

Art 6.2 cycle implementation in the Joint Crediting Mechanism (JCM)

@ERCST “Informal Forum on Implementation of
Article 6 of the Paris Agreement”

June 4th, 2023, Bonn, Germany

Ministry of the Environment, Japan

Overview of the JCM and Art 6.2 cycle

JCM scheme cycle

Establishment of JCM

- Gov. of partner country and Gov. of Japan sign a memorandum of cooperation for establishing the JCM.

Establishment of Joint Committee (JC)

- Both governments establish a Joint Committee (JC) which consists of representatives from each government.

Adoption of rules & guidelines

- The JC adopts rules and guidelines for the JCM.

Approval of methodologies

- The JC approves JCM methodologies.

Registration of projects

- The JC registers JCM projects.

Implementation of projects

- Project participants implement JCM projects in the partner country.

Issuance of credits

- Each government establish and maintain a registry.
- The JC notifies each government to issue JCM credits.
- Each government issues the JCM credits in its respective registry.

Use of credits

- Japan uses the JCM credits towards the achievement of Japan's NDC.

A6.2 cycle (Japan side)

Consistent with A6.2 Guidance

Submission of an initial report

Authorization

First transfer/
corresponding adjustment

Use for NDC/
corresponding adjustment

Tracking & recording

Submission of annual & regular info.

Consistent with A6.2 Guidance

Overview

- Guidance on cooperative approaches referred to in Article 6, paragraph 2, of the Paris Agreement was adopted at the COP26 (CMA3) in Glasgow.
- In order to implement the JCM consistent with this guidance, the partner countries and Japan should incorporate the following elements, among others, into the rules and guidelines of the JCM:
 - Arrangements for authorizing the use of JCM credits towards the achievement of NDCs
 - Application of corresponding adjustments
 - Description of how the JCM is consistent with the sustainable development objectives
 - Others (such as the introduction of crediting periods and clarification of “reference emissions”)
- In addition, the following modifications are proposed:
 - Project Idea Note (PIN) and “no objection” process
 - Procedures related to credit issuance

Authorization

- Authorization is a procedure required of each Party to use internationally transferred mitigation outcomes (ITMOs), referred in Article 6.3 of the Paris Agreement.
- Must be addressed by both Japan and partner countries.
- Should be incorporated in the JCM rules and guidelines in addition to the domestic process.

Proposed paragraphs in the Rules of Implementation/Guidance for the Implementation:

XX. Each governments authorize the JCM credits issued in the JCM registry of Japan for the use toward the achievement of Japan's nationally determined contribution as internationally transferred mitigation outcomes, consistent with the guidance on cooperative approaches, referred to in Article 6, paragraph 2 of the Paris Agreement (hereinafter referred to as "the guidance").

XX. Each government may authorize part of JCM credits for use for other international mitigation purposes, as appropriate, consistent with the guidance.

Reference: Article 6.3

3. The use of internationally transferred mitigation outcomes to achieve nationally determined contributions under this Agreement **shall be** voluntary and **authorized by participating Parties**.

Corresponding adjustments

- The avoidance of double counting is specified in the Bilateral Document/Memorandum of Cooperation.
- For partner countries that have already approved the Rules and Guidelines, the avoidance of double counting is also stated in the JCM Rules of Implementation/Guidance for the Implementation.
- Since the details of the avoidance of double counting of ITMOs are stipulated in Annex II, "corresponding adjustments" in the Article 6.2 guidance, the JCM should also incorporate the guidance to clarify necessary actions further.

Proposed paragraph in the Rules of Implementation/Guidance for the Implementation:

XX. The Government of XXX applies a corresponding adjustment to the JCM credits issued in the JCM registry of the Japan as well as the JCM credits issued in the JCM registry of XXX and authorized for the use toward other international mitigation purposes, consistent with the guidance.

Reference: Decision 1/CP21

36. Requests the Subsidiary Body for Scientific and Technological Advice to develop and recommend the guidance, ...including guidance to ensure that **double counting is avoided on the basis of a corresponding adjustment** by Parties ...;

Sustainable development

- Contribution to sustainable development in the partner countries is one of the objectives of the JCM, as stated in the Bilateral Document/Memorandum of Cooperation.
- The JCM should be able to describe how the mechanism reflects the eleventh preambular paragraph of the Paris Agreement and is consistent with the sustainable development objectives.

