Outline of
The Bilateral Offset Credit Mechanism (tentative name)

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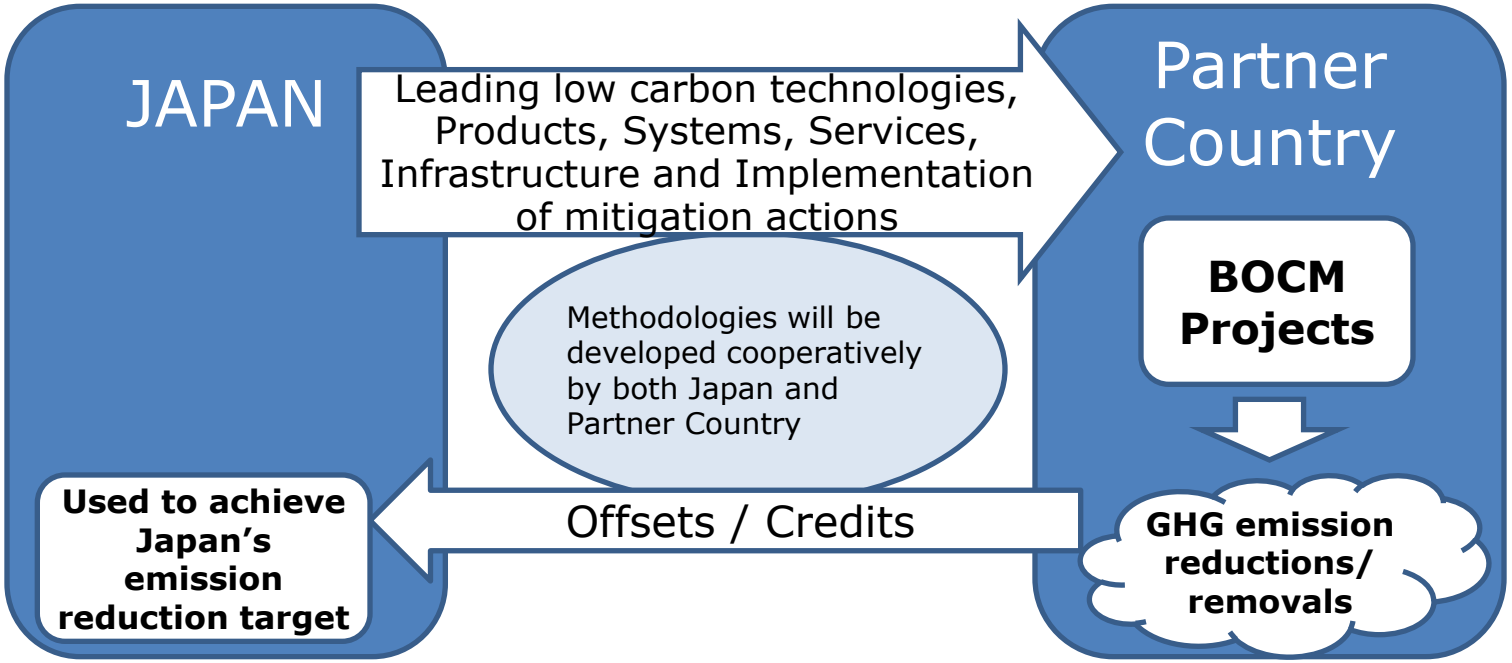
Purpose of the BOCM

- To facilitate diffusion of leading low carbon technologies, products, systems, services, and infrastructure as well as implementation of mitigation actions, and contributing to sustainable development of developing countries.
- To appropriately evaluate contributions to GHG emission reductions or removals from developed countries in a quantitative manner, through mitigation actions implemented in developing countries and use those emission reductions or removals to achieve emission reduction targets of the developed countries.
- To contribute to the ultimate objective of the UNFCCC by facilitating global actions for emission reductions or removals.



The BOCM as new means of addressing climate change

2008～2012

◆Japan is currently making utmost efforts to achieve its target under the first commitment period of the Kyoto Protocol through domestic measures(GHG emissions reduction and carbon sinks) as well as acquiring credits of the Kyoto Mechanism.

Emissions reduction

Carbon sinks

Kyoto mechanism

2013～

◆Japan will continue to make emissions reduction efforts beyond 2012. Its concrete targets are currently reviewed and considered domestically.

◆The BOCM can be an effective way to achieve Japan's post 2012 targets, complementing the existing Kyoto Mechanism. Although Japan will not participate in the second commitment period of the Kyoto Protocol, it will remain in the Protocol and will intend to continue to use the Kyoto Mechanism to achieve its post 2012 targets.

Emissions reduction

Carbon sinks

Kyoto mechanism

BOCM

Approaches

- The BOCM should be designed and implemented, taking into account the followings:

  (1) Ensuring environmental integrity and transparency;

  (2) Maintaining simplicity and practicality;

  (3) Promoting concrete actions for global GHG emission reductions or removals;

  (4) Avoiding uses of any mitigation projects registered under the BOCM for the purpose of any other international climate mitigation mechanisms; and,

  (5) Aiming for concrete contributions to assisting adaptation efforts of developing countries through the BOCM after the BOCM is converted to the tradable credit type mechanism.

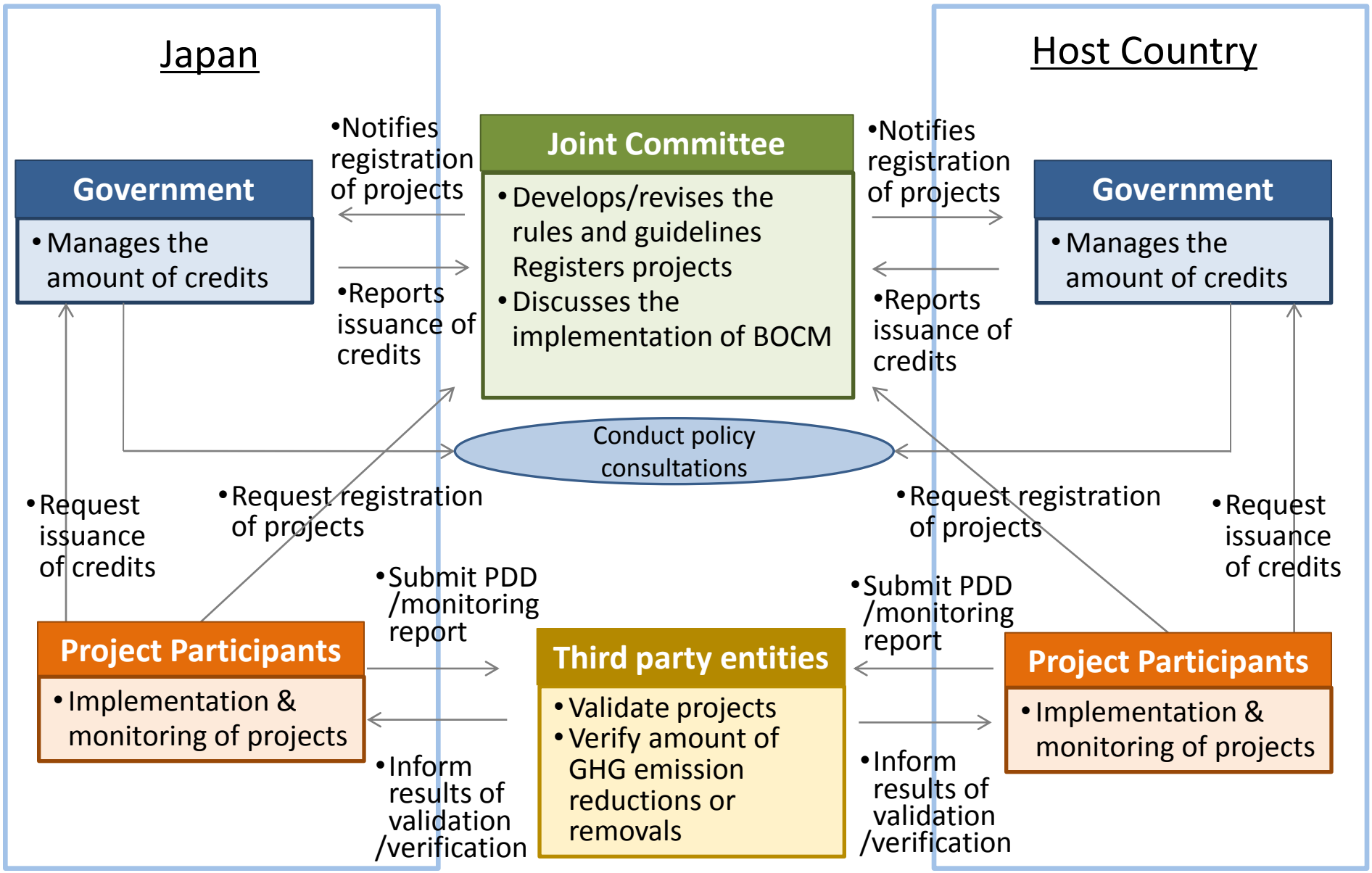
Scheme of the BOCM (1/2)

(1) BOCM starts its operation as the non-tradable credit type mechanism.

