

## **Rules of Implementation for The Joint Crediting Mechanism (JCM)**

The Joint Committee of the JCM, mentioned in “Bilateral Cooperation on the Joint Crediting Mechanism for the Low Carbon Growth Partnership between Japan and the Republic of Indonesia”, hereby establishes the rules of implementation for the JCM as follows:

### **A. Purpose of the JCM**

1. The JCM has the following purposes:
  - (a) To facilitate diffusion of leading low carbon technologies, products, systems, services, and infrastructure as well as implementation of mitigation actions, and contributing to sustainable development of ~~the Republic of Indonesia~~developing countries;
  - (b) To appropriately evaluate contributions to greenhouse gases (hereinafter referred to as “GHG”) emission reductions or removals from ~~Japan~~developed countries in a quantitative manner, through mitigation actions implemented in ~~the Republic of Indonesia~~developing countries and use those emission reductions or removals to achieve emission reduction targets of the countries involved;
  - (c) To contribute to the ultimate objective of the United Nations Framework Convention on Climate Change (UNFCCC) by facilitating global actions for emission reductions or removals.

### **B. Scope**

2. GHG are those gases of 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>).
3. Credits are issued based on quantified amount of GHG emission reductions or removals achieved by the contribution of project participants in the implementation of GHG emission reductions or removals project activities under the JCM (hereinafter referred to as “JCM projects”).
4. The JCM starts its operation as the non-tradable credit type mechanism. The Japanese

side and the Indonesian side (hereinafter referred to as "both sides") continue consultation for the transition to the tradable credit type mechanism and reach a conclusion of such consultation at the earliest possible timing.

### **C. Joint Committee**

5. The Joint Committee convenes meetings on regular basis.
6. The Joint Committee receives the information of potential projects to be submitted by the project participants under the JCM.
7. The Joint Committee may develop or modify the Rules of Implementation for the JCM and other rules and guidelines necessary for the implementation of the JCM, including, but not limited to:
  - (a) rules of procedures of the Joint Committee;
  - (b) guidelines for the development of methodologies;
  - (c) methodologies;
  - (d) guidelines for the designation of third-party entities;
  - (e) guidelines for the validation;
  - (f) monitoring guidelines;
  - (g) guidelines for the verification of GHG emission reductions or removals;
  - (h) common specifications for registries;
  - (i) formats for project design document (hereinafter referred to as "PDD"), sustainable development implementation plan (hereinafter referred to as "SDIP"), request for registration of JCM projects, monitoring report, sustainable development implementation report (hereinafter referred to as "SDIR"), request for verification of emission reductions or removals, etc.
  - (j) guidelines for the sustainable development implementation plan and report;
  - (k) other matters relating to the implementation and administration of the JCM as necessary.
8. The Joint Committee designates the third-party entities to conduct validation and/or verification under the JCM.
9. On the basis of a request for registration of JCM projects submitted by project participants, the Joint Committee registers JCM projects which were validated by the third-party

entities.

10. On the basis of a request for notification to each side for issuance of credits submitted by project participants, the Joint Committee notifies both sides to issue the credits which were verified by the third-party entities.

11. The Joint Committee develops reports on the status of the implementation of the JCM and, where necessary, discusses issues related to the operation and management of the JCM.

12. In conjunction with meetings of the Joint Committee, both sides conduct policy consultations about the relevant policy measures of the JCM, where necessary.

#### **D. Each Side**

13. Each side establishes its respective secretariat and both secretariats jointly serve as the JCM secretariat through mutual communication for the Joint Committee.

14. Based on the rules and guidelines as developed by the Joint Committee and/or in accordance with relevant domestic laws and regulations in respective countries for the implementation of the JCM, each side, represented by the JCM secretariat, may:

- (a) Jointly:
  - (i) Prepare draft methodologies and draft rules and guidelines and submit them to the Joint Committee for its consideration, when necessary;
  - (ii) Receive new initiatives from candidate project participants;
  - (iii) Monitor the development of JCM related programs and implementation of JCM projects, taking into account sustainable development criteria and environmental integrity.
- (b) Separately, unless otherwise decided:
  - (i) Develop environmental and sustainable development criteria for JCM implementation as well as identifying needs for capacity building, and submit them to the Joint Committee;
  - (ii) Monitor the development of JCM Feasibility Studies activities;
  - (iii) Facilitate the project participants to perform project-based capacity building;
  - (iv) Establish and maintain a registry in line with the common specifications for registries, as developed by the Joint Committee;

- (v) On the basis of notification for issuance of credits by the Joint Committee including for allocation of credits among project participants, issue the notified amount of credits to its registry.
15. Each side promptly informs the Joint Committee on the issuance of credits under the JCM.
16. Each side takes necessary measures to ensure transparency in the implementation of the JCM.
17. Both sides ensure the avoidance of double counting on GHG emission reductions or removals by not using mitigation projects registered under the JCM for the purpose of other international climate mitigation mechanisms.

#### **E. Third-party Entities**

18. A third-party entity that is designated by the Joint Committee:
- (a) On the basis of requests from project participants, validates the project as described in a PDD prepared by the project participants, in line with the guidelines for the validation as developed by the Joint Committee, and informs the validation result to the project participants;
  - (b) On the basis of requests from project participants, verifies GHG emission reductions or removals achieved by the JCM project as described in the monitoring report prepared by the project participants, in line with the guidelines for the verification of GHG emission reductions or removals as developed by the Joint Committee, and informs the verification result to the project participants.