Proposed instruction in the Sustainable Development Implementation Plan:

“Social Environment and Local Community Participation” in the draft Sustainable Development Implementation Plan

- Please describe what best possible measures the project participants of the proposed project take to ensure human rights through the supply chain and the implementation of the proposed project, and demonstrate that there is no violation of human rights.
- Please describe, if possible, how the project participants of the proposed project respect, promote and consider their respective right to health, the rights of indigenous peoples, local communities, migrants, children, persons with disabilities and people in vulnerable situations and the right to development, as well as gender equality, empowerment of women and intergenerational equity.

Reference: Article 6.2 guidance Annex IV. Reporting

- A. Initial report. (i)
(ii) human rights, etc., (iii) sustainable development
- C. Regular information. Para22.
(g) human rights, etc., (h) sustainable development

Crediting period

- The JCM has been using the “expected operational lifetime of project” with the assumption that a project may continue to issue credits until the end of this period.
- Individual projects are not required to review the reference emissions in their methodologies once determined at the time of registration. Therefore, issuing credits over a long period could result in an over-issuance of credits.
- Two options are proposed along with the assessment of reference emissions in case of a renewable crediting period.

Proposed paragraph in the Rules of Implementation/Guidance for the Implementation:

XX. Each JCM project selects the crediting period which is either a fixed period of 10 years, or a renewable period of five (5) years which may be renewed twice at the maximum. JCM credits are issued based on GHG emission reductions or removals realized until 31 December 2030.

Reference: Article 6.4 guidance Annex

31. The activity:

(f) Shall apply a crediting period for the issuance of A6.4ERs, that is **a maximum of 5 years renewable a maximum of twice**, or **a maximum of 10 years with no option of renewal**, that is appropriate to the activity, or, in respect of activities involving removals, a crediting period of a maximum of 15 years renewable a maximum of twice that is appropriate to the activity, and that is subject to approval by the Supervisory Body, or any shorter crediting period specified by the host Party pursuant to paragraph 27(b) above. ...

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Initial report

- As the A6.2 guidance stipulates that an initial report shall be submitted no later than authorization of ITMOs or where practical, in conjunction with the next biennial transparency report.

Initial report items (6.2 guidance)

Participation

- Fulfilment of participation responsibilities
- Copy of authorization, a description of the approach, the participating Parties involved and authorized entities, etc.

Ensuring env. integrity

- Ensuring no net increase within NDC implementation period
- Governance and mitigation outcomes, etc.

Other methods

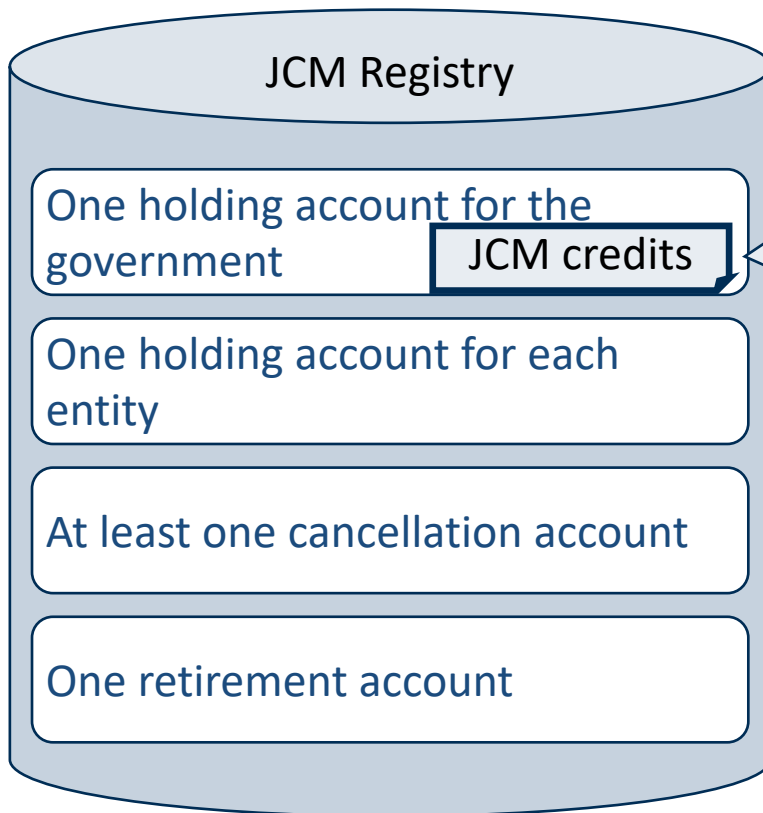
- Consistent with SD objectives

JCM

- NDC
- National Inventory Report
- Guidelines for the Implementation of the Joint Crediting Mechanism (JCM) in Japan
 - JCM registry system of Japan
- Procedures for Authorization regarding the JCM
 - “Establishment of the JCM Promotion and Utilization Council”
 - “Procedures for Authorization as a Party to the Paris Agreement regarding the Joint Crediting Mechanism”)
- JCM Rules & guidelines between Japan and partner countries