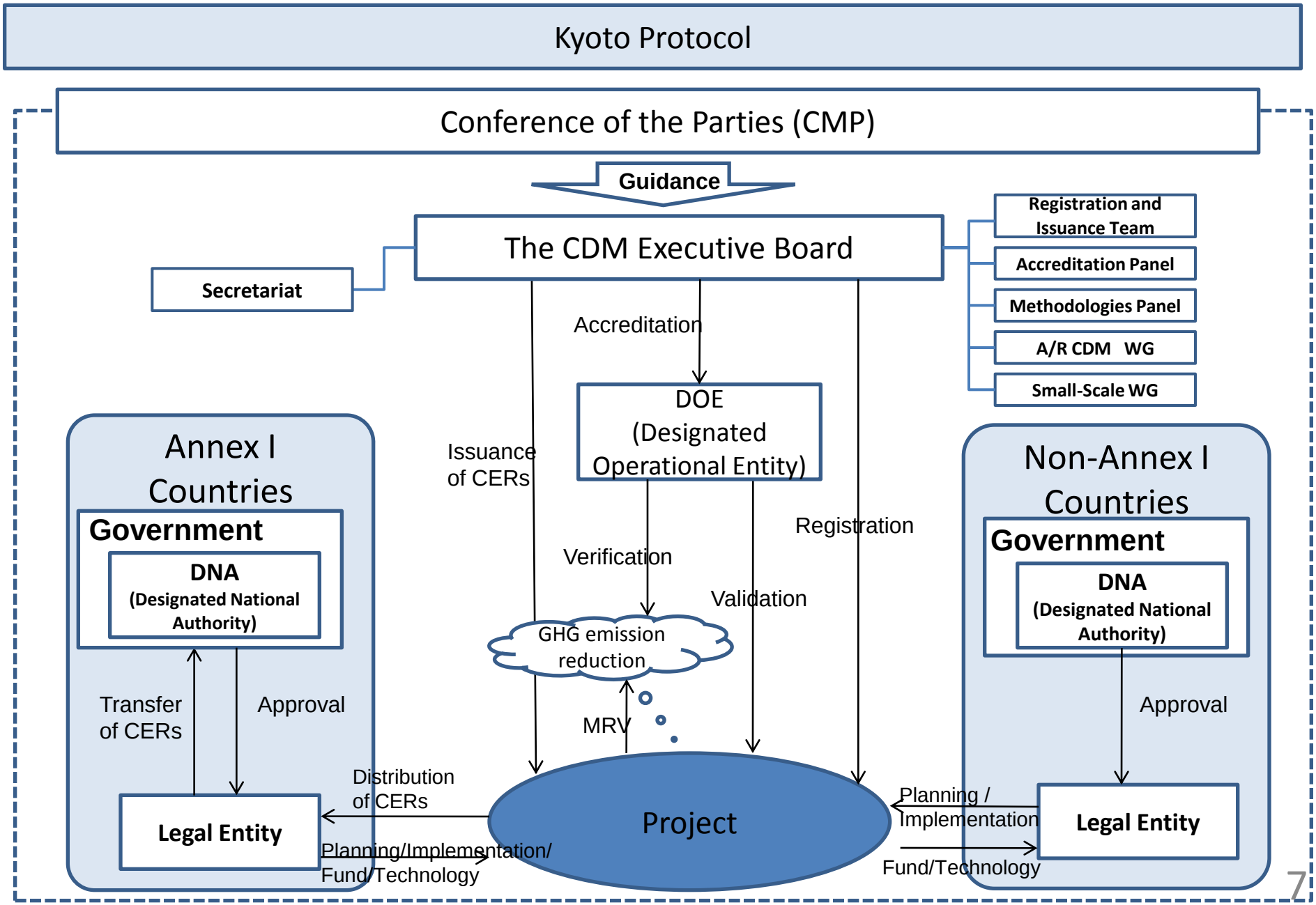
(2) Both Governments continue consultation for the transition to the tradable credit type mechanism and reach a conclusion at the earliest possible timing, taking account of implementation of the BOCM.

(3) The BOCM covers the period until a possible coming into effect of a new international framework under the UNFCCC.

Scheme of the BOCM (2/2)



Governance Structure of the Clean Development Mechanism（CDM）



Procedure of the BOCM(1/2)

- The Joint committee develops Rules of implementation and other rules and guidelines necessary for the implementation of the BOCM.
- The Joint Committee determines either to approve or reject the draft methodology.
- Each Government determines either to accredits the entity as a third-party entity or reject the application in accordance with the requirements for the accreditation of third-party entities.
- Each Government establishes and maintains a registry in accordance with the common specifications for registries.

Rules and guidelines, including, but not limited to:

(1) Rules of procedures of the Joint Committee
(2) guidelines for the development of methodologies
(3) methodologies
(4) requirements for the accreditation of third-party entities
(5) guidelines for the validation
(6) Monitoring guidelines
(7) guidelines for the verification of GHG emission reductions or removals
(8) common specifications for registries
(9) formats for PDD (project design document), request for registration of BOCM project, monitoring report, request for verification of emission reductions or removals, etc.

Procedure of the BOCM (2/2)

1. Validation & Registration

PPs develop a PDD.

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The third-party entity validates the proposed BOCM project and notifies the result to the PPs.

↓

PPs submit the validated PDD to the JC & request for registration.

↓

The JC registers the project, notifies each Govt. & makes publicly available the relevant information.

2. Implementation & Monitoring

PPs implement & monitor BOCM projects based on the PDD.

↓

PPs prepare a monitoring report & request for verification.

↓

The third-party entity verifies the amount of ERs, prepares a verification report & sends the report to the PPs.

3. Recording and Use of credits

PPs request each Govt. to issue credits to its registry with the determined allocation of the credits among the PPs.

↓

Each Govt. records the amount to the respective accounts of the registry, notifies the result of the issuance to the JC & makes the result publicly available.

↓

Credits issued by each Govt. can be used to achieve emission reduction targets of the both Govt.

PPs: Project participants,
PDD: Project Design Document,
JC: Joint Committee, Govt.: Government,
ERs: GHG emission reductions or removals

Key features of the proposed BOCM in comparison with the CDM

(Subject to further consideration)

