

Rules of Implementation for The Joint Crediting Mechanism (JCM)

The Joint Committee of the JCM, mentioned in “Bilateral Cooperation on the Joint Crediting Mechanism for the Low Carbon Growth Partnership between Japan and the Republic of Indonesia”, 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 diffusion of leading decarbonizing technologies, products, systems, services, and infrastructure as well as implementation of mitigation actions, and contribute to sustainable development of the Republic of Indonesia;
 - (b) To appropriately evaluate contributions to greenhouse gases (hereinafter referred to as “GHG”) emission reductions or removals from Japan in a quantitative manner through mitigation actions implemented in the Republic of Indonesia and to contribute to the achievement of nationally determined contributions of Japan and the Republic of Indonesia under the Paris Agreement;
 - (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. GHGs are those gases of carbon dioxide (CO₂), methane (CH₄), nitrous oxide (N₂O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), sulphur hexafluoride (SF₆) and nitrogen trifluoride (NF₃).
3. 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”).
4. JCM credits are issued based on GHG emission reductions or removals realized until 31 December 2030.

5. 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. The crediting period for carbon capture and storage and carbon capture, utilization and storage (hereinafter referred to as “CCS and CCUS”) projects refers to a period from which the project participants of a JCM project start injection of CO₂ into a reservoir and to which the project participants terminate the injection of CO₂ collected through the JCM project.

C. Joint Committee

6. The Joint Committee convenes meetings on a regular basis.

7. The Joint Committee receives the information of potential projects to be submitted by the project participants under the JCM.

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

- (a) rules of procedures of the Joint Committee;
- (b) guidelines for the development of methodologies;
- (c) methodologies;
- (d) guidelines for the designation of third-party entities;
- (e) guidelines for the validation;
- (f) monitoring guidelines;
- (g) guidelines for the verification of GHG emission reductions or removals;
- (h) common specifications for registries;
- (i) formats for project design document (hereinafter referred to as “PDD”), sustainable development implementation plan (hereinafter referred to as “SDIP”), request for registration of JCM projects, monitoring report, sustainable development implementation report (hereinafter referred to as “SDIR”), request for verification of emission reductions or removals, etc.;
- (j) guidelines for the sustainable development implementation plan and report;
- (k) other matters relating to the implementation and administration of the JCM as necessary.

9. The Joint Committee designates the third-party entities to conduct validation and/or verification under the JCM as referred to in paragraph 20.

10. On the basis of a Project Idea Note (hereinafter referred to as “PIN”) submitted by project participants, the Joint Committee decides to object or not to object to the planned project described in the PIN.
11. On the basis of a request for registration of JCM projects submitted by project participants, the Joint Committee registers JCM projects, which were validated by the third-party entities, and adopts the JCM credit allocation for the JCM project.
12. On the basis of a request for notification to each side for issuance of JCM credits submitted by project participants, the Joint Committee notifies each side to issue the JCM credits, which were verified by the third-party entities.
13. The Joint Committee 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.
14. In conjunction with meetings of the Joint Committee, both sides conduct policy consultations about the relevant policy measures of the JCM, where necessary.

D. Each Side

15. Each side establishes its respective secretariat and both secretariats jointly serve as the JCM secretariat through mutual communication for the Joint Committee.
16. Based on the rules and guidelines as developed by the Joint Committee and/or in accordance with relevant domestic laws and regulations in respective countries for the implementation of the JCM, each side, represented by the JCM secretariat, may:
 - (a) Jointly:
 - (i) Prepare draft methodologies and draft rules and guidelines and submit them to the Joint Committee for its consideration, when necessary;
 - (ii) Receive new initiatives from candidate project participants;
 - (iii) Monitor the development of JCM related programs and implementation of JCM projects, taking into account sustainable development criteria and environmental integrity.
 - (b) Separately, unless otherwise decided:
 - (i) Develop environmental and sustainable development criteria for JCM

implementation as well as identify needs for capacity building, and submit them to the Joint Committee;

- (ii) Monitor the development of JCM Feasibility Studies activities;
- (iii) Facilitate the project participants to perform project-based capacity building;
- (iv) Establish and maintain a registry in line with the common specifications for registries, as developed by the Joint Committee;
- (v) On the basis of notification for issuance of JCM credits by the Joint Committee including for allocation of JCM credits among project participants, issue the notified amount of JCM credits to its registry.