Tracking & recording

- In the JCM, each country establishes and manages its JCM registry, and tracks and records JCM credits using that registry.
- Each JCM registry has a holding account(s), a retirement account, and a cancellation account(s). A transfer of a JCM credit between accounts is regarded as an action such as use for NDC or cancellation, etc.
- Each JCM credit has a unique serial number and relevant information such as project reference number is recorded for each credit in the JCM registry.



- Elements of serial number
 - Identification of the JCM
 - Identifier of the host country
 - Identifier of the country of issuance
 - Identification of year of emission reductions or removals
 - Unit

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Authorization in Japan

Procedures for Authorization as a Party to the Paris Agreement regarding the Joint Crediting Mechanism (JCM)

JCM Promotion and Utilization Council in Japan

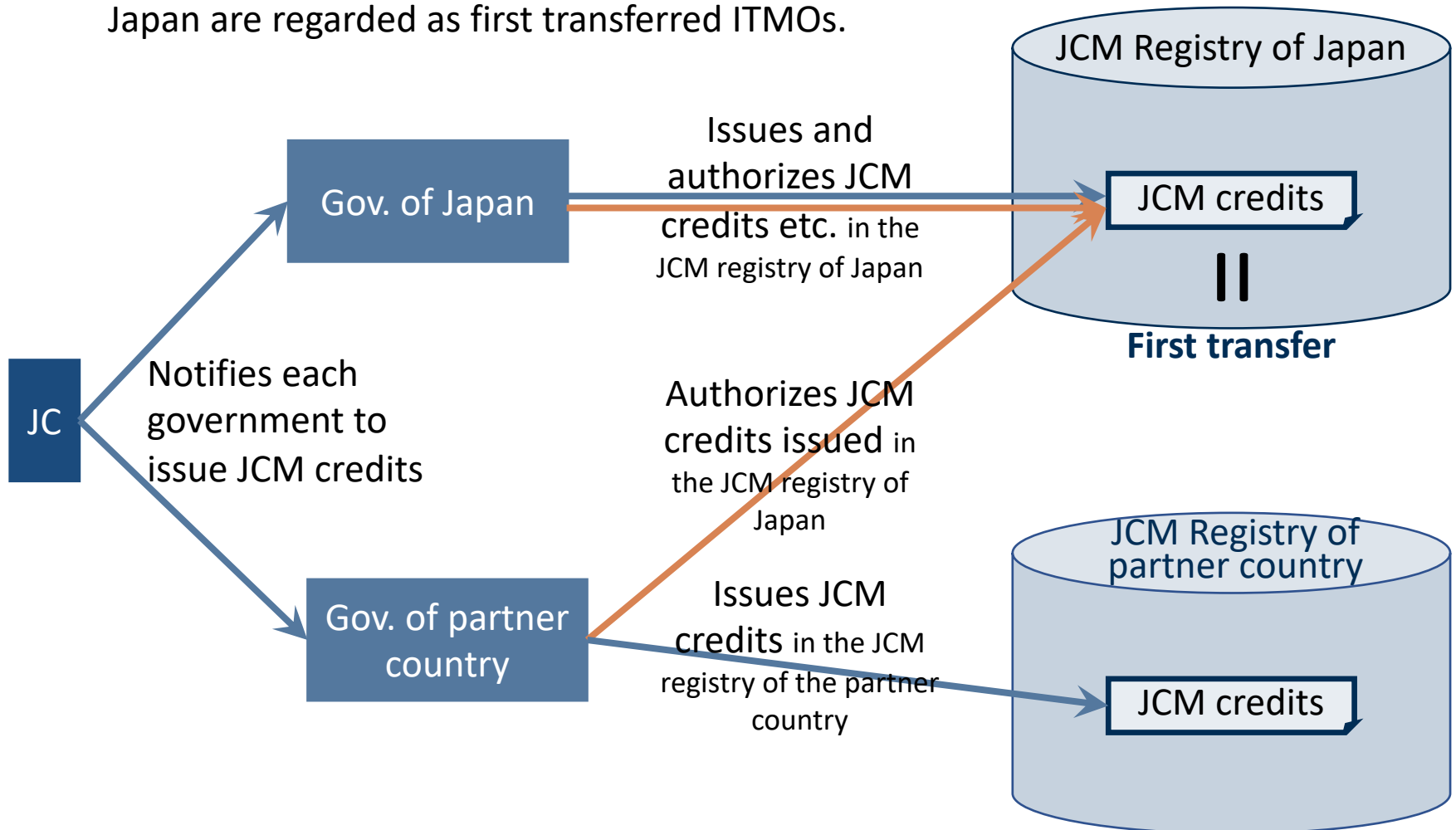
The procedures described as separately specified in Article 6 "Authorization as a Party to the Paris Agreement", paragraph 1 of the Guidelines for the Implementation of the JCM in Japan (effective since January 17th, 2022) are defined as follows, in accordance with Article 6, paragraph 3 of the Paris Agreement and the CMA decision concerning guidance on cooperative approaches referred to in Article 6, paragraph 2, of the Paris Agreement (decision 2/CMA.3).