#### **F. Project Participants**

19. Project participants:
- (a) Prepare a draft methodology and submit the draft to the JCM secretariat to be reviewed before the Joint Committee approval, when necessary;
  - (b) Prepare an SDIP by filling in SDIP form and submit the SDIP to the JCM secretariat for a review;
  - (c) Prepare a draft PDD and submit the draft to a third-party entity for validation

and notify the Joint Committee through the JCM secretariat;

- (d) Submit the PDD that was validated by the third-party entity to the Joint Committee for its registration of the project;
- (e) Implement the JCM project and conduct monitoring in line with the PDD;
- (f) Prepare an SDIR by filling in SDIR form for each monitoring period and submit the SDIR to the JCM secretariat for an evaluation;
- (g) Prepare a monitoring report for each monitoring period and send the report to a third-party entity for verification;
- (h) Submit a verification report prepared by the third-party entity to the Joint Committee, and request notification to each side for issuance of credits under the JCM.

### **G. Development of Methodologies**

20. Besides the methodologies developed by the Joint Committee or each side, project participants may prepare a draft methodology and submit it to the JCM secretariat. The proposed methodology, after its completeness being checked as applicable, goes through the public comment process. After the public comment process, the proposed methodology is reviewed by the JCM secretariat when necessary before Joint Committee approval.

21. The Joint Committee determines either to approve or reject the proposed methodology, taking account, among other things, comments received and notifies the result to each side or project participants, as applicable. The Joint Committee makes publicly available the relevant information on the approved methodologies, including through a website.

### **H. Designation of Third-party Entities**

22. Upon receiving an application for designation of a third-party entity submitted by a candidate, the Joint Committee designates a third-party entity in line with the guidelines for the designation of third-party entities, and makes publicly available the relevant information on the designated third-party entity through a website.

23. The Joint Committee may suspend or withdraw the designation of a third-party entity if it has found fraud, malfeasance or incompetence of the entity.

### **I. Validation**

24. Validation is the process of independent evaluation of a proposed JCM project, on the basis of the PDD, by a third-party entity against the validation guidelines as developed by the Joint Committee.

25. Project participants develop a PDD by filling in the format and request a third-party entity to validate the proposed JCM project.

26. The third-party entity, in line with the guidelines for the validation as developed by the Joint Committee, validates the proposed JCM project and notifies the result to the project participants.

#### **J. Review of Sustainable Development Implementation Plan**

27. The project participants fill in the SDIP form in line with the guidelines for developing sustainable development implementation plan and report and submit the SDIP to the secretariat in line with the project cycle procedures.

28. By the end of the reviewing period, the secretariat notifies the project participants if potential negative impacts of the project on sustainable development are identified and an appropriate action plan is not described.

#### **K. Registration**

29. Registration is the formal acceptance by the Joint Committee of a validated project as a JCM project.

30. Project participants submit the PDD, which was validated by the third-party entity, and positively reviewed SDIP to the Joint Committee and request for registration.

31. Upon receiving the request for registration from project participants, the Joint Committee registers the project, notifies each side of the registration and makes publicly available the relevant information on the JCM project through a website.

#### **L. Monitoring**

32. Project participants implement a JCM project and monitor GHG emission reductions or removals by the JCM project based on the PDD.

#### **M. Verification**

33. Verification is the periodic independent review and ex post determination by a third-party entity of the monitored GHG emissions reductions or removals as a result of a registered JCM project during the verification period.

34. Project participants prepare a monitoring report and request a third-party entity for verification.

35. The third-party entity, in line with the guidelines for the verification of GHG emission reductions or removals as developed by the Joint Committee, verifies the amount of GHG emission reductions or removals on the basis of the monitoring report submitted by the project participants, prepares a verification report and sends the report to the project participants which requested verification.

#### **N. Evaluation of Sustainable Development Implementation Report**

36. The project participants fill in the SDIR form in line with the guidelines for developing sustainable development implementation plan and report and positively reviewed SDIP, and submit the SDIR to the secretariat in line with the project cycle procedures.

37. By the end of the evaluation period, the secretariat notifies the project participants if negative impacts of the project on sustainable development are identified without appropriate description on the corrective action.

#### **O. Issuance and Use of Credits**

38. Part of the credits is allocated to the project participants from ~~Japan~~the developed country taking into consideration their contribution to GHG emission reductions or removals through the JCM project. Actual amount of allocation of credits is consulted and determined by the project participants from ~~Japan~~the developed country and the Republic of Indonesia~~developing country~~ among themselves.

39. The project participants may allocate part of the credits to the respective side. At least ten (10) percent of the credits issued from the JCM project are allocated to the Indonesian side taking into account their contribution.
40. Project participants request the Joint Committee to notify each side to issue the credits to the respective account in the registry on the basis of the verification report and evaluated SDIR with the determined allocation of the credits among the project participants.
41. The Joint Committee conducts a completeness check on the request, including for allocation of the credits among the project participants, and notifies each side of the result.
42. The Joint Committee makes publicly available the relevant information on the issuance of credits through a website.
43. Based on the notification from the Joint Committee, each side issues the credits in their own registry.
44. Credits issued by each side can be used to achieve emission reduction targets of each side.

#### **P. Others**

45. A project which started operation on or after 1 January 2013 is eligible for consideration as the JCM project.
46. This Rules of Implementation for the JCM is valid until a new revision is developed by the Joint Committee or “Bilateral Cooperation on the Joint Crediting Mechanism for the Low Carbon Growth Partnership between Japan and the Republic of Indonesia” expires.