

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

The Joint Committee of the JCM mentioned in the “Low Carbon Growth Partnership between the Japanese side and the Ethiopian side”, 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 the diffusion of leading low carbon technologies, products, systems, services, and infrastructure; the implementation of mitigation actions; and, in the process, to contribute to the climate resilient green economy strategy of the Federal Democratic Republic of Ethiopia;
  - (b) To appropriately evaluate contributions to quantified greenhouse gas (hereinafter referred to as “GHG”) emission reductions or removals from Japan through mitigation actions implemented in the Federal Democratic Republic of Ethiopia 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 a quantified amount of GHG emission reduction or removal achieved by the contribution of a project participant in the implementation of a GHG emission reduction or removal project activity under the JCM (hereinafter referred to as “JCM project”).
4. The JCM starts its operation as a non-tradable credit type mechanism. The Japanese side and the Ethiopian side (hereinafter referred to as “both sides”) will continue consultations

for the transition of the JCM to a tradable credit type mechanism and will reach a conclusion at the earliest possible time, taking account of the implementation of the JCM.

### **C. Joint Committee**

5. Both sides establish a Joint Committee which consists of representatives from both sides.

6. The Joint Committee may develop or modify the Rules of Implementation and other rules and guidelines necessary for the implementation of the JCM, including, but not limited to:

- (a) rules of procedure of the Joint Committee;
- (b) guidelines for the development of methodologies;
- (c) methodologies;
- (d) requirements for the designation of third-party entities;
- (e) guidelines for validation;
- (f) monitoring guidelines;
- (g) guidelines for the verification of GHG emission reductions or removals;
- (h) common specifications of registries;
- (i) format for project design document (hereinafter referred to as “PDD”), request for the registration of JCM projects, monitoring report, request for the verification of emission reductions or removals, etc.

7. For the validation of the implementation of a JCM project, the Joint Committee designates a third-party entity.

8. On the basis of a request for the registration of a JCM project submitted by a project participant, the Joint Committee registers a JCM project which has been validated by the third-party entity.

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

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

11. In conjunction with meetings of the Joint Committee, both sides conduct consultations about the relevant measures of the JCM.

12. The Joint Committee will establish its secretariat for the implementation of the JCM.

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

13. Each side, based on the rules and guidelines developed by the Joint Committee and/or in accordance with relevant domestic laws and regulations in the respective countries for the implementation of the JCM:

- (a) Prepares draft methodologies and submits them to the Joint Committee;
- (b) Establishes and maintains a registry in line with the common specifications for registries, as developed by the Joint Committee;
- (c) On the basis of a notification for the issuance of credits given by the Joint Committee (including for the allocation of credits among the participants which are jointly involved in the implementation of a JCM project), issues the notified amount of credits in its registry.

14. Each side promptly informs the Joint Committee on the issuance of credits under the JCM.

15. Each side takes the necessary measures to ensure transparency in the implementation of the JCM.

16. Neither side will use any registered JCM project for the purpose of any other international climate mitigation mechanism so as to avoid double counting.

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

17. A third-party entity that is designated by the Joint Committee:

- (a) On the basis of a request from the project participant, validates the project as described in the PDD prepared by the project participant, in line with the guidelines for validation developed by the Joint Committee, and informs the validation result to the project participant;
- (b) On the basis of a request from a project participant, verifies GHG emission reductions or removals achieved by the JCM project described in the monitoring

report prepared by the project participant in line with the guidelines for the verification of GHG emission reductions or removals developed by the Joint Committee, records the verification result in a verification report and sends the report to the project participant.

#### **F. Project Participant**

18. A project participant:
- (a) Prepares a draft methodology and submits the draft to the Joint Committee for its approval;
  - (b) Prepares a draft PDD and submits the draft to a third-party entity for validation and notifies the Joint Committee accordingly;
  - (c) Submits the PDD that was validated by the third-party entity to the Joint Committee for its registration of the project;
  - (d) Implements the JCM project and conducts monitoring in line with the PDD;
  - (e) Prepares a monitoring report, and sends the report to the third-party entity for verification;
  - (f) Submits a verification report prepared by the third-party entity to the Joint Committee and requests notification to each side for the issuance of credits under the JCM.

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

19. Each side or project participant prepares a draft methodology and submits it to the Joint Committee. The submitted draft methodology, after its completeness has been checked by the Joint Committee, becomes opened to the public for comments.

20. The Joint Committee determines either to approve or reject the draft methodology, taking account of, among other things, comments received, and notifies the result to each side and to the project participant. The Joint Committee makes publicly available the relevant information on approved methodologies through a website.

#### **H. Designation of a Third-party Entity**

21. 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 requirements for

the designation of third party entities and makes publicly available the relevant information on it through a website.

22. 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**

23. 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 developed by the Joint Committee.

24. A project participant develops a PDD by filling in the format, selects and makes a contract with a third-party entity, and requests it to validate the proposed JCM project.

25. The third-party entity validates the proposed JCM project as described in the PDD in line with the guidelines for validation as developed by the Joint Committee and notifies the result of the validation to the project participant.

### **J. Registration**

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

27. A project participant submits the PDD, which was validated by the third-party entity, to the Joint Committee and request for registration.

28. Upon receiving the request for registration from a project participant, 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.

### **K. Monitoring**

29. A project participant implements a JCM project and monitors GHG emission reduction or removal by the JCM project based on the PDD.

## **L. Verification**

30. Verification is the periodic independent review and ex post determination by a third-party entity of the monitored GHG emission reduction or removal as a result of a registered JCM project.

31. A project participant prepares a monitoring report, selects and makes a contract with a third-party entity, and requests it to verify the GHG emission reduction or removal achieved by the implementation of the JCM project.

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

## **M. Issuance of Credits**

33. Each side may establish a registry to record and use of the credits.

34. The credits from a JCM project accrue to the project participant.

35. A project participant requests the Joint Committee to notify each side to issue the credits to its account in the registry on the basis of the verification report with the determined allocation of the credits among the project participants.

36. The Joint Committee conducts a completeness check on the request, and notifies each side of the result.

37. The Joint Committee makes publicly available the relevant information on the issuance of credits through a website.

## **N. Use of Credits**

38. Credits issued by each side can be used by Japan to achieve its emission reduction targets and to contribute to greening Ethiopia's economic development.

39. Each side checks the status of the issuance and use of credits and, consistent with Paragraph 16, makes sure that no double counting has been made.

**O. Others**

40. A project which started operation on or after 1 January 2013 is eligible for consideration as the JCM project.

41. The JCM covers the period until a possible coming into effect of a new international framework under the UNFCCC. Both sides consider the possible extension of the JCM before its termination, taking into account, inter alia, the progress made in the United Nations negotiations on climate change.