(1) The JCM Promotion and Utilization Council **authorizes JCM credits issued in the JCM registry of Japan, JCM projects** issuing those JCM credits **and legal entities acquiring those JCM credits**, etc., **based on the notification from the Joint Committees** decided in line with the JCM bilateral documents, rules and guidelines.

(2) The JCM implementing authorities promptly publish the information on authorization on the JCM website (<https://www.jcm.go.jp>) including the name of a relevant partner country, the name of a JCM project, the name of a legal entity acquiring JCM credits, JCM credit identification number, and the status of authorization by the relevant partner country, etc.

Issuance, authorization and first transfer

- In the JCM, each government issues JCM credits in its respective JCM registry.
- As to the JCM credits issued in the JCM registry of Japan, both governments of a partner country and Japan authorize use of credits towards achieving NDC.
- Upon authorization by the partner country, JCM credits issued in the Registry of Japan are regarded as first transferred ITMOs.



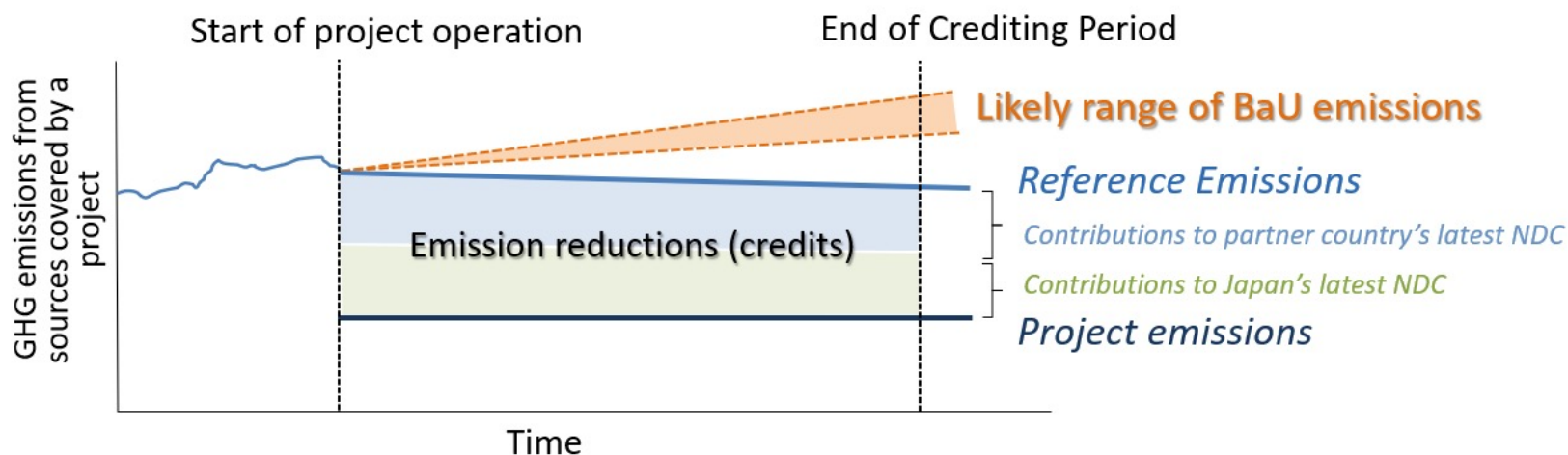
Other Important Items

Reference emissions

- The JCM has been using “net decrease and/or avoidance of GHG emission,” and the reference emissions are calculated below business-as-usual (BaU) emissions to ensure a net decrease and/or avoidance of GHG emissions.
- “Reference emission” should be clarified in the context of the achievement of NDCs.

