

## **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~~~~gases~~ (hereinafter referred to as “GHG”) emission reductions or removals from Japan in a quantitative manner, 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~~~~reductions~~ or ~~removal~~~~removals~~ achieved by the contribution of ~~a~~–project ~~partieipant~~~~participants~~ in the implementation of ~~a~~–GHG emission ~~reduction~~~~reductions~~ or ~~removal~~~~removals~~ project ~~activity~~~~activities~~ under the JCM (hereinafter referred to as “JCM ~~projeet~~~~projects~~”).
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 ~~at~~the Joint Committee which consists of ~~the~~ 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~~procedures of the Joint Committee;
- (b) guidelines for the development of methodologies;
- (c) methodologies;
- (d) ~~requirements~~guidelines for the designation ~~of~~as a third-party ~~entities~~entity;
- (e) guidelines for ~~the~~ validation;
- (f) monitoring guidelines;
- (g) guidelines for the verification of GHG emission reductions or removals;
- (h) common specifications ~~of~~for registries;
- (i) ~~format~~forms 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~~The Joint Committee designates ~~at~~the third-party ~~entity~~entities.

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

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

10. The Joint Committee ~~writes~~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.

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

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

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

13. Each side, based on the rules and guidelines as 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~~credit 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 into 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~~uses any mitigation projects registered under the JCM ~~project~~ for the purpose of any other international climate mitigation ~~mechanism so as~~mechanisms 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~~-requestrequests from ~~the~~ project participantparticipants, validates the project as described in ~~the~~a PDD prepared by the project

~~participant~~participants, in line with the guidelines for the validation as developed by the Joint Committee, and informs the validation result to the project ~~participant~~participants;

- (b) On the basis of ~~a request~~requests from ~~a project~~ ~~participant~~participants, verifies GHG emission reductions or removals achieved by the JCM project as described in the monitoring report prepared by the project ~~participant~~participants, in line with the guidelines for the verification of GHG emission reductions or removals as developed by the Joint Committee, records the verification result in a verification report and sends the report to the project ~~participant~~participants.

#### **F. Project ~~Participant~~Participants**

~~18. A project participant:~~

~~18. Prepares~~Project participants:

- (a) ~~Prepare~~ a draft methodology and ~~submits~~submit the draft to the Joint Committee for its approval;
- (b) ~~Prepares~~Prepare a draft PDD and ~~submits~~submit the draft to a third-party entity for validation and ~~notifies~~notify the Joint Committee ~~accordingly~~;
- (c) ~~Submits~~Submit the PDD that was validated by the third-party entity to the Joint Committee for its registration of the project;
- (d) ~~Implements~~Implement the JCM project and ~~conducts~~conduct monitoring in line with the PDD;
- (e) ~~Prepares~~Prepare a monitoring report, and ~~sends~~send the report to ~~the~~a third-party entity for verification;
- (f) ~~Submits~~Submit a verification report prepared by the third-party entity to the Joint Committee, and ~~requests~~request 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~~being checked ~~by the Joint Committee, becomes opened to the~~ goes through public ~~for~~ commentsinputs process.

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

#### H. Designation of ~~a~~ Third-party ~~Entity~~Entities

21. Upon receiving an application for designation ~~of~~as a third-party entity submitted by a candidate, the Joint Committee designates a third-party entity in line with the ~~requirements~~guidelines for the designation ~~of~~as a third-party ~~entity~~entity, and makes publicly available the relevant information on ~~the~~the designated third-party entity 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 as developed by the Joint Committee on the basis of the PDD.

24. ~~A project participant develops~~Project participants develop a PDD by filling in the ~~format, selects~~form and ~~makes a contract with~~request 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 the validation as developed by the Joint Committee, validates the proposed JCM project as described in the PDD and notifies the result of the validation to the project ~~participant~~participants.

#### 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~~Project participants submit 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~~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.

### K. Monitoring

29. ~~A project participant implements~~Project participants implement a JCM project and ~~monitors~~monitor GHG emission ~~reduction~~reductions or ~~removal~~removals 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~~emissions ~~reduction~~reductions or ~~removal~~removals as a result of a registered JCM project during the verification period.

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

32. 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 ~~reduction~~reductions or ~~removal~~removals on the basis of the monitoring report submitted by the project ~~participant~~participants, prepares a verification report and sends the report to the project ~~participant~~participants which requested ~~the~~ verification.

### M. Issuance of Credits

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

33-34. Part of the credits is allocated to the project participants from Japan 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 and the Federal Democratic Republic of Ethiopia among themselves.

34.35. The project participants may allocate part of the credits ~~from a JCM project accrue~~ to the ~~project participant.~~ respective sides.

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

36.37. 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.

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

#### **N. Use of Credits**

38.39. 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.

39.40. 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~~ as described in paragraph 16 of credits is discovered.

#### **O. Others**

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

41.42. 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 and reach a conclusion before its termination, taking into account, inter alia, the progress made in the United Nations negotiations on climate change.