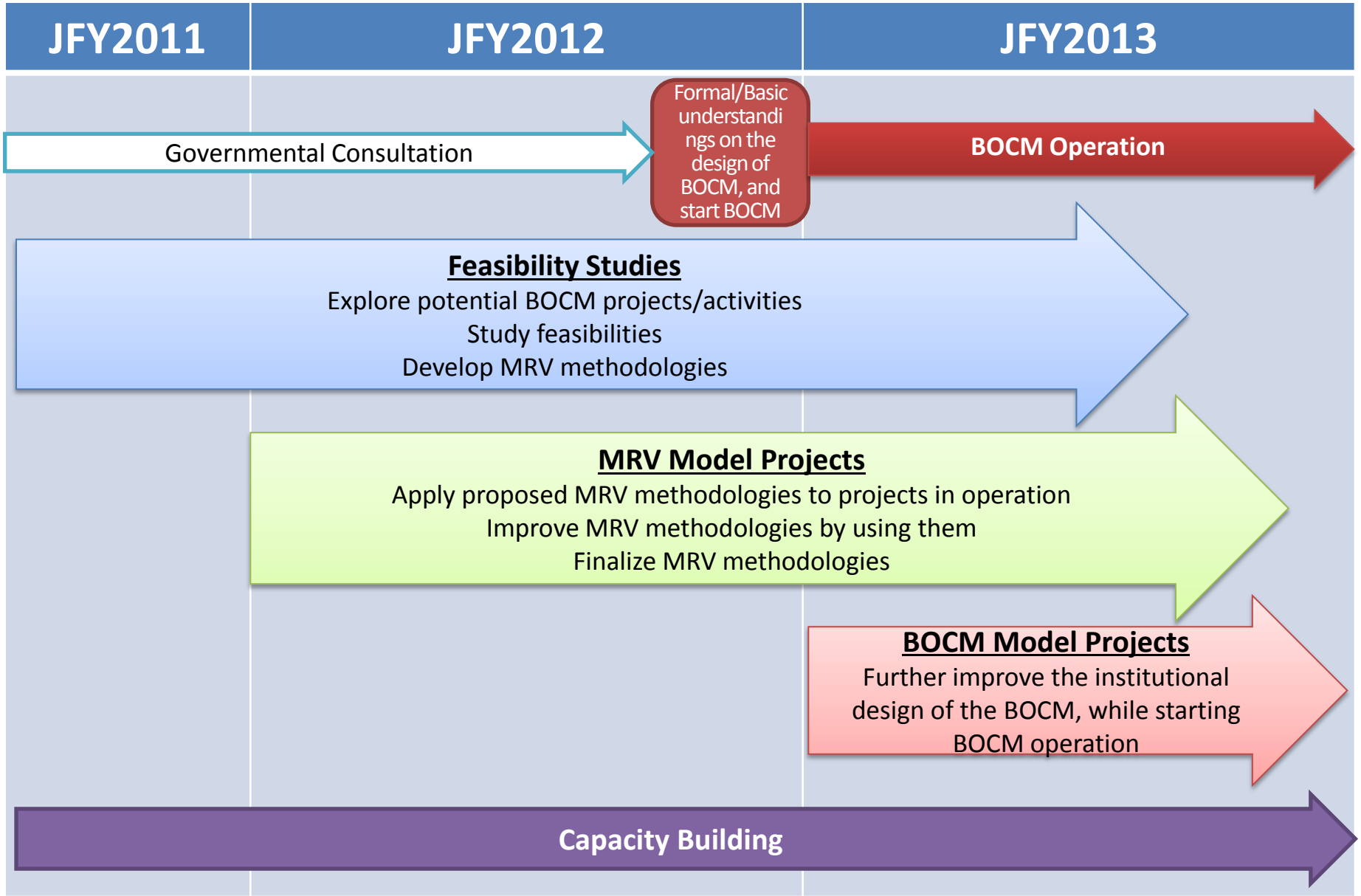
	BOCM	CDM
Governance	-"de-centralized" structure (each government, joint committee)	-"centralized" structure (CMP, CDM Executive Board: CDM EB)
Sector/project Coverage	-Broader coverage	-Specific projects are difficult to implement in practice (e.g. USC coal-fired power generation)
Eligibility of projects	-several approaches are proposed ✓ "positive list" ✓"benchmarking" ✓ other methods as necessary	-"additionality" approach

Comparison between the proposed BOCM and the CDM

(Subject to further consideration)

	Work flow process	BOCM	Current CDM
①	PDD preparation	PDDs become less burdensome by simplifying eligibility demonstration, making wider use of positive lists and benchmarking.	Project Participants (PPs) prepare PDDs (Project Design Documents), which contain eligibility demonstration based on the 'additionality tool'.
②	Accreditation of DOE/Third-party Verifier	Scope of third-party entities to conduct validation and other works are broadened to include other institutions, such as ISO certifiers, in addition to DOEs.	Validation and other works are carried out only by DOEs (Designated Operational Entities).
③	Methodologies	The Joint Committee determines either to approve or reject the draft methodologies applicable to the BOCM.	CDM EB approves the methodologies applicable to the CDM.
④	Registration	The Joint Committee registers projects.	CDM EB registers projects.
⑤	Monitoring	In order to reduce monitoring burden, default values are widely used in conservative manner.	PPs collect and archive all relevant data necessary for calculating GHG emissions reduction in accordance with strict rules .
⑥	Verification and certification	One third-party entity conducts both validation and verification for the same project.	Verification is carried out by DOEs which have not done validation. Certification is also done by DOEs.
⑦	Credit issuance	Each government issues credits	CDM EB issues credits.

Roadmap & MRV/BOCM Model Project(1/2)



Roadmap & MRV/BOCM Model Project(2/2)

MRV Model Project

- The purpose of MRV Model Project is to develop MRV methodologies, by applying them to model projects under operation, and make inputs to institutional design of the BOCM.
- MRV model projects will be selected from those already under operation, and selected entities will develop methodologies to be used for the projects (methodologies already developed through FS may also be used).
- Selected entities will implement MRV in the selected projects on the basis of the methodologies to calculate emission reductions/removals achieved, and improve the methodologies.
- Applicable MRV methodologies will be finalized by both countries, based upon knowledge and experience gained through implementation of these MRV model projects. The knowledge and experience will be input to the Government consultations on institutional design.

BOCM Model Project

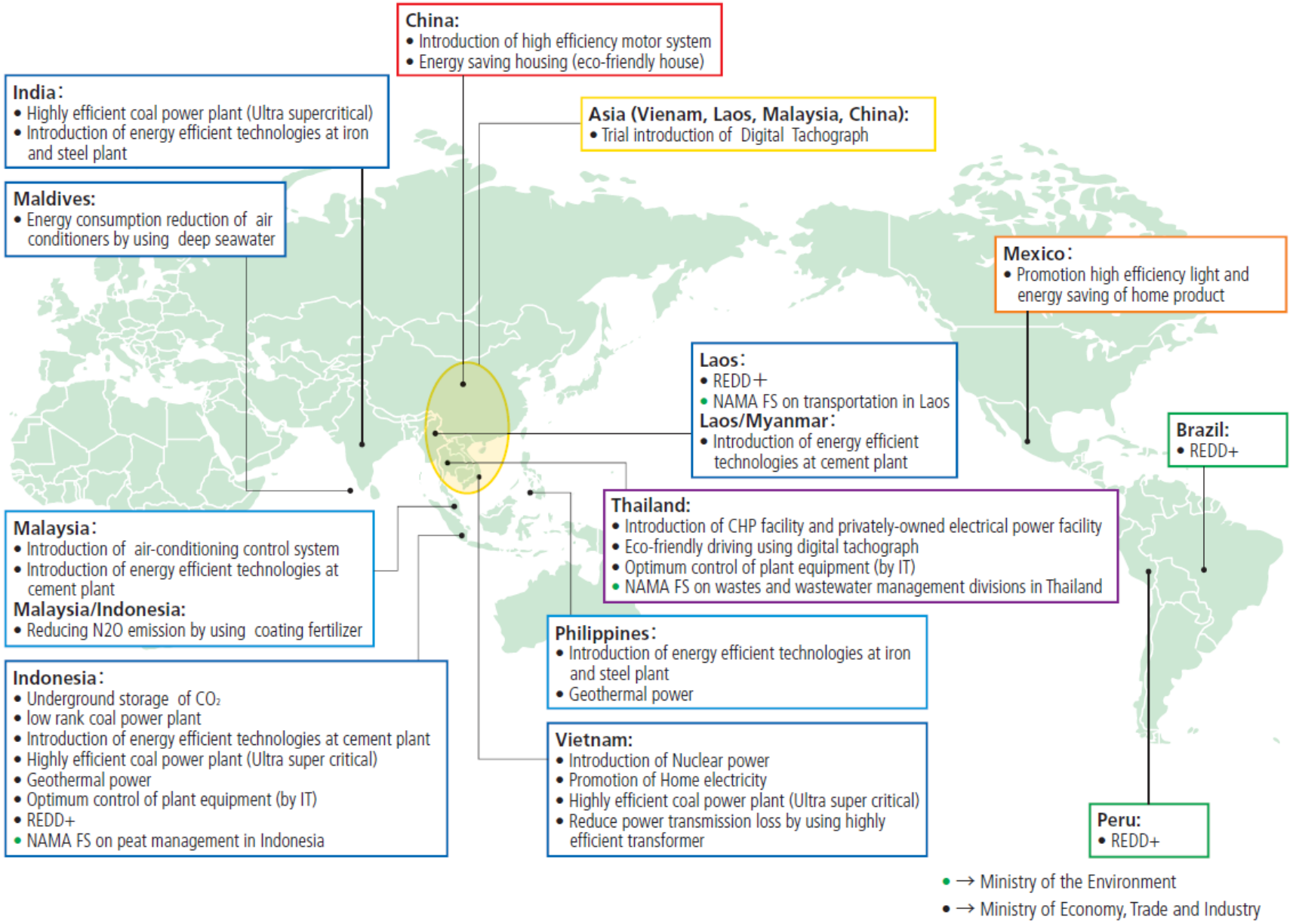
- The purpose of BOCM Model Project is to further improve the institutional design of the BOCM, while starting BOCM operation.
- After selection of BOCM model projects, selected entities will implement the BOCM model projects and quantify amount of emission reductions/removals achieved by the projects, by applying MRV methodologies.

References

- Feasibility Studies
- Methodologies
- Capacity Building

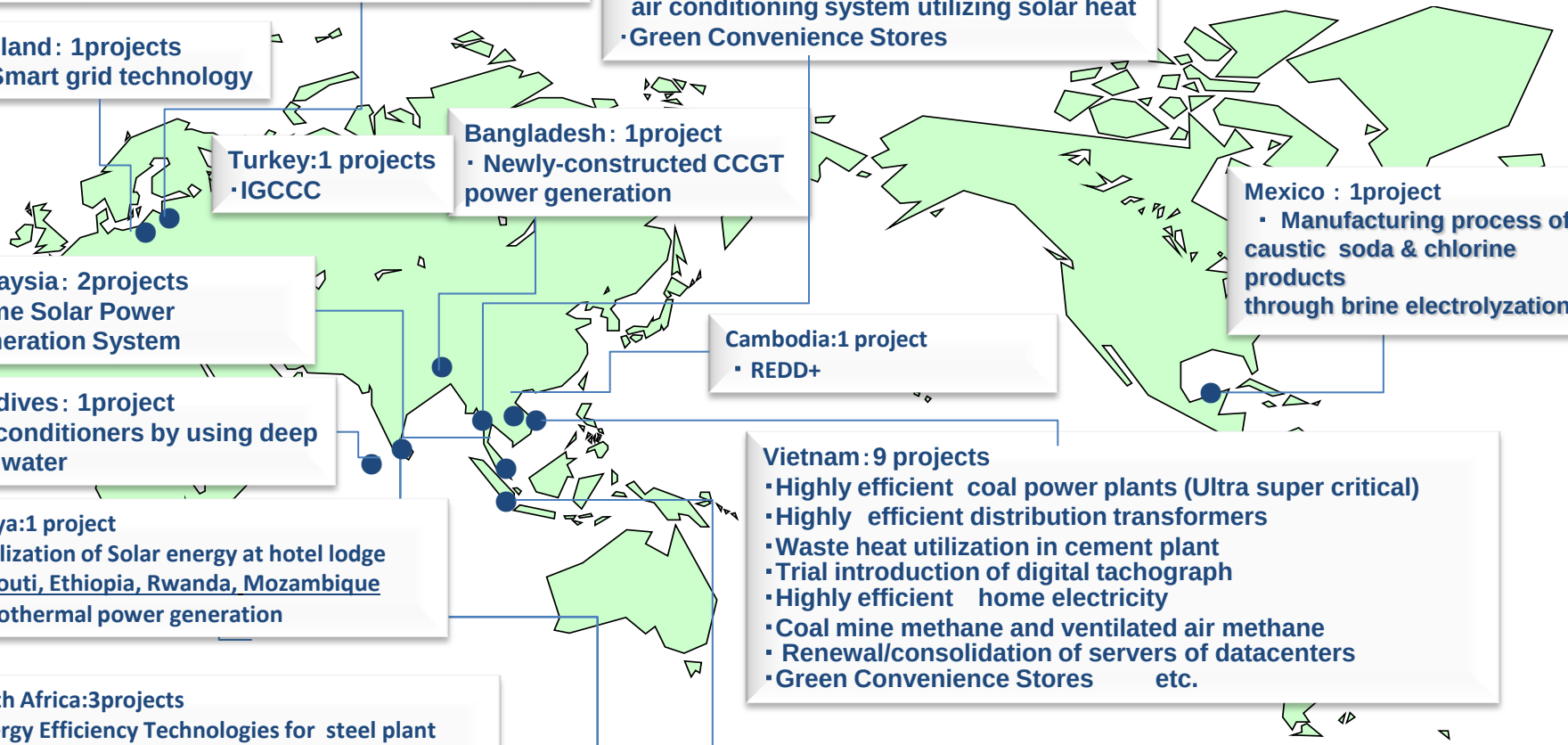
BOCM Feasibility Study by METI in FY2010

METI FS : 30 projects were selected for FY2010(13 countries)



BOCM Feasibility Study by METI in FY2011

METI FS : 50 projects were selected for FY2011(18 countries)



Russia: 1project
- Recovery & effective utilization of associated gas

Poland: 1projects
- Smart grid technology

Thailand:2 projects
- Next-generation (zero-emission) air conditioning system utilizing solar heat
- Green Convenience Stores

Turkey:1 projects
- IGCCC

Bangladesh: 1project
- Newly-constructed CCGT power generation

Mexico : 1project
- Manufacturing process of caustic soda & chlorine products through brine electrolyzation

Malaysia: 2projects
Home Solar Power Generation System

Cambodia:1 project
- REDD+

Maldives: 1project
Air conditioners by using deep sea water

Vietnam: 9 projects
- Highly efficient coal power plants (Ultra super critical)
- Highly efficient distribution transformers
- Waste heat utilization in cement plant
- Trial introduction of digital tachograph
- Highly efficient home electricity
- Coal mine methane and ventilated air methane
- Renewal/consolidation of servers of datacenters
- Green Convenience Stores etc.

Kenya:1 project
- Utilization of Solar energy at hotel lodge

Djibouti, Ethiopia, Rwanda, Mozambique
- geothermal power generation

South Africa:3projects
- Energy Efficiency Technologies for steel plant
- Highly efficient gas turbine etc.

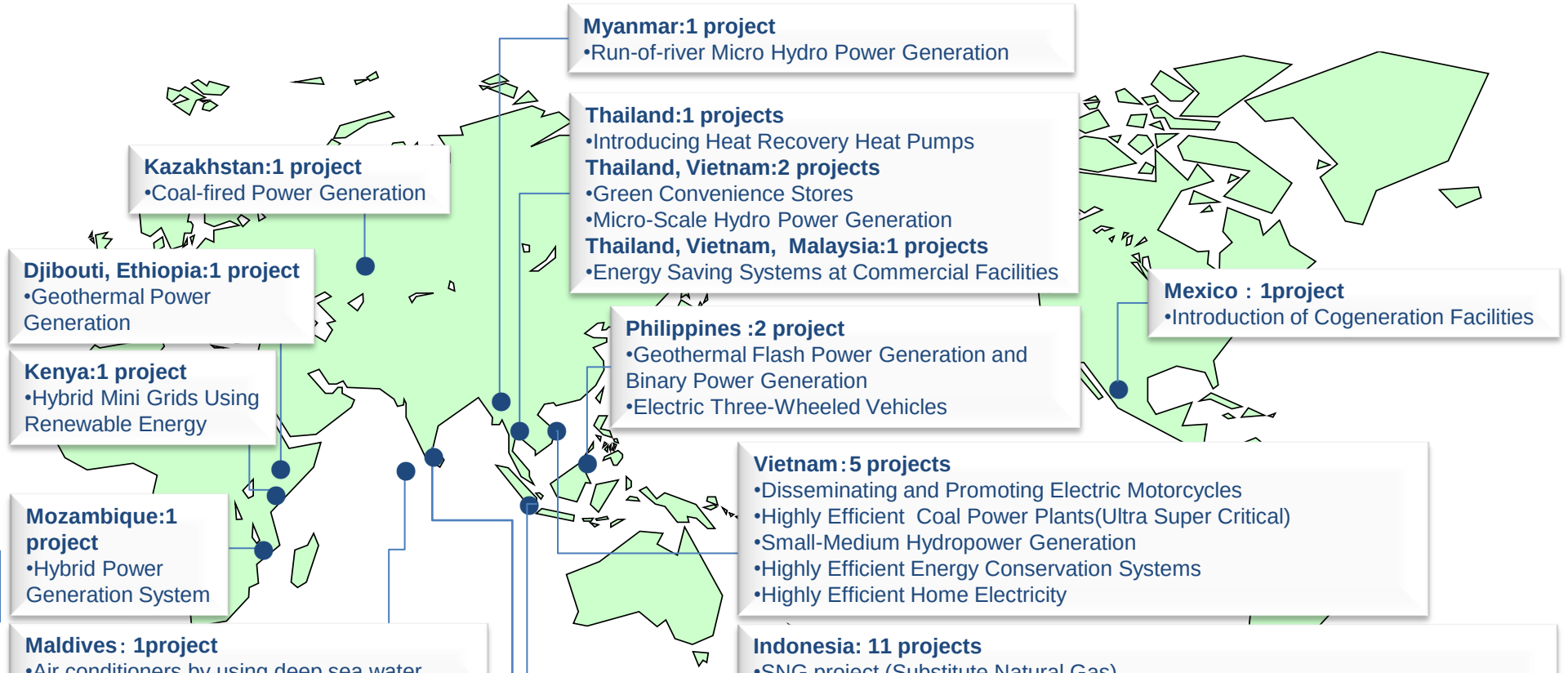
India: 11 projects
- Energy Efficiency Technologies for Integrated steel works
- ACCC technology(Automatic coal control system)
- Highly efficient coal power plants(Ultra super critical)
- IGCCC
- Photovoltaic power generation
- Run-of-river micro hydro power project etc.

Indonesia: 18 projects
- Newly-constructed geothermal power generation
- Biomass boiler power
- CCS
- REDD+
- Low rank coal power/steam tube drying system
- SNG project (Substitute Natural Gas)
- High moisture fuel waste heat drying project in cement plants etc.

BOCM Feasibility Study by METI in FY2012

METI FS : 36 projects were selected for FY2012 (15 countries)

※ As of June, 2012



Myanmar:1 project
•Run-of-river Micro Hydro Power Generation

Thailand:1 projects
•Introducing Heat Recovery Heat Pumps
Thailand, Vietnam:2 projects
•Green Convenience Stores
•Micro-Scale Hydro Power Generation
Thailand, Vietnam, Malaysia:1 projects
•Energy Saving Systems at Commercial Facilities

Kazakhstan:1 project
•Coal-fired Power Generation

Djibouti, Ethiopia:1 project
•Geothermal Power Generation

Kenya:1 project
•Hybrid Mini Grids Using Renewable Energy

Philippines :2 project
•Geothermal Flash Power Generation and Binary Power Generation
•Electric Three-Wheeled Vehicles

Mexico : 1project
•Introduction of Cogeneration Facilities

Vietnam : 5 projects
•Disseminating and Promoting Electric Motorcycles
•Highly Efficient Coal Power Plants(Ultra Super Critical)
•Small-Medium Hydropower Generation
•Highly Efficient Energy Conservation Systems
•Highly Efficient Home Electricity

Mozambique:1 project
•Hybrid Power Generation System

Maldives : 1project
•Air conditioners by using deep sea water

Small Island and maritime nations:1 project
•Multi-Stage Deep Seawater Utilization System

Indonesia: 11 projects
•SNG project (Substitute Natural Gas)
•CCS
•Biomass Power Generation
•Eco-shipping for Coastal Cement Tanker
•Small Hydro Power Generation
•Geothermal Power Generation
•Low-Rank Coal Fuel Waste Heat Drying Project
•Renewable Energy Hybrid System (Electrification to non electrified areas)
•Utility Facility Operation Optimization Technology (Energy Efficiency Technology for factories)
•Introducing CCT into the replacement project of the existing thermal power plants
•Rehabilitation of Hydro Power Plants

India: 6 projects
•Highly Efficient Coal Power Plants(Ultra super critical)
•Energy Efficiency Technologies for Integrated Steel Works
•Run-of-river micro hydro power project
•Energy Efficient Air Conditioners (HFC 32)
•Coal Drying Technology (Low Temperature Waste Heat Recovery)
•Highly Efficient Servers at Data Centers

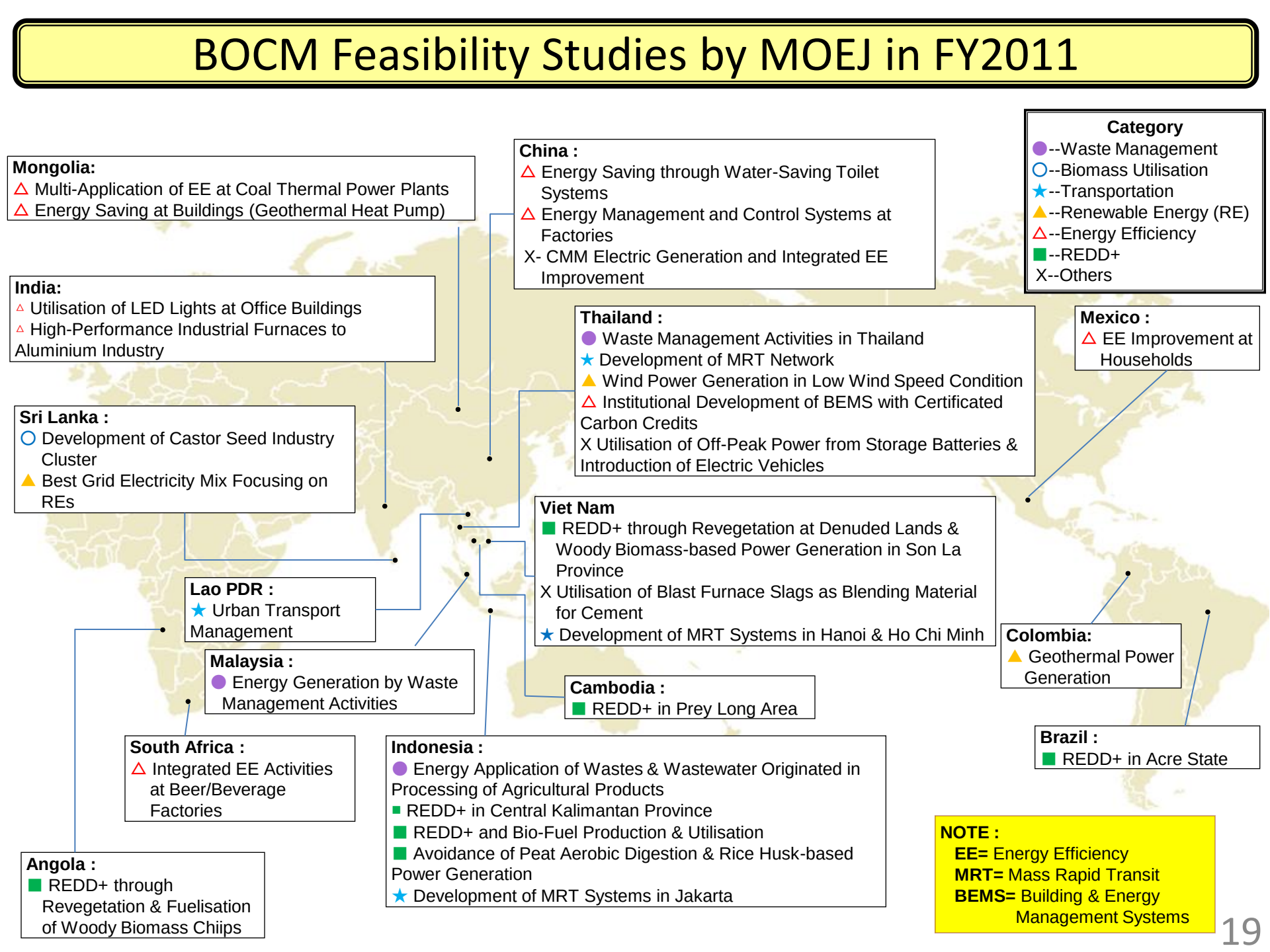
MRV Model Projects & Feasibility Studies for BOCM by MOEJ

- Global Environment Centre Foundation (GEC) is serving as a secretariat for the MRV Demonstration Studies using Model Projects & Feasibility Studies.
- 25 projects were selected for FY2012.
  - Among those, there are 13 MRV Demonstration Studies using Model Projects which are to develop MRV methodologies, by applying them to the projects under operation. Based upon knowledge and experience gained through implementation of these MRV model projects, applicable MRV methodologies will be finalized.
  - 4 potential CDM projects were also selected, to contribute developing new methodologies, standardaized baselines and equitable geographical distribution of the CDM.
  - All the relevant information are available at GEC website(http://gec.jp/).

- Taskforces composed of experts for MRV will be set up and the selected MRV model projects / BOCM FSs will be conducted under the guidance of the taskforces.

- Host country committees, will be organized for some countries, in order to share mutual perspectives on the BOCM, through the discussions in those countries.

BOCM Feasibility Studies by MOEJ in FY2011



Category
- ●--Waste Management
- ○--Biomass Utilisation
- ★--Transportation
- ▲--Renewable Energy (RE)
- △--Energy Efficiency
- ■--REDD+
- X--Others

Mongolia:
- △ Multi-Application of EE at Coal Thermal Power Plants
- △ Energy Saving at Buildings (Geothermal Heat Pump)

China :
- △ Energy Saving through Water-Saving Toilet Systems
- △ Energy Management and Control Systems at Factories
- X- CMM Electric Generation and Integrated EE Improvement

India:
- △ Utilisation of LED Lights at Office Buildings
- △ High-Performance Industrial Furnaces to Aluminium Industry

Thailand :
- ● Waste Management Activities in Thailand
- ★ Development of MRT Network
- ▲ Wind Power Generation in Low Wind Speed Condition
- △ Institutional Development of BEMS with Certificated Carbon Credits
- X Utilisation of Off-Peak Power from Storage Batteries & Introduction of Electric Vehicles

Mexico :
- △ EE Improvement at Households

Sri Lanka :
- ○ Development of Castor Seed Industry Cluster
- ▲ Best Grid Electricity Mix Focusing on REs

Viet Nam
- ■ REDD+ through Revegetation at Denuded Lands & Woody Biomass-based Power Generation in Son La Province
- X Utilisation of Blast Furnace Slags as Blending Material for Cement
- ★ Development of MRT Systems in Hanoi & Ho Chi Minh

Lao PDR :
- ★ Urban Transport Management

Malaysia :
- ● Energy Generation by Waste Management Activities

Cambodia :
- ■ REDD+ in Prey Long Area

Colombia:
- ▲ Geothermal Power Generation

Brazil :
- ■ REDD+ in Acre State

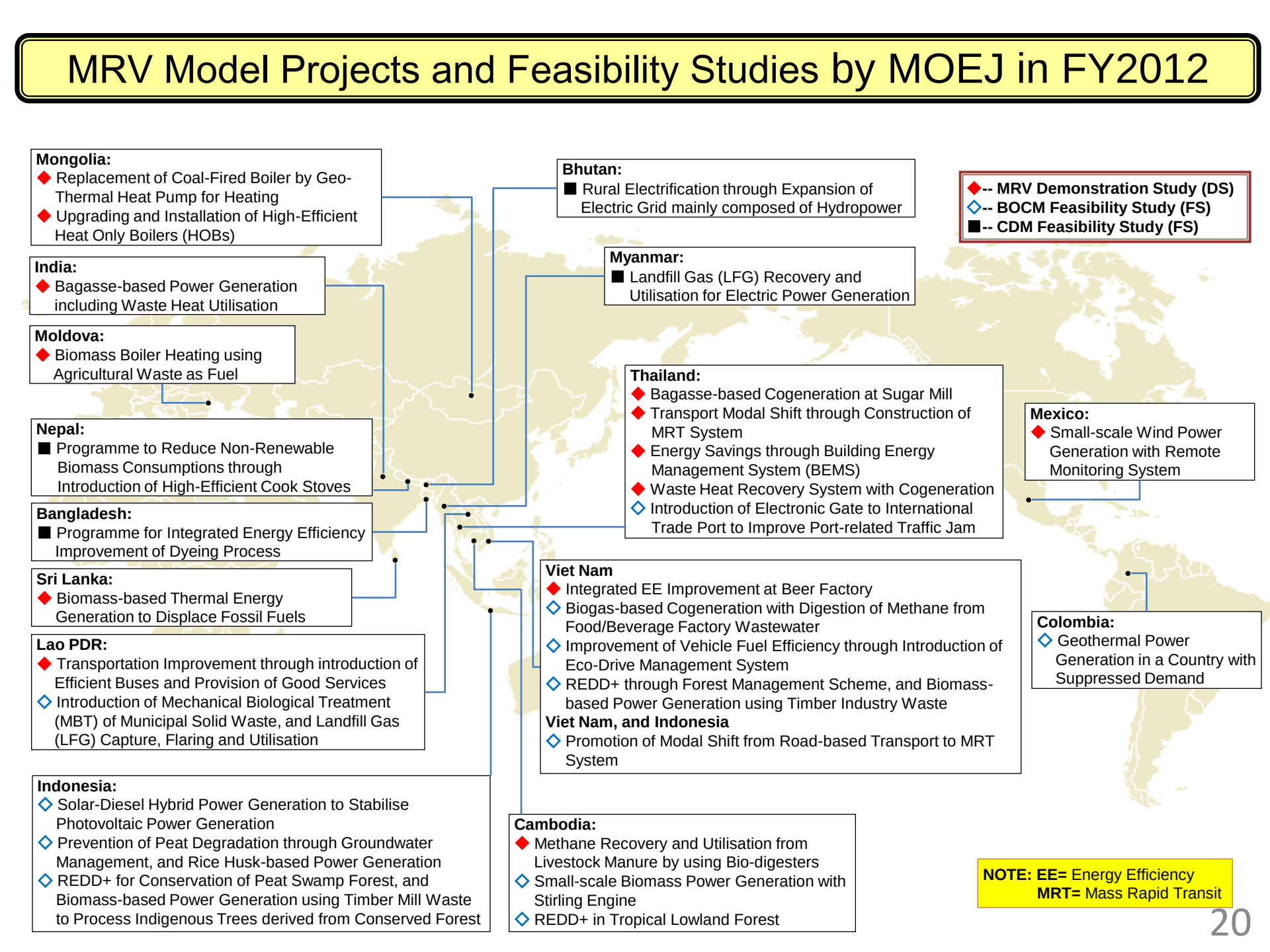
South Africa :
- △ Integrated EE Activities at Beer/Beverage Factories

Indonesia :
- ● Energy Application of Wastes & Wastewater Originated in Processing of Agricultural Products
- ■ REDD+ in Central Kalimantan Province
- ■ REDD+ and Bio-Fuel Production & Utilisation
- ■ Avoidance of Peat Aerobic Digestion & Rice Husk-based Power Generation
- ★ Development of MRT Systems in Jakarta

Angola :
- ■ REDD+ through Revegetation & Fuelisation of Woody Biomass Chiips

NOTE :
EE= Energy Efficiency
MRT= Mass Rapid Transit
BEMS= Building & Energy Management Systems

MRV Model Projects and Feasibility Studies by MOEJ in FY2012



Mongolia:
- ◆ Replacement of Coal-Fired Boiler by Geo-Thermal Heat Pump for Heating
- ◆ Upgrading and Installation of High-Efficient Heat Only Boilers (HOBs)

India:
- ◆ Bagasse-based Power Generation including Waste Heat Utilisation

Moldova:
- ◆ Biomass Boiler Heating using Agricultural Waste as Fuel

Nepal:
- ■ Programme to Reduce Non-Renewable Biomass Consumptions through Introduction of High-Efficient Cook Stoves

Bangladesh:
- ■ Programme for Integrated Energy Efficiency Improvement of Dyeing Process

Sri Lanka:
- ◆ Biomass-based Thermal Energy Generation to Displace Fossil Fuels

Lao PDR:
- ◆ Transportation Improvement through introduction of Efficient Buses and Provision of Good Services
- ◇ Introduction of Mechanical Biological Treatment (MBT) of Municipal Solid Waste, and Landfill Gas (LFG) Capture, Flaring and Utilisation

Indonesia:
- ◇ Solar-Diesel Hybrid Power Generation to Stabilise Photovoltaic Power Generation
- ◇ Prevention of Peat Degradation through Groundwater Management, and Rice Husk-based Power Generation
- ◇ REDD+ for Conservation of Peat Swamp Forest, and Biomass-based Power Generation using Timber Mill Waste to Process Indigenous Trees derived from Conserved Forest

Bhutan:
- ■ Rural Electrification through Expansion of Electric Grid mainly composed of Hydropower

Myanmar:
- ■ Landfill Gas (LFG) Recovery and Utilisation for Electric Power Generation

Thailand:
- ◆ Bagasse-based Cogeneration at Sugar Mill
- ◆ Transport Modal Shift through Construction of MRT System
- ◆ Energy Savings through Building Energy Management System (BEMS)
- ◆ Waste Heat Recovery System with Cogeneration
- ◇ Introduction of Electronic Gate to International Trade Port to Improve Port-related Traffic Jam

Viet Nam
- ◆ Integrated EE Improvement at Beer Factory
- ◇ Biogas-based Cogeneration with Digestion of Methane from Food/Beverage Factory Wastewater
- ◇ Improvement of Vehicle Fuel Efficiency through Introduction of Eco-Drive Management System
- ◇ REDD+ through Forest Management Scheme, and Biomass-based Power Generation using Timber Industry Waste

Viet Nam, and Indonesia
- ◇ Promotion of Modal Shift from Road-based Transport to MRT System

Cambodia:
- ◆ Methane Recovery and Utilisation from Livestock Manure by using Bio-digesters
- ◇ Small-scale Biomass Power Generation with Stirling Engine
- ◇ REDD+ in Tropical Lowland Forest

Mexico:
- ◆ Small-scale Wind Power Generation with Remote Monitoring System

Colombia:
- ◇ Geothermal Power Generation in a Country with Suppressed Demand

◆-- **MRV Demonstration Study (DS)**
◇-- **BOCM Feasibility Study (FS)**
■-- **CDM Feasibility Study (FS)**

NOTE: EE= Energy Efficiency
MRT= Mass Rapid Transit

Framework for developing methodologies in the BOCM (1/2)

The requirements to be met by the BOCM methodologies

Subject to further consideration

The BOCM methodologies should:

- Be simplified, objective and practical, while lowering uncertainty and ensuring environmental integrity,
- Accelerate the deployment of low carbon technologies, products and services, taking into account the national circumstances in host countries,
- Facilitate the nationally appropriate mitigation actions (NAMAs) in host countries.

The elements to be included in the BOCM methodologies (Forest-related methodologies will be considered separately)

1. Eligibility

Eligibility defines the conditions on which projects/activities are allowed to obtain emissions reduction under the BOCM.

<Concept in establishing the eligibility criteria>

The eligibility should be established in terms of emissions reduced by accelerating the deployment of low carbon technologies, products and services and facilitating NAMAs, but not based on the hypothetical assessments of what would have occurred in the absence of additional revenue from offsets/credits of emissions reduction.

<Draft eligibility criteria>

(1) Positive list

Positive list identifies the low carbon technologies, products and services that should be deployed in host countries as its priority, and the projects meeting the positive list will be automatically deemed eligible.

(2) Benchmark

Benchmarks are determined in advance by project types based on energy efficiency or diffusion rate of equipments and measures, and the projects overachieving the benchmarks will be automatically deemed eligible.

(3) NAMAs identified by host countries

The NAMAs which host countries develop by themselves and to which the host countries register that offsets/credits can be issued will be eligible as the BOCM.

(4) Others

In principle, the eligibility should be evaluated based on the conditions (1) to (3) above, however, such indicators as market share, diffusion rate of technologies or barrier due to prevailing practice may be applied, if appropriate.

Framework for developing methodologies in the BOCM (2/2)

Subject to further consideration

The elements to be included in the BOCM methodologies (Forest-related methodologies will be considered separately)

2. Emissions reduction calculation

➢The emissions reduction by the BOCM should be calculated as the difference between reference emissions and actual emissions after project/program implementation (project emissions).
In principle, the reference emissions should not be established on a project-specific basis, but be commonly applied to the projects/activities which meet a certain eligible criterion.

➢ The reference emissions should be established so that they lead to the reduction in global emissions, based on the following indicators:

- Performances of equipments and appliances（including those under energy efficiency standards and labeling scheme)
- Existing actual emissions at a certain time point before project implementation
- Historical emissions trends in the past, etc.

3. Monitoring

➢ Monitoring methodologies should be designed so that they are feasible and do not impose excessive burden on project participants, taking into account the national circumstances in host countries by, inter alia:

- Establishing conservative default values
- Making use of manufacturer's specifications or statistics, which don't need to be measured
- Making use of estimations based on sampling and simulations
- Monitoring activity levels using compiled data such as company's inventory and accounts
- Allowing the estimation of missing data at the verification of monitored data under certain conditions, etc.

BOCM Methodologies, including those of 4 study groups by METI (1/2)
(steel, cement, power generation, and home electrical appliance)

Reference material

Good methodology is essential in ensuring the environmental integrity, flexibility and the transparency of the BOCM. The following MRV methodologies are proposed through METI-FS and work of the study groups. These proposals are subject to further consideration.

	Current CDM	Steel	Cement	Power generation	Home electrical appliance
Eligibility criteria	• For a project to be eligible under the CDM, it needs to be proven as 'additional' not only on emission reductions to be achieved but also on investments and technologies to be used.	• Positive list of eligible technologies is used for eligibility assessments (positive list approach). • Indicator for total energy efficiency on steel works is reference use only, not for eligibility judgment.	• A project is eligible if the performance improved through the project exceeds the 'benchmark' performance level (Benchmarking approach). • Positive list approach	• Positive list approach • Benchmarking approach • For projects that meet certain conditions (such as small scale), application of barrier analysis could be considered.	• Positive list approach • Benchmarking approach *The approach is selected according to the applicable Standard Labeling scheme in a host country.
Reference level	• Reference level is defined as 'baseline' that represents emissions that would have occurred in the absence of the project concerned. • The baseline needs to be established for individual projects in accordance with strict rules.	• Reference level is defined as the current situation without eligible technology's deployment for individual facilities (Project by project approach)	• Estimated from a historical trend value for individual facilities • Average performances in the past 5 years are calculated by using the CSI CO2 protocol when applying the benchmarking approach	• Use of average emission factor of all power sources or average emission factors by fuel • Calculated based on recent performance • Use of voluntary target value on a corporate basis is being considered.	• Average of energy efficiency for standard products • In the case of benchmarking approach, average of energy efficiency for standard products in the base year is estimated on the basis of catalogue values and used.

BOCM Methodologies, including those of 4 study groups (2/2)

Reference material

	Current CDM	Steel	Cement	Power generation	Home electrical appliance
Monitoring	• Monitoring needs to be undertaken for individual projects in accordance with strict rules. • In many cases, the monitoring involves actual measurements of emissions reduction achieved.	• Based on ISO 14000 series' methodology • Actual measurement (accounting)of projects based on ISO 14064-2, similar to the methodologies defined by CDM-Executive Board • Projects' contribution to the total energy efficiency on steel works is referenced.	• Use of the CSI CO2 protocol to obtain reliable data. (In the case of a project that exceeds the boundary defined by the protocol, need to develop an alternative calculation method.)	• Measuring based on the defined boundary • Application of the default value for some monitoring items is being considered.	• Reasonable and cost-effective sampling methodology is being proposed and developed. • Sampling methodology using statistical estimate • Estimation and use of data obtained by laboratory testing • Catalog values, corrected as necessary, may be used in the future.
Example of eligible technologies	—	• Waste energy recovery technology (CDQ, CMC, TRT, Sinter waste heat recovery, etc.) • High efficiency equipment (Inverter, combined cycle power generation, etc.) • Capacity building for governments and facility owner of developing countries to learn ISO 14404 methodologies and factor analysis for better energy efficiency	• Co-processing（e.g. Alternative Fuels, Biomass Fuels and CFCs' Decomposition） • Utilizing of waste heat（e.g. Power generation and supply to the community） • Operation management (e.g. Energy conservation technology)	• A-USC (Advanced Ultra Super Critical) coal thermal power plant • LNG combined cycle thermal power plant • High efficiency transmission facility etc.	• Inverter control（Air conditioner, Household refrigerator, ・・etc） • Light Emitting Diode（LED Lighting, LED display , ・・・etc） • Thermal insulation（Household refrigerator,Rice cooker ・・・etc） • Heat pump（Air conditioner, Water heating system, ・・・etc）

BOCM Methodology Formats

- Key Features of the methodology formats
  - ➢ The methodology formats should be designed, so that project proponents can use them easily, verifiers can verify the data easily, and calculation logic is disclosed transparently.
  - ➢ In order to reduce monitoring burden, default values should be widely used in conservative manner.

Eligibility	• A “check list” will allow easy determination of eligibility of a proposed project under the mechanism and applicability of methodologies to the project.
Method	• Flow chart will guide project proponents to the most appropriate calculation method for the proposed project.
Data	• List of required parameters will inform project proponents of what data is necessary to calculate GHG emission reductions/removals with methodologies. • Default values for specific country and sector are provided beforehand.
Calculation	• Premade spread sheets will help calculate GHG emission reductions/removals automatically by inputting required parameters, in accordance with methodologies.

Image of BOCM Methodology Formats (1/5)

- Eligibility
  - Simple check list is provided for project proponents to determine the eligibility of a proposed project under the mechanism and applicability of the methodology
  - All the criteria have to be met in order to apply a methodology.

Example: High-Performance Industrial Furnace

	Eligibility	Check
Criteria 1	• High-performance industrial furnaces implemented in the planned project are equipped with regenerative burners.	☑
Criteria 2	• High-performance industrial furnaces are implemented in the aluminum sector of the host country.	☑
Criteria 3	• The same heat source is used by the waste heat generating facility and the recipient facility of waste heat.	☑
Criteria 4	• Unused waste heat has to exist with in the project boundary prior to the planned project implementation.	☑
Criteria 5	• Fossil fuels and electricity consumption by the high-performance industrial furnaces have to be measureable after the project implementation.	☑

Image of BOCM Methodology Formats (2/5)

- Method
  - ➢Flow chart will guide project proponents to the most appropriate calculation method for the proposed project

Example: High-Performance Industrial Furnace

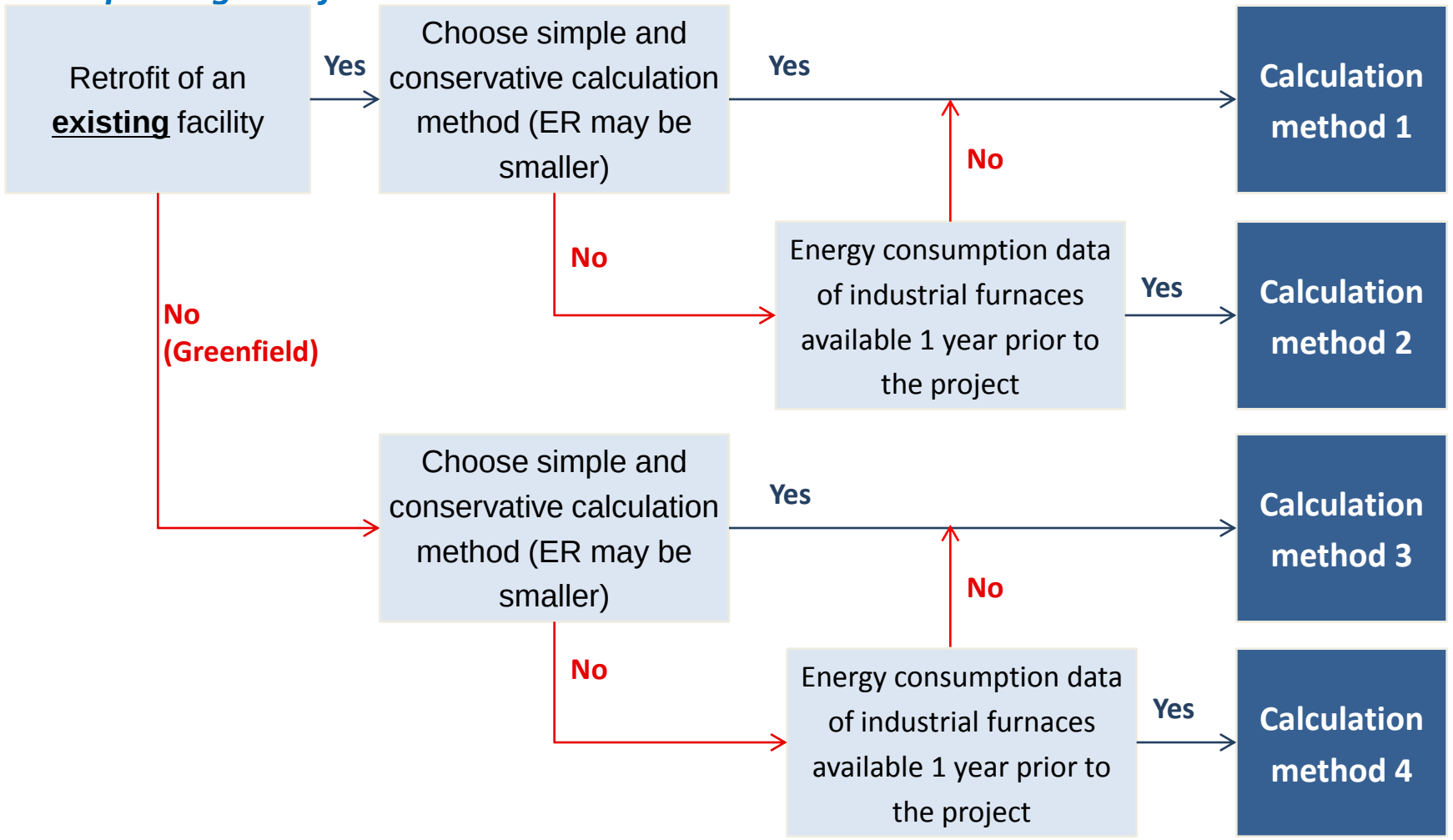
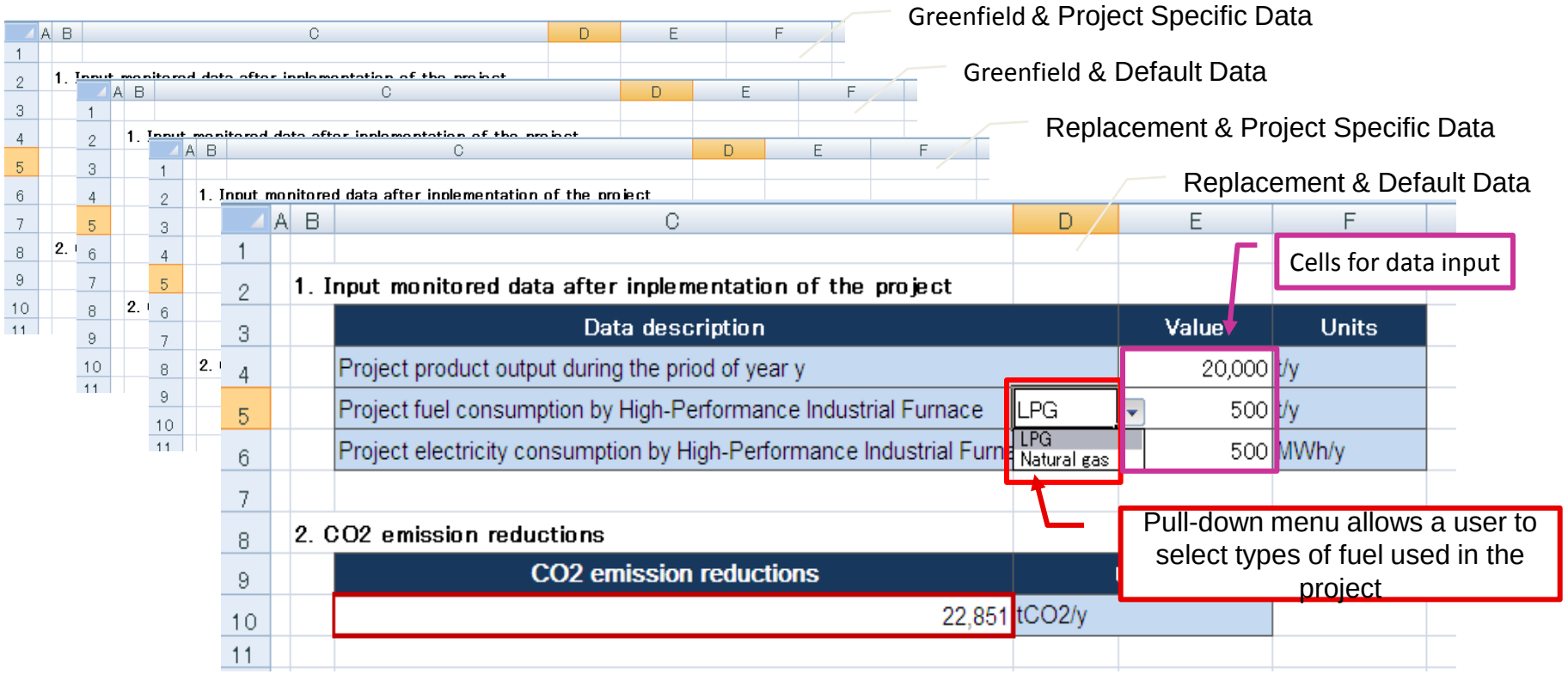


Image of BOCM Methodology Formats (3/5)

- Data input
  - ➢Project proponents are requested to input data in the data sheet only.
  - ➢Spread sheets are prepared for different methods.

Example: High-Performance Industrial Furnace