17. Each side promptly informs the Joint Committee on the issuance of JCM credits.
18. Each side takes necessary measures to ensure transparency in the implementation of the JCM.
19. Both sides ensure the avoidance of double counting on GHG emission reductions or removals by not using mitigation projects registered under the JCM for the purpose of other international climate mitigation mechanisms.

E. Third-party Entities

20. 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 PDD prepared by the project participants, in line with the guidelines for the validation as developed by the Joint Committee, and informs the validation result to the project participants;
 - (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 the verification of GHG emission reductions or removals as developed by the Joint Committee, and informs the verification result to the project participants.

F. Project Participants

21. Project participants:

- (a) Prepare a PIN and submit it to the Joint Committee for its decision;
- (b) Prepare a draft methodology and submit the draft to the JCM secretariat to be reviewed before the Joint Committee for its approval, when necessary;
- (c) Prepare a draft PDD and submit the draft to a third-party entity for validation and notify the Joint Committee through the JCM secretariat;
- (d) Prepare an SDIP by filling in an SDIP form and submit it to the JCM secretariat for review;
- (e) Submit the PDD that was validated by the third-party entity, the JCM credit allocation form, 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 an SDIR by filling in an SDIR form for each monitoring period 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 side for issuance of JCM credits.

G. Submission of Project Idea Note

22. 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 the project.

H. Development of Methodologies

23. Besides the methodologies developed by the Joint Committee or each side, project participants may prepare a draft methodology and submit it to the JCM secretariat. The proposed methodology, after its completeness being checked as applicable, goes through the public comment process. After the public comment process, the proposed methodology is reviewed by the JCM secretariat when necessary before Joint Committee approval.

24. The Joint Committee decides to either approve or reject the proposed methodology, taking account of, among other things, comments received and notifies the result to each side or project participants, as applicable. The Joint Committee makes publicly available the relevant information on the approved methodologies, including through a website.

I. Designation of Third-party Entities

25. 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 guidelines for the designation of third-party entities, and makes publicly available the relevant information on the designated third-party entity through a website.

26. 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

27. 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.

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

29. The third-party entity, in line with the guidelines for the validation as developed by the Joint Committee, validates the proposed JCM project and notifies the project participants of the result.

K. Review of Sustainable Development Implementation Plan

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

31. 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

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

33. Project participants of a JCM project consult among themselves and with both sides the JCM credit allocation among the project participants of Japan, the project participants of Indonesia, the Japanese side and the Indonesian side respectively, taking into consideration their respective contribution to GHG emission reductions or removals by the JCM project.

34. At least ten (10) percent of the JCM credits issued from the JCM project are allocated to the Indonesian side taking into account their contribution.

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

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

M. Monitoring

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

38. For CCS and CCUS projects, project participants implement monitoring in line with the methodology and the PDD of the JCM project through arrangements such as having access rights to a project site and data or contracts with access rights holders.

N. Verification

39. 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.

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

41. 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 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

42. 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.

43. 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

44. Each side establishes a registry to record and use JCM credits, measured in metric tonnes of carbon dioxide equivalent (tCO₂eq) in line with the methodologies and metrics assessed by the Intergovernmental Panel on Climate Change.

45. Project participants request the Joint Committee to notify each side 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 JCM credit allocation decided in paragraph 36.

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

47. The Joint Committee makes publicly available the relevant information on the issuance

of JCM credits through a website.

48. Based on the notification from the Joint Committee, each side issues the JCM credits in their own registry.

Q. Use of JCM Credits

49. JCM credits issued from emission reductions and removals from 1 January 2021 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 Indonesia's nationally determined contribution, while ensuring that double counting is avoided on the basis of corresponding adjustments.

50. JCM credits are issued in the JCM registry of Japan and the JCM registry of Indonesia respectively with the avoidance of double counting. JCM credits issued by each side are tradable within its respective country.

51. JCM credits may not be traded between the JCM registry of Japan and the JCM registry of Indonesia unless each side establishes necessary arrangements for the trade.

52. Each side 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").

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

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

55. Each side checks the status of the issuance and use of JCM credits and makes sure that double counting is avoided as described in paragraphs 19 and 49.

R. Others

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

57. This Rules of Implementation for the JCM is valid until a new revision is developed by the Joint Committee or “Bilateral Cooperation on the Joint Crediting Mechanism for the Low Carbon Growth Partnership between Japan and the Republic of Indonesia” expires.