



# Joint Crediting Mechanism Development in Indonesia

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# Presentation Structure

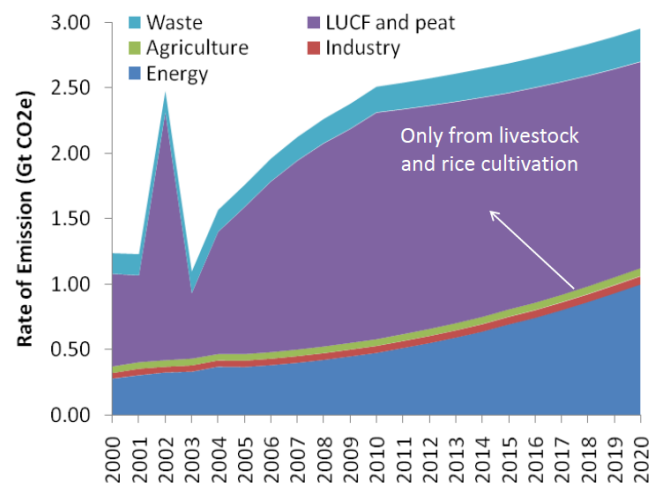
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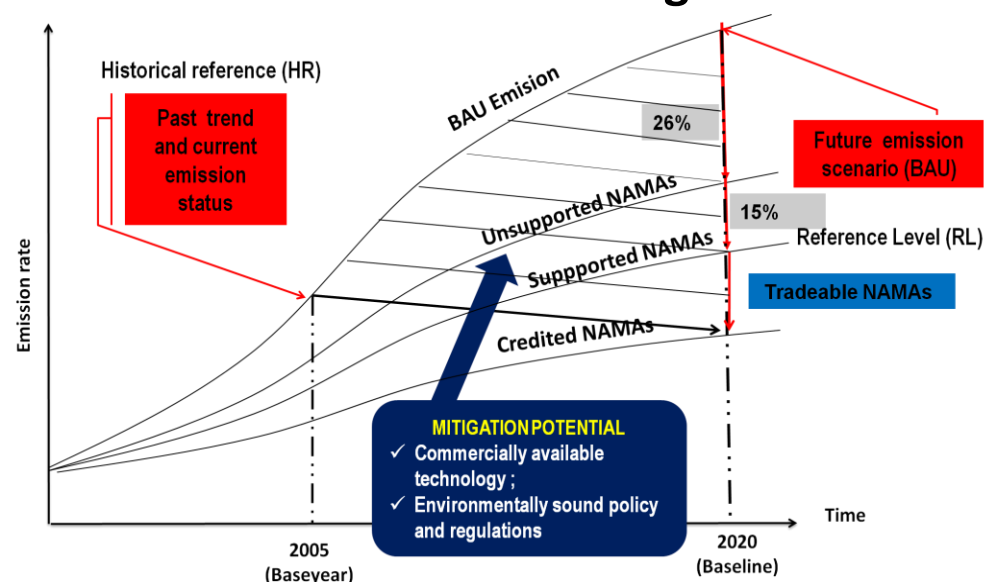
- 1. Indonesia strategy on climate change mitigation**
- 2. The JCM concepts**
- 3. The current development of the Joint Crediting Mechanism in Indonesia**
- 4. The JCM and Indonesia business sector**
- 5. The way forward for JCM**

# It's all started from climate change issues

Historical and projection of GHG emission under BAU scenario by sector (2000-2020)



## Emission Reduction Targets



Source: DNPI, 2011

- Economic growth increases with GHG emission
- 7 years to achieve national commitment of GHG emissions reduction by **26% under BAU level in 2020** (up to 41% with international support).
- Emission reduction is not compromising growth (26/7 vision).