Proposed paragraph in the Guidelines for Developing Proposed Methodology:

XX. The reference emissions are established in a manner that the proposed project contributes to the achievement of the latest nationally determined contributions of XXX under the Paris Agreement.



Project Idea Note and 'no objection' process

- The project idea note (“PIN”) form and “no objection” process are proposed for better communication between project participants and governments on potential JCM projects.
- The process will also give the project participants certain a degree of assurance.
- The project participants of a planned project who seek to request registration under the JCM prepare a project idea note (“PIN”) and submit it to the Joint Committee through the secretariat before implementing the project.

Proposed paragraph in the Project Cycle Procedure:

1.4. No objection to a planned project

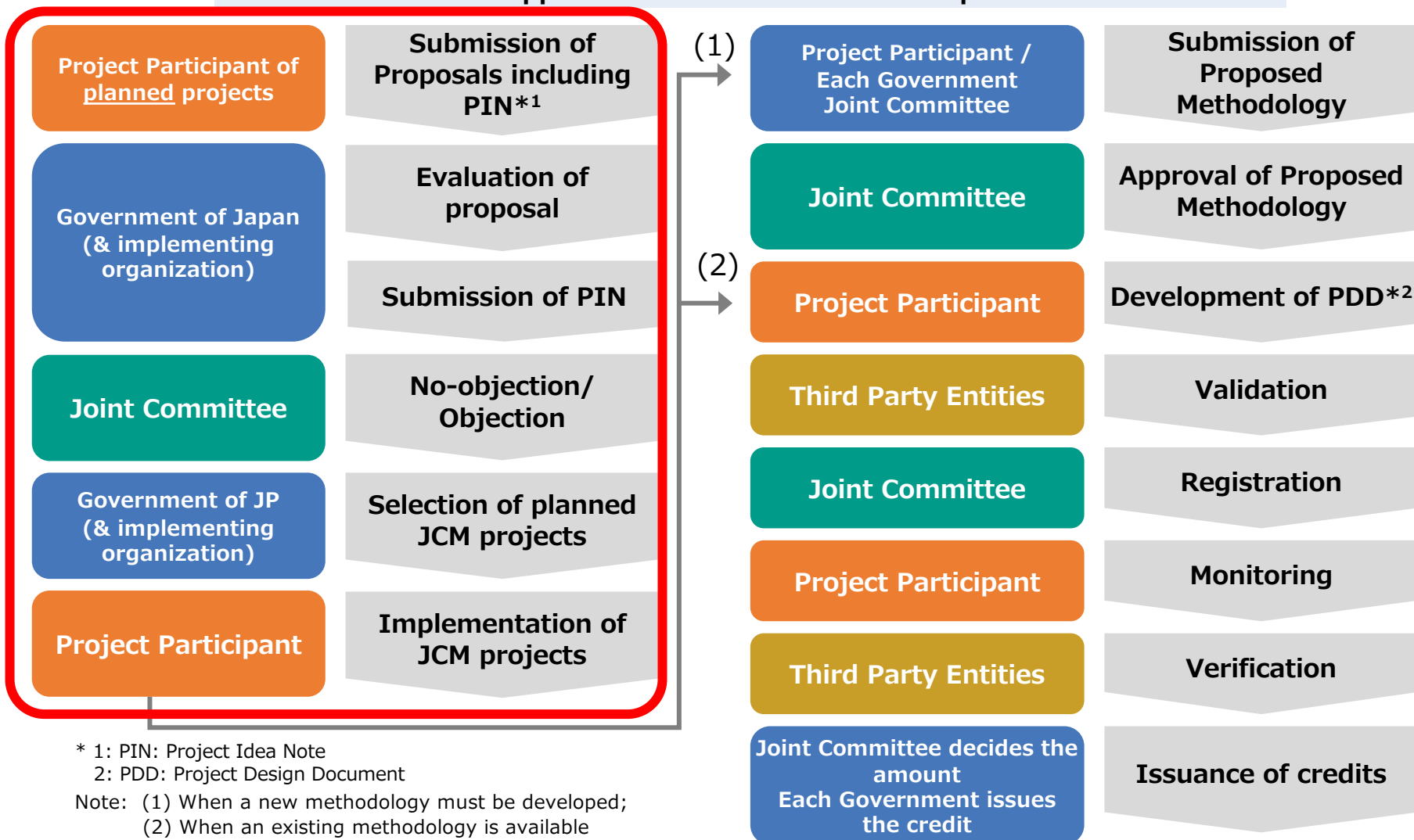
1.4.1. Submission of project idea note

X. The project participants of a planned project who seek to request registration under the JCM prepare a project idea note (hereinafter referred to as “PIN”) and submit it, using the latest version of the “JCM Project Idea Note Form”, to the Joint Committee through the secretariat, before implementing the project.

X. In case the project participants of the planned project expect to receive financial support for the project from the Government of Japan, the PIN should be submitted from a relevant ministry in the Government of Japan to the Joint Committee through the secretariat.

Project Cycle of the JCM (Proposal)

In case project participants of a planned project expect to receive financial support from the Government of Japan



* 1: PIN: Project Idea Note

2: PDD: Project Design Document

Note: (1) When a new methodology must be developed;

(2) When an existing methodology is available

Procedures related to credit issuance

- In the current JCM rules and guidelines, the allocation of credits is discussed among project participants (PPs) and submitted to the Joint Committee, taking into account their respective contributions. However, the governments of Japan and partner countries and the PPs negotiate the allocation of credits in relation to the financial support from the Japanese government and the achievement of the partner country's climate change goals.
- To enhance the overall efficiency of credit issuance, PPs should submit the percentage of credit allocation to the JC at the time of project registration. Then, the JC will decide on the allocation at the same time as the registration, and the percentage will be made public. When requesting for issuance of credits, PPs need to follow the percentage.

