

Promotion of the Business Support Plan for Clean Development Mechanisms (CDM), Joint Implementation (JI), and Emissions Trading (ET) Scheme (Fiscal Year 2003 Policy)

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Climate Change Policy Division
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Purpose

Under the Kyoto Protocol, the utilization of the Kyoto Mechanisms (CDM, JI, and ET) was added as flexibility mechanisms, to attain the reduction commitments cost efficiently through international cooperation. It approves parties included in Annex 1 to trade the reduced emission accruing from such project activities to contribute to their national goals.

As CDM/JI projects, Parties operating the project can transfer technologies by introducing alternative energy and improving energy efficiency in developing countries and countries with economies in transition. Hence, expectation for CDM/JI is high as an international contribution. Also, it is necessary to consider about international emissions trading, which decreases emissions of greenhouse gases cost-efficiently through utilizing market mechanisms.

Therefore, Japan would practice the following to support private entities and local governments (participants) who attempt to work on accomplishing the Kyoto Mechanisms.

Menu for the Kyoto Mechanism

1. Seeking for CDM/JI Projects

- Establishment of the Domestic Kyoto Mechanisms Support Center
(New: 10million yen)

With the cooperation of experts on the Kyoto Mechanisms, the Ministry of the Environment Japan (MOE) will establish a domestic support center, which will collect consolidate general and specific information for those who wish to participate in the Kyoto Mechanisms. The support center will a) provide necessary information about Kyoto Mechanisms, b) collect information about hosting countries including their project needs, the legal acceptability and supporting method, and c) connect technologies and finance of the participants with the host country.

- CDM/JI Feasibility studies (Continuous: 550 million yen)

MOE will promote feasibility Studies for prospective CDM/JI projects that effectively contribute to GHG emission reduction and enhancement of CO₂ sinks chosen through public application. The chosen groups should perform an onsite examination, estimate the emission reductions, and prepare a draft of the Project Design Document.

2.Support for carrying out CDM/JI projects

- Subsidies for CDM/JI projects (New: 300million yen)

MOE will provide subsidies to CDM/JI projects, which are considered highly feasible and economically efficient. Subsidies shall be granted to facilities and equipment required turning the project into CDM/JI; to the indispensable facilities and equipment to reduce emissions (ex: combustion equipment for waste incineration, wind turbine facility). (Subsidies shall be given to CDM/JI participants. Amount would be one third of the additional cost required.)

- Establishing Funds for utilizing the Kyoto Mechanisms (New)

Some Carbon Funds have been established with the initiative of private companies, to invest in the worldwide greenhouse gas emissions reduction projects. This approach has been considered efficient to acquire emission credits. To promote this approach, MOE has considered in making some investment to prospective projects through governmental monetary institutions.

3.Preparation for systems to enable utilization of CDM/JI

- Certified Model Projects for CDM (Continuous: 100million yen)

MOE will provide provides costs of a third party audit for prospective CDM projects. This shall reduce the participants' share of expenses needed for certification, and also account as a compiling experience for the auditor who is applying to become a designated operational entity.

- Developing the national registry (Continuous: 40million yen)

Work with METI (Ministry of Economy, Trade and Industry) to construct, operate and maintain a national registry system, to keep tracks and record the CDM/JI credit and allowance achieved.

4.Capacity building program for CDM/JI hosting countries

- CDM/JI Capacity building programs (New: 210million yen)

MOE will enhance CDM/JI capacity building for stakeholders in the host countries. The capacity building should include workshops to study about CDM/JI, send experts to the hosting country to support constructing CDM/JI acceptance institution and other systems necessary.

5. Research and Study on Domestic Emissions Trading

- Prototype project of voluntary Domestic Emission Trading Scheme (New: 300million yen)

MOE will call for voluntary participation of participants, and in the first half of the year, provide workshops to study about various factors concerning emissions trading. In the latter half, participants would be asked to set their own reduction goals, calculate emissions, receive a third party audit, register their credit on the registry, and perform an experimental emissions trading scheme. No pecuniary transactions should occur. The results of these experiments would be used as a reference when considering about Climate Change Policies in Japan after the year 2005.

- Preparation of a verification and calculation manual for greenhouse gases (Continuous: 9million yen)

MOE will create a guideline, which indicates standards for companies to calculate their greenhouse gas emissions and reduction, and for third parties to operate a standardized verification, after analyzing the current situation. MOE will expect this guideline to be used to calculate individual emissions by private companies/firms, and also used experimentally as a tool during the voluntary scheme mentioned above.

Process and Business Support Plan for CDM/JI