### Lesson learned:

- Carbon market instruments such as CDM proved to be effective to spur emissions reduction by industries: 215 projects approved by DNA, 141 projects registered, 34 projects issued CERs (9.4 million tCO<sub>2</sub>)
- Increasing interest and opportunity from voluntary carbon markets, currently 9 projects are already delivered more than 8 million tons.

| Sector               | Unilateral   | Supported    |
|----------------------|--------------|--------------|
| Forestry and Peat    | 0.672        | 1.039        |
| Waste                | 0.048        | 0.078        |
| Energy and Transport | 0.038        | 0.056        |
| Agriculture          | 0.008        | 0.011        |
| Industry             | 0.001        | 0.005        |
| <b>Total</b>         | <b>0.767</b> | <b>1.189</b> |

(in GtCO<sub>2</sub>e)

Source: DNPI/2011

# Why using carbon market instruments?

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- ◆ Offer greater certainty and visibility in achieving the objectives of emissions reduction.
- ◆ Internalize external costs.
- ◆ Greater flexibility for business to meet their objectives → lower compliance costs.
- ◆ Incentivize business to invest in innovation to reduce their impact on the environment.
- ◆ Support employment when used in the context of green fiscal reform.
- ◆ Promotes competitiveness without imposing an undue burden on consumers.

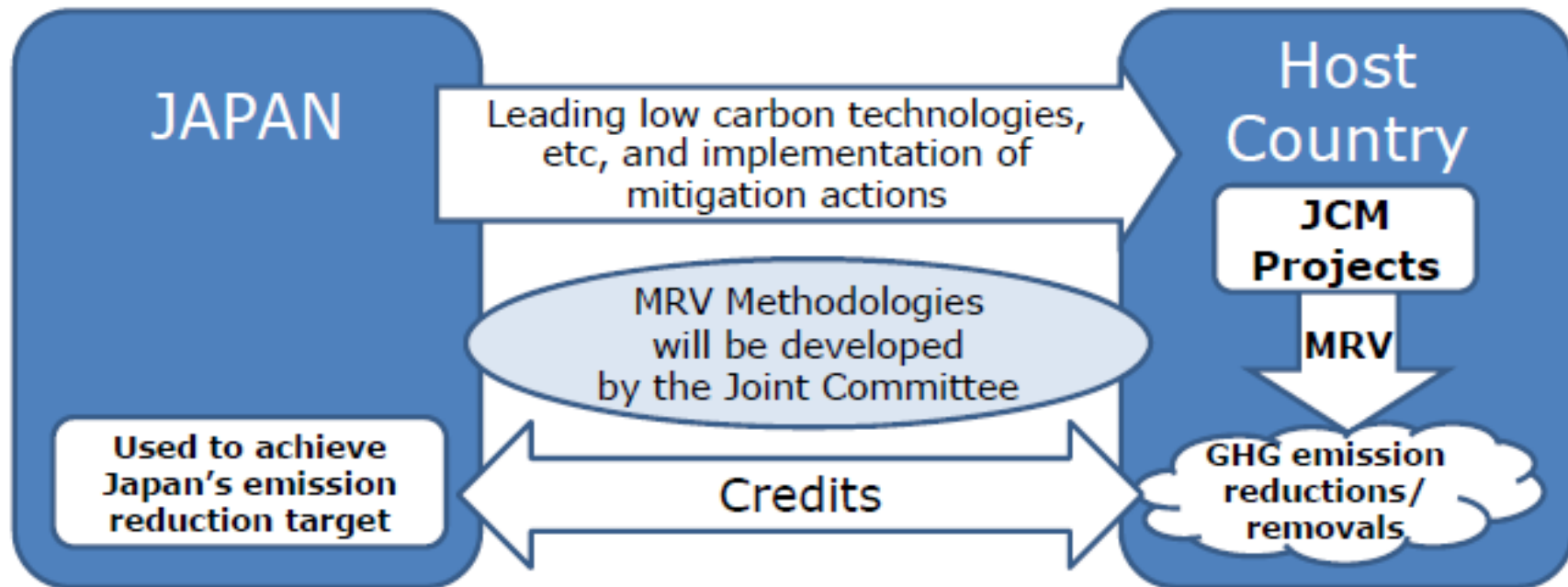
Source: Commission of the European Communities, 2007