Proposed paragraph:

1.8.1. Request for registration

1.8.1.1. Submission of request for registration

XX. Project participants of a JCM project consult among themselves and both governments the percentage of credit allocation among the project participants of Japan, the project participants of the Government of XXX, the Government of Japan and the Government of XXX, taking into consideration their respective contribution to GHG emission reductions or removals.

XX. Upon positive result of the consideration, the Joint Committee decides the percentage of credit allocation and register the proposed JCM project.

JCM Rules, Guidelines, and Forms (Proposal)

Category	Rules and Guidelines	Forms
General	Bilateral document / Memorandum of Cooperation	
	1. Rules of Implementation (RoI)	
	2. Glossary of Terms	
	3. Common Specifications of the JCM Registry	
Project Cycle	4. Project Cycle Procedure (PCP)	<ol style="list-style-type: none"> 1. Project Idea Note (PIN) Form 2. Modalities of Communication Statement Form 3. Assessment of Reference Emissions Request Form 4. Project Registration Request Form 5. Percentage of Credit Allocation Form 6. JCM Project Implementation Report Form 7. Credits Issuance Request Form 8. Renewal of Crediting Period Request Form 9. Approved Methodology Revision Request Form 10. Post-Registration Change Request Form 11. Registration Request Withdrawal Form 12. Project Withdrawal Request Form 13. Issuance Request Withdrawal Form
	5. Guidelines for Developing Proposed Methodology	<ul style="list-style-type: none"> • Proposed Methodology Form* • Proposed Methodology Spreadsheet*
	6. Guidelines for Developing Project Design Document and Monitoring Report	<ul style="list-style-type: none"> • Project Design Document (PDD) Form*
	7. Guidelines for Developing Sustainable Development Implementation Plan and Report	<ul style="list-style-type: none"> • Sustainable Development Implementation Plan (SDIP)* • Sustainable Development Implementation Report (SDIR)*
	8. Guidelines for Designation as a Third-Party Entity	<ul style="list-style-type: none"> • Application Form for Designation as a Third-Party Entity*
	9. Guidelines for Validation and Verification	<ol style="list-style-type: none"> 14. Validation Report Form 15. Verification Report Form
	10. Rules of Procedures for the Joint Committee (JC)	
Third-Party Entity (TPE)		
Joint Committee		