



## **APCF2017 Side Event Report Transfer of Low-Carbon Technology Through the Joint Crediting Mechanism (JCM)**

The Overseas Environmental Cooperation Center, Japan (OECC) held a side event on “Innovation, Deployment, and Transfer of Low-Carbon Technology Through the Joint Crediting Mechanism (JCM)” at the Asia Pacific Carbon Forum (APCF) that took place in Bangkok, Thailand on December 13-15. In addition to around 20 government officials and specialists from various countries, operators that are considering utilizing the JCM also participated in the event, resulting in a bidirectional discussion of active questions and answers.

- Date and time: December 14, 2017 (Thurs.), 10:30-11:30
- Organizer: Overseas Environmental Cooperation Center, Japan (OECC)
- Venue: United Nations Conference Centre, Meeting Room 4 (Bangkok, Thailand)
- Facilitator: Mr. Makoto Kato, (Principal Researcher, OECC)
- Presenter: Ms. Yuriko Koyanagi, (Researcher, OECC)
- Panelists: Ms. Paweena Panichayapichet (Manager, Review and Monitoring Office, Thailand Greenhouse Gas Management Organization: TGO), Ms. Aryanie Amellina (Analyst, Institute for Global Environmental Strategies: IGES), Ms. Yuriko Koyanagi, (Researcher, OECC)

Overview
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- The JCM is being actively managed as one international market mechanism. It was built and implemented through the cooperation of Japan and partner countries (17 countries). Following the adoption of the Paris Agreement, which is a historical agreement, the utilization of market mechanisms that are based on international cooperation, including the JCM, is being positioned as pertaining to Article 6 of that agreement.
- At this side event, an OECC project in Vietnam was introduced as an example of horizontal development projects in Southeast Asia, after which a representative from the TGO, which is the JCM's contact point in JCM partner country Thailand, along with a representative from IGES who currently provides support for the monitoring, reporting and verification (MRV) of JCM projects, were invited as panelists to discuss progress and expectations relating to the implementation of the JCM, and there was also a specific question and answer session on how the TGO, the IGES and the OECC are engaging in



project formulation and the procedures and timeframes involved in implementing projects.

#### Summary of the proceedings

- At the beginning, the OECC (1) provided information concerning the most recent situation with regard to progress with the JCM in the Asia-Pacific region, such as project registrations and credit issuances, and (2) shared its experiences supporting project formulation in Vietnam.
- Following that the panelists remarked on the following points:
  1. The current state of, and progress with, the JCM
  2. Expectations toward the implementation of the JCM for efficient and effective achievement of Nationally Determined Contributions (NDCs)
  3. Support for project participants (PPs) with horizontally developing successful examples
- The TGO shared details on the implementation situation for the JCM in Thailand, and it was noted that the JCM's MRV is extremely robustly designed. Additionally, it was also mentioned that the JCM is being managed while conforming to Thailand's NDCs.
- Following that, the IGES discussed the implementation of support for formulating methodology, which it is in charge of, support in the project cycle (capacity building), and project formulation support (using an online platform to undertake the "matchmaking" of entities that are considering projects), all of which it is implementing while keeping its sights set on the horizontal development of successful examples.
- In the question and answer session with the audience, questions were asked regarding the process followed up to uncovering JCM projects, the process, time and cost up to registering JCM projects, comparisons with the Clean Development Mechanism (CDM) and the Gold Standard, and there were also a large number of specific questions focused on formulating projects that utilize the JCM.

#### Question and answer session

Q1. How do you search for operators with the potential to be project participants, and how do you actually activate projects?

A1. OECC: In many cases operators approach the OECC, which undertakes support for the formulation of projects. The OECC is providing project formulation support through gathering information concerning low carbon technologies, studying the feasibility of projects in partner countries, and inviting representatives of partner countries to Japan for



training.

A1. TGO: At the same time as the Ministry of the Environment, Japan opens public calls for JCM project subsidies, the TGO holds seminars in Thailand to encourage local operators to apply.

Q2. What role does the support on the cost front that is provided by schemes such as the JCM fulfill in the formulation of projects for reducing emissions?

A2: OECC:

- As a result of implementing projects that utilize support on the cost front through the JCM and accumulating successful examples, operators will be able to secure a better grasp of the long-term benefits of implementing projects to reduce emissions. There have also been cases where this has resulted in projects being implemented without relying on the JCM or support services based on it.
- For example, in the Vietnam case, a local power distribution company was convinced of the energy-saving and other benefits of a Japan-made amorphous high-efficiency transformer technology that was introduced as a result of the JCM, and so it put in place procurement standards in order to adopt the technology itself thereafter.

Q3. Are the technologies that are eligible to be introduced under the mechanism limited to Japanese technologies, or are Thai technologies acceptable also? Are the project participants limited to Japanese operators?

A3. OECC: The technologies do not necessarily have to be Japanese. There are also examples of projects in Mongolia that employed technologies from the Czech Republic and Hungary. It is also possible for project participants that are not from the host country or Japan to take part in the JCM.

Q4. Am I correct in understanding that you hold down the number of monitoring points in order to reduce project operators' monitoring burdens?

A4. IGES: That understanding is correct. Our intent is to bring about a reduction in the monitoring burden, and as a whole the number of monitoring points can be described as small.

Q5. We are formulating community-scale projects in Southeast Asia, centering on easing projects. We chiefly utilize the CDM and the Gold Standard, but are also undertaking a detailed study of the JCM. Why does the JCM have a small credit issuance amount in comparison to the number of registered projects?



A5: OECC, IGES, TGO: The JCM decides reference emission amounts based on the highest level of the country's best available technologies, rather than business-as-usual (BAU) emission amounts. As a result, credit issuance amounts are calculated conservatively compared to BAU emission amounts<sup>1</sup>. Incidentally, at the present point in time the number of projects that have progressed to the credit issuance procedure is limited, but over 100 projects are already being implemented, and it is envisaged that credits will be issued from these projects in the future.

Q6. What is the process for project investment? Doesn't it pose problems if an operator is not able to raise the initial investment cost on its own?

A6. TGO: Subsidies offered by the Ministry of the Environment, Japan can be utilized to implement JCM projects. To utilize the subsidies, it is necessary to create a proposal with operators from Japan and partner countries, submit it to the Global Environment Centre Foundation (GEC, the executive body for project subsidies), and have it selected as a subsidized project based on a screening.

Q7. How much time is required up to project registration?

A7: OECC: It takes around six months from being matched up with operators that are interested, and one to two years in longer cases.

Q8. On average, what is the cost per 1t-CO<sub>2</sub>?

A8. TGO, OECC: There are differences in the cost per 1t-CO<sub>2</sub> depending on the technology that is introduced, but in subsidized JCM projects the cost is less than 4,000 yen per 1t-CO<sub>2</sub>.

(Presenters: Yuriko Koyanagi and Yuko Yoshida, OECC)

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Please refer to the following for a report on the side event:

[https://www.carbon-markets.go.jp/en\\_info-2/en\\_info\\_event/y\\_2017/20171214-2/](https://www.carbon-markets.go.jp/en_info-2/en_info_event/y_2017/20171214-2/)

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<sup>1</sup> Reference: See Q.14 (regarding “net decrease and/or avoidance”) on the FAQ page on Carbon Markets Express’ website

[URL: <https://www.carbon-markets.go.jp/eng/faq/jcm.html#faq01>]