- **Japan and Indonesia have their own national target on emission reduction to be achieved.**
- **Both countries also need to increase their economic development as well as develop more opportunities for their private sectors to grow.**



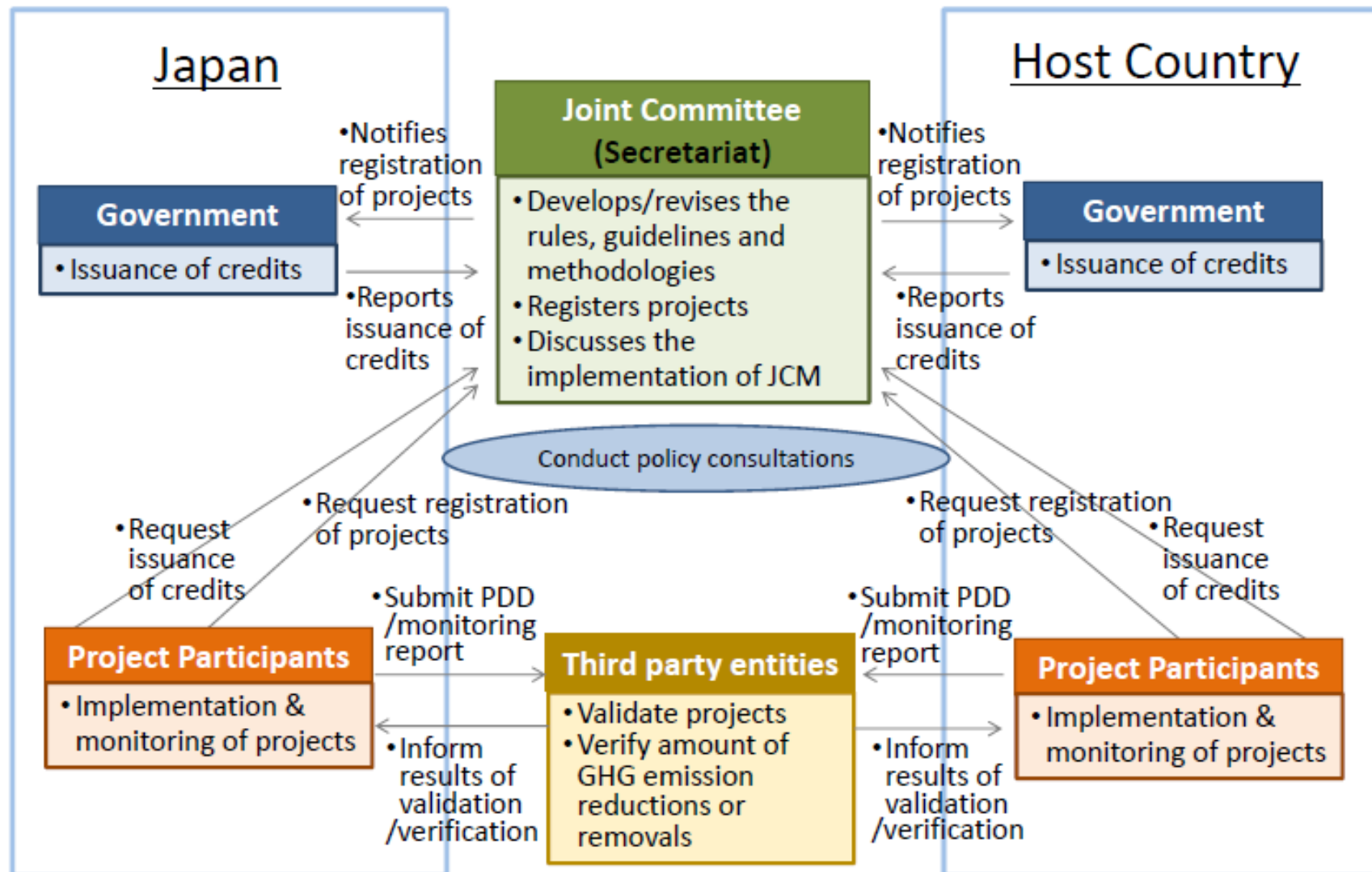
# Basic concept of the JCM

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- Facilitating diffusion of leading low carbon technologies products systems technologies, products, systems, services, and infrastructure as well as implementation of mitigation actions, and contributing to sustainable development of developing countries.
- Appropriately evaluating contributions to GHG emission reductions or removals from Japan in a quantitative manner, by applying measurement, reporting and verification (MRV) methodologies, and use them to achieve Japan's emission reduction target.
- Contributing to the ultimate objective of the UNFCCC by facilitating global actions for GHG emission reductions or removals, complementing the CDM.

# The complete mechanism of the JCM



# Indonesia JCM current development

## JCM Current Condition

1. 75 feasibility studies have been done from 2010-2013 fiscal years
2. The bilateral agreement has been signed and the Joint Committee has been formed in 2013
3. As a decision from the first Joint Committee meeting, the Indonesia JCM Secretariat was established to support the Joint Committee activities as well as to do the the JCM daily works
4. Some technical instruments are being developed by both countries to speed up implementation.

## JCM Demonstration Projects (by the Ministry of Energy, Trade and Industry)

1. Energy Saving by Optimum Operation at Oil Refinery (Yokogawa and Pertamina)
2. Utility Facility Operation Optimization Technology (Azbil and Pertamina)
3. Demonstration Project on Remote Auto-Monitoring System for Thin-Film Solar Power Plant in Indonesia (Sharp Corporation and PLN) .

