

## **Rules of Implementation of the Joint Crediting Mechanism (JCM)**

The Joint Committee of the JCM, mentioned in “Memorandum of Cooperation on the Joint Crediting Mechanism between the Government of Japan and the Government of the Democratic Socialist Republic of Sri Lanka”, hereby establishes the rules of implementation of the JCM as follows:

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

1. The JCM aims to facilitate diffusion of, among others, leading decarbonizing technologies, products, systems, services and infrastructure as well as implementation of mitigation actions, thereby contributing to greenhouse gas (hereinafter referred to as “GHG”) emissions reductions or removals and sustainable development in Sri Lanka.

2. The JCM also aims to appropriately evaluate GHG emission reductions or removals in a quantitative manner and contribute to the achievement of nationally determined contributions of Japan and Sri Lanka under the Paris Agreement.

### **B. Scope**

3. GHGs are 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>).

4. Credits under the JCM (hereinafter referred to as “JCM credits”) are issued based on quantified amount of GHG emission reductions or removals achieved by project participants in the implementation of GHG emission reductions or removals project activities under the JCM (hereinafter referred to as “JCM projects”).

5. The applicable period for issuance of JCM credits covers GHG emission reductions or removals from JCM projects realized after 1<sup>st</sup> January 2021 until 31<sup>st</sup> December 2030. The Joint Committee may decide to extend the applicable period for issuance of JCM credits.

6. 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 during the crediting period within the applicable period for issuance of JCM credits referred to in paragraph 5.

### **C. Joint Committee**

7. The Joint Committee develops or modifies this Rules of Implementation, rules and guidelines, forms and necessary documents for the implementation of the JCM, including, but not limited to:

- (a) Rules of Procedures of the Joint Committee
- (b) Project Cycle Procedure
- (c) Guidelines for Developing Proposed Methodology
- (d) Guidelines for Developing Project Design Document and Monitoring Report
- (e) Guidelines for Developing Sustainable Development Implementation Plan and Report
- (f) Guidelines for Designation as a Third-Party Entity
- (g) Guidelines for Validation and Verification
- (h) Common Specifications of a JCM registry

8. The Joint Committee designates third-party entities as referred to in paragraph 18.

9. On the basis of a Project Idea Note (hereinafter referred to as “PIN”) submitted by project participants, the Joint Committee decides to accept or reject the planned project described in the PIN.

10. On the basis of a request for registration of a JCM project submitted by project participants, the Joint Committee decides to register the JCM project, which was validated by a third-party entity, and adopts the percentage of JCM credit allocation for the JCM project.

11. On the basis of a request for notification to each government of issuance of JCM credits submitted by project participants, the Joint Committee notifies each government to issue the JCM credits, which were verified by a third-party entity.

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

13. The Joint Committee establishes its secretariat for the implementation of the JCM.

#### **D. Each Government**

14. Each government, based on the rules and guidelines to be developed by the Joint Committee and in accordance with relevant domestic laws and regulations in respective countries to the implementation of the JCM:

- (a) Establishes and maintains a registry in line with the Common Specifications of the JCM Registry;
- (b) On the basis of notification for issuance of JCM credits by the Joint Committee, issues the notified amount of JCM credits to their respective registries.

15. Each government promptly informs the other government of the issuance of JCM credits.

16. Each government takes necessary measures to ensure transparency in the implementation of the JCM.

17. Neither government uses any JCM projects for the purpose of any other international climate mitigation mechanisms, in order to avoid double counting.

#### **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 Project Design Document (hereinafter referred to as “PDD”) prepared by the project participants, in line with the Guidelines for Validation and Verification and informs the project participants of the validation result;
- (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 Validation and Verification, records the verification result in a verification report and sends the report to the project participants.

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

19. Project participants:

- (a) Prepare a PIN and submit it to the Joint Committee through its secretariat for its

decision;

- (b) Prepare a draft methodology and submit the draft to the Joint Committee for its approval;
- (c) Prepare a draft PDD and submit the draft to a third-party entity for validation and to the JCM secretariat for public inputs;
- (d) Prepare a Sustainable Development Implementation Plan (hereinafter referred to as “SDIP”) and submit it to the Joint Committee for review;
- (e) Submit the PDD that was validated by the third-party entity, the percentage of JCM credit allocation and positively reviewed SDIP, to the Joint Committee for its registration of the JCM project;
- (f) Implement the JCM project and conduct monitoring in line with the PDD;
- (g) Prepare a project implementation report and submit it to the Joint Committee annually until the end of the operational lifetime of the JCM project or the end of the crediting period, whichever comes first;
- (h) Prepare a monitoring report and send the report to a third-party entity for verification;
- (i) Prepare a Sustainable Development Implementation Report (hereinafter referred to as “SDIR”) and submit it to the Joint Committee for an evaluation;
- (j) Submit a verification report prepared by the third-party entity and evaluated SDIR to the Joint Committee and request notification to each government for issuance of JCM credits.

#### **G. Submission of Project Idea Note**

20. The project participants prepare a PIN and submit it to the Joint Committee. Those planned projects described in the PINs to which the Joint Committee decides not to object may proceed to the request for registration of project.

#### **H. Development of Methodologies**

21. Project participant prepares a draft methodology and submits it to the Joint Committee. The submitted draft methodology, after its completeness being checked, goes through public inputs process.

22. The Joint Committee determines either to approve or reject the draft methodology, taking into consideration, among other things, inputs received and notifies the result to project participant, as applicable. The secretariat of the Joint Committee makes publicly available the relevant information on the approved methodologies through a website.

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

23. Upon receiving an application for designation as a third-party entity submitted by a candidate, the Joint Committee designates a third-party entity in line with the Guidelines for Designation as a Third-Party Entity, and makes publicly available the relevant information on the designated third-party entity through a website.

24. 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.

### **J. Validation**

25. Validation is the process of independent evaluation of a proposed JCM project by a third-party entity against the Guidelines for Validation and Verification.

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

27. The third-party entity, in line with the Guidelines for Validation and Verification, validates the proposed JCM project as described in the PDD and notifies the result of the validation to the project participants.

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

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

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

## **L. Registration**

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

31. Project participants of a JCM project consult among themselves and with both governments the percentage of JCM credit allocation among the project participants of Japan, the project participants of Sri Lanka, the Government of Japan and the Government of the Democratic Socialist Republic of Sri Lanka respectively, taking into consideration their respective contribution to GHG emission reductions or removals by the JCM project.

32. Project participants submit the PDD, which was validated by the third-party entity, the percentage of JCM credit allocation and positively reviewed SDIP, to the Joint Committee and request for their registration.

33. Upon receiving a request for registration from project participants, the Joint Committee decides the percentage of JCM credit allocation, registers as the JCM project, notifies each government of the registration, and makes publicly available the relevant information on the JCM project through a website.

## **M. Monitoring**

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

## **N. Verification**

35. Verification is the periodic independent review and *ex post* determination of monitored GHG emissions reductions or removals for a specific monitoring period of a registered JCM project conducted by a third-party entity.

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

37. The third-party entity, in line with the Guidelines for Validation and Verification, 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.

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

38. 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 it to the secretariat in line with the project cycle procedures.

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

#### **P. Issuance of JCM Credits**

40. Each government establishes a registry to record and use JCM credits, measured in metric tonnes of carbon dioxide equivalent (tCO<sub>2</sub>eq) in line with the methodologies and metrics assessed by the Intergovernmental Panel on Climate Change.

41. Project participants request the Joint Committee to notify each government to issue JCM credits to its respective account in the registry on the basis of the verification report and evaluated SDIR, in line with the percentage of JCM credit allocation decided in paragraph 33.

42. Upon receiving the request for issuance of JCM credits from project participants, the Joint Committee notifies each government of issuance of JCM credits

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

#### **Q. Use of JCM Credits**

44. JCM credits issued from emission reductions and removals may be used towards the achievement of Japan's nationally determined contribution and the rest of the said JCM credits may contribute to the achievement of Sri Lanka's nationally determined contribution, while ensuring that double counting is avoided on the basis of corresponding adjustments.

45. JCM credits are issued in the JCM registry of Japan and the JCM registry of Sri Lanka respectively with the avoidance of double counting. JCM credits issued by each government are tradable within its respective country.

46. JCM credits may not be traded between the JCM registry of Japan and the JCM registry of Sri Lanka unless each government establishes necessary arrangements for the trade.

47. Each government authorizes 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").

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

49. The Government of the Democratic Socialist Republic of Sri Lanka 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 Sri Lanka and authorizes for the use toward other international mitigation purposes, consistent with the guidance.

50. Each government checks the status of the issuance and use of JCM credits and makes sure that double counting is avoided as described in paragraphs 17 and 44.