table>
<thead>
<tr>
<th>Items</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Starting date of call for request</td>
<td>Beginning or middle of April, 2016</td>
</tr>
<tr>
<td>Deadline for entities to submit their application</td>
<td>Beginning or middle of May, 2016</td>
</tr>
<tr>
<td>Announcement of selected Model Projects</td>
<td>1- 2 months later after the deadline</td>
</tr>
</tbody>
</table>

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.

<table>
<thead>
<tr>
<th>Number of already selected projects using a similar technology in each partner country</th>
<th>None (0)</th>
<th>Up to 3 (≤3, except 0)</th>
<th>More than 3 (&gt; 3)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maximum finance rate</td>
<td>50%</td>
<td>40%</td>
<td>30%</td>
</tr>
</tbody>
</table>
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 criterions during selection by MOEJ.

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

\[
\frac{\text{Amount of proposed subsidy}}{\text{Accumulated emission reductions achieved during the legal* durable years}}
\]

*under Japanese tax law

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

\[
\frac{(\text{Total initial cost}) - (\text{Amount of subsidy})}{(\text{Reduction for annual operation cost})}
\]

or

\[
\frac{(\text{Total initial cost}) - (\text{Amount of subsidy})}{(\text{Annual revenue}) - (\text{Annual operation cost})}
\]
**Indicator for evaluating the cost effectiveness**

- 5,000 JPY/tCO$_2$: in case that the amount of the subsidy for a proposed project is more than 500 million JPY.
- 10,000 JPY/tCO$_2$: 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

<table>
<thead>
<tr>
<th>Project Type</th>
<th>Project Title</th>
<th>ERs (t-CO₂/y)</th>
<th>Registration Date</th>
<th>Country</th>
</tr>
</thead>
<tbody>
<tr>
<td>Energy Efficiency</td>
<td>Project of Introducing High Efficiency Refrigerator to a Frozen Food Processing Plant in Indonesia</td>
<td>120</td>
<td>29-Mar-15</td>
<td>Indonesia</td>
</tr>
<tr>
<td>Energy Efficiency</td>
<td>Project of Introducing High Efficiency Refrigerator to a Food Industry Cold Storage in Indonesia</td>
<td>21</td>
<td>29-Mar-15</td>
<td>Indonesia</td>
</tr>
<tr>
<td>Energy Efficiency</td>
<td>Promotion of green hospitals by improving efficiency / environment in national hospitals in Vietnam</td>
<td>515</td>
<td>30-Nov-15</td>
<td>Vietnam</td>
</tr>
</tbody>
</table>

Example of Registered JCM projects:

- **High-efficiency Centrifugal Chiller**
- **High Efficiency Refrigerator**
### Example of Registered JCM projects

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</tr>
</thead>
<tbody>
<tr>
<td>Energy Efficiency</td>
<td>Centralization of heat supply system by installation of high-efficiency Heat Only Boilers in Bornuur soum Project</td>
<td>92</td>
<td>30-Jun-15</td>
<td>Mongolia</td>
</tr>
<tr>
<td>Energy Efficiency</td>
<td>Installation of high-efficiency Heat Only Boilers in 118th School of Ulaanbaatar City Project</td>
<td>206</td>
<td>30-Jun-15</td>
<td>Mongolia</td>
</tr>
<tr>
<td>Renewable energy</td>
<td>Small scale solar power plants for commercial facilities in island states</td>
<td>227</td>
<td>21-Apr-15</td>
<td>Palau</td>
</tr>
<tr>
<td>Transport</td>
<td>Eco-Driving by Utilizing Digital Tachograph System</td>
<td>296</td>
<td>4-Aug-15</td>
<td>Vietnam</td>
</tr>
</tbody>
</table>

**Project Images:**
- High-efficiency Heat Only Boilers
- Solar Power Plants
- Digital Tachograph System
JCM REDD+ Model Project by MOEJ

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)

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

Source: ADB, February 2016
Steps to develop JCM projects

- 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/](http://ibo.jcci.or.jp/)

- 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)

Apply JCM financing programme and develop methodology
Japanese entity submits application (in Japanese)
Sample document of “Agreement on International Consortium (Example)”

Develop business idea
Find Japanese partner
Develop consortium (joint venture etc.)

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- 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)
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/

New Mechanisms Information Platform: recent development of the JCM, list of JCM projects and studies

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

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

IGES JCM Database: details of methodologies, project cycle, feasibility studies, duration, statistics, etc.