## JCM Model Projects (by the Ministry of Environment)

1. Energy saving by double bundle-type heat pump at beverage plant (Toyota Tsusho Corporation and PT. Hokkan Indonesia)
2. Energy saving for air-conditioning at textile factory (Ebara Refrigeration Equipment & Systems and PT. Argo Pantes Tbk.)
3. Energy Savings at Convenience Store (Lawson and PT. Midi Utama Indonesia Tbk)
4. Energy Efficient Refrigerants to Cold Chain Industry (Mayekawa Manufacturing Company and PT. Adib Global Food Supplies)
5. Energy Saving for Air-Conditioning and Process Cooling at Textile Factory (Ebara Refrigeration Equipment&Systems Co., Ltd., Nippon Koei Co., Ltd., and PT. Primatexco).

# How “green” is your project?

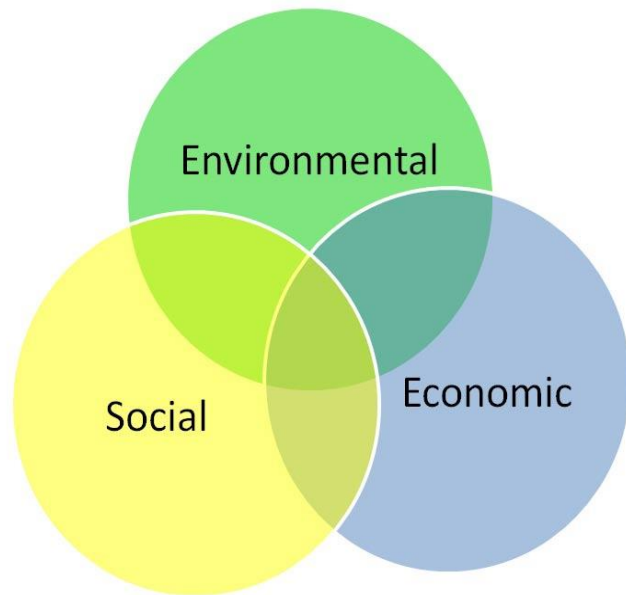
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| Aspect                                    | Normal Projects   | JCM Projects  |
|---|---|---|
| Foundation                                | Economic issues as the biggest consideration                      | Climate change issues as basis                            |
| Legal basis                               | Business to business partnership or foreign direct investment     | Indonesia-Japan Cooperation on Low Carbon Partnership     |
| Emission Reduction                        | Business as usual, do not necessarily consider emission reduction | Must deliver real emission reduction                      |
| Methodology                               | Does not have to follow any agreed, rigid methodology             | Must follow agreed methodology(ies)                       |
| Procedure                                 | Internal and partnership regulation                               | Project cycle procedure to be followed                    |
| Reporting                                 | Internal and as required by governmental regulation               | Regular report to the Indonesia-Japan JCM Joint Committee |
| Technology transfer and capacity building | No obligation   | A must  |



# Sustainable development criteria in the JCM projects

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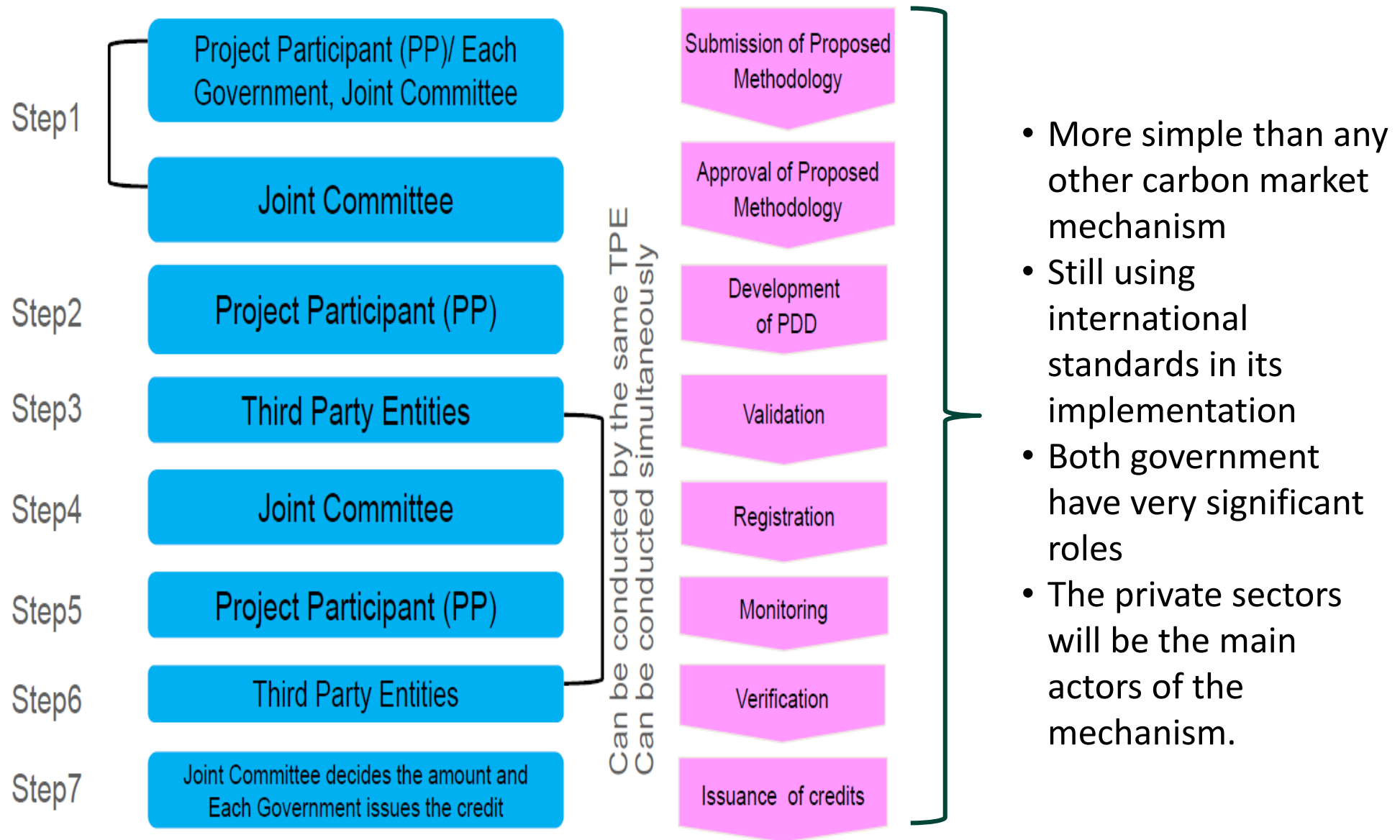
- Every JCM project must deliver real and measurable sustainability that will be evaluated by the government of Indonesia.
- If a project fails to fulfil the criteria, the project will be suspended until the criteria achieved.
- We are now developing those criteria based on national and international commitment and local condition and situation.

## **Sustainable Development Criteria (*draft*)**

- Conservation or diversification of natural resource use
- Safety and health of local community
- Local community's welfare
- Community participation
- Social integrity
- Transfer of technology.



# JCM project cycle



# Indonesia JCM Secretariat tasks

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## Indonesia JCM Secretariat

- Located in Jakarta
- Support Indonesia Joint Committee and JCM related stakeholders
- Clearing house and information center for JCM implementation
- Work closely with other stakeholders to ensure fulfilment of cooperation objectives
- Our website: [www.jcmindonesia.com](http://www.jcmindonesia.com)

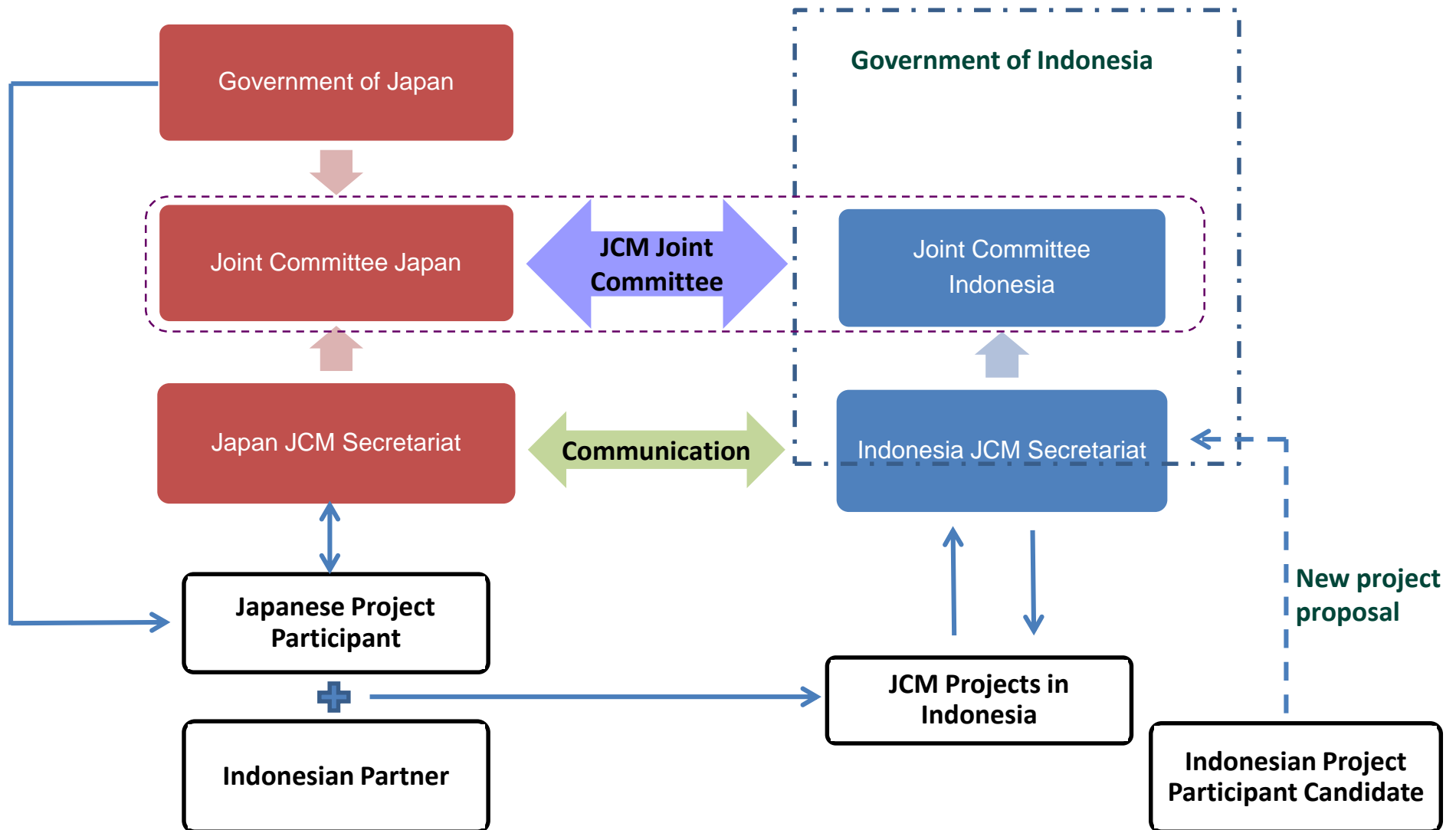
JCM secretariat(s) may jointly:

- ✓ Prepare draft methodologies;
- ✓ Receive new initiatives from JCM projects participant candidates;
- ✓ Monitor development of JCM programs, project implementation, sustainable development criteria and environmental integrity fulfillment.

Each side may separately or otherwise decided:

- ✓ Develop environmental and sustainable development criteria and capacity building needed;
- ✓ Monitor the development of JCM Feasibility Studies;
- ✓ Facilitate project participants in project-based capacity building;
- ✓ Establishes and maintains a registry, as developed by the Joint Committee;
- ✓ Issue the notified amount of credits to the registry.

# The coordination between parties in JCM



# Our main activities in 2014

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## **1. Feasibility Study Projects**

- a. Normal feasibility study
- b. Leapfrog feasibility study

## **2. Implementation Projects**

- a. Model project
- b. Demonstration project
- c. Leapfrog project

## **3. Supporting Programs**

- a. JCM instruments development
- b. Consultation between 2 countries
- c. Dissemination



**JCM full  
implementation in  
2015**



# What are Indonesian private sectors opportunities in JCM?

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## **Become Third Party Entities**

1. There are no third party entities (TPE) registered yet.
2. TPE should be accredited by the Japan or Indonesia National Standard Bureau, certified ISO 14065 or former CDM DOE
3. JCM Indonesia-Japan aims to involve Indonesian individual TPEs.

## **Conduct Feasibility Studies**

1. FS are planned together by the two governments in yearly basis .
2. Project Idea Note should be sent to the two governments.

## **Become project participant**

1. Must establish cooperation with at least 1 Japan private companies/institution.
2. Should apply and submit Project Idea Note to the Government of Indonesia and Japan.
3. Must develop Project Design Document (PDD) to be submitted and approved by the Joint Committee of the both countries.

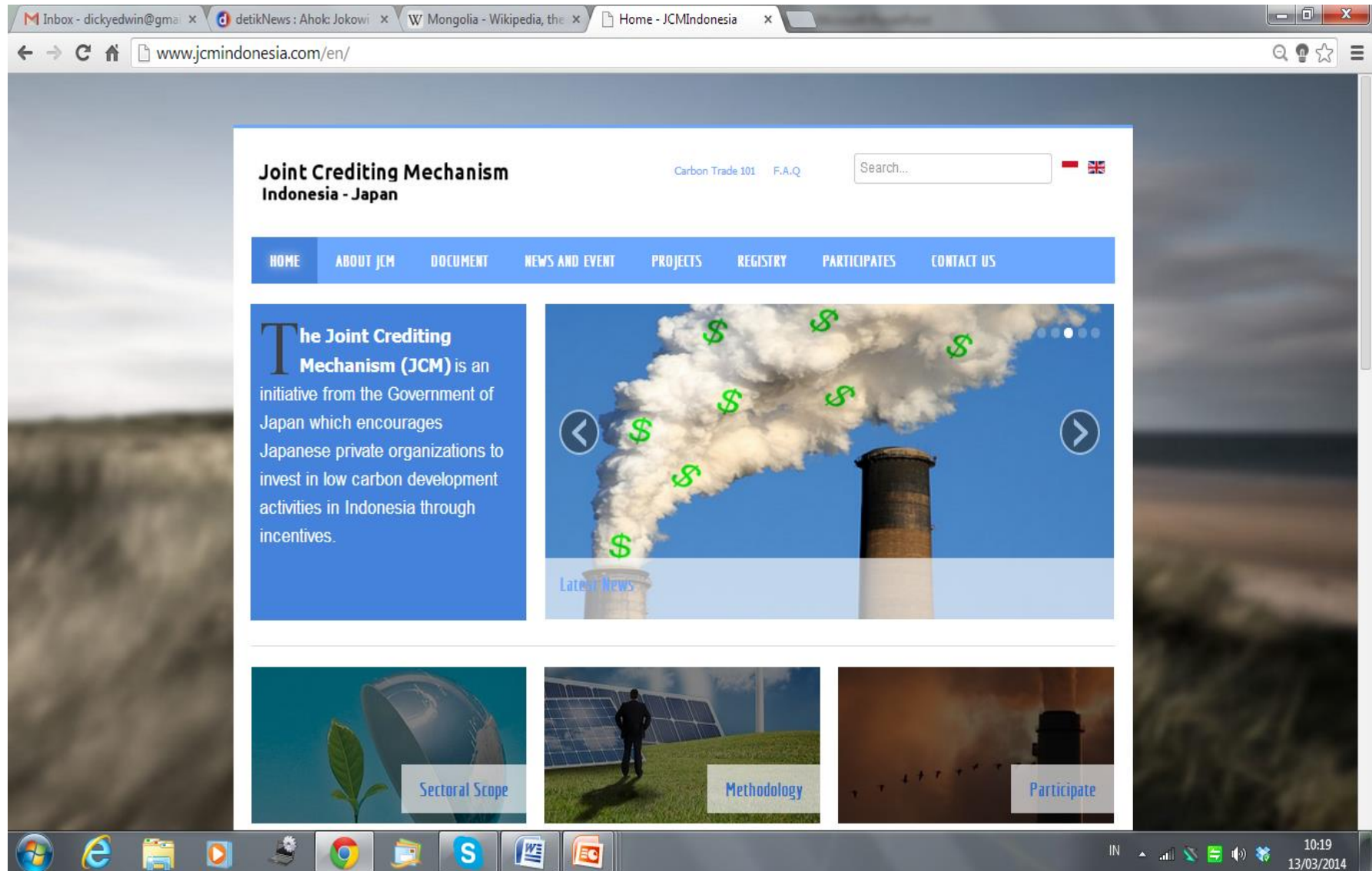
## **Grab opportunities for financial institution**

Indonesian financial institutions will be needed to work together with Japanese and other financial institutions to support full projects implementation.

## **Learn from JCM Best Practice**

1. Most of the projects will use the most sophisticated technologies in low carbon development.
2. Indonesian private sectors can copy or learn from the JCM project results.
3. Every JCM project must build the capacity of related stakeholders.

# The Indonesia JCM website



**Terima kasih!**  
**Thank you!**

***Indonesia JCM Secretariat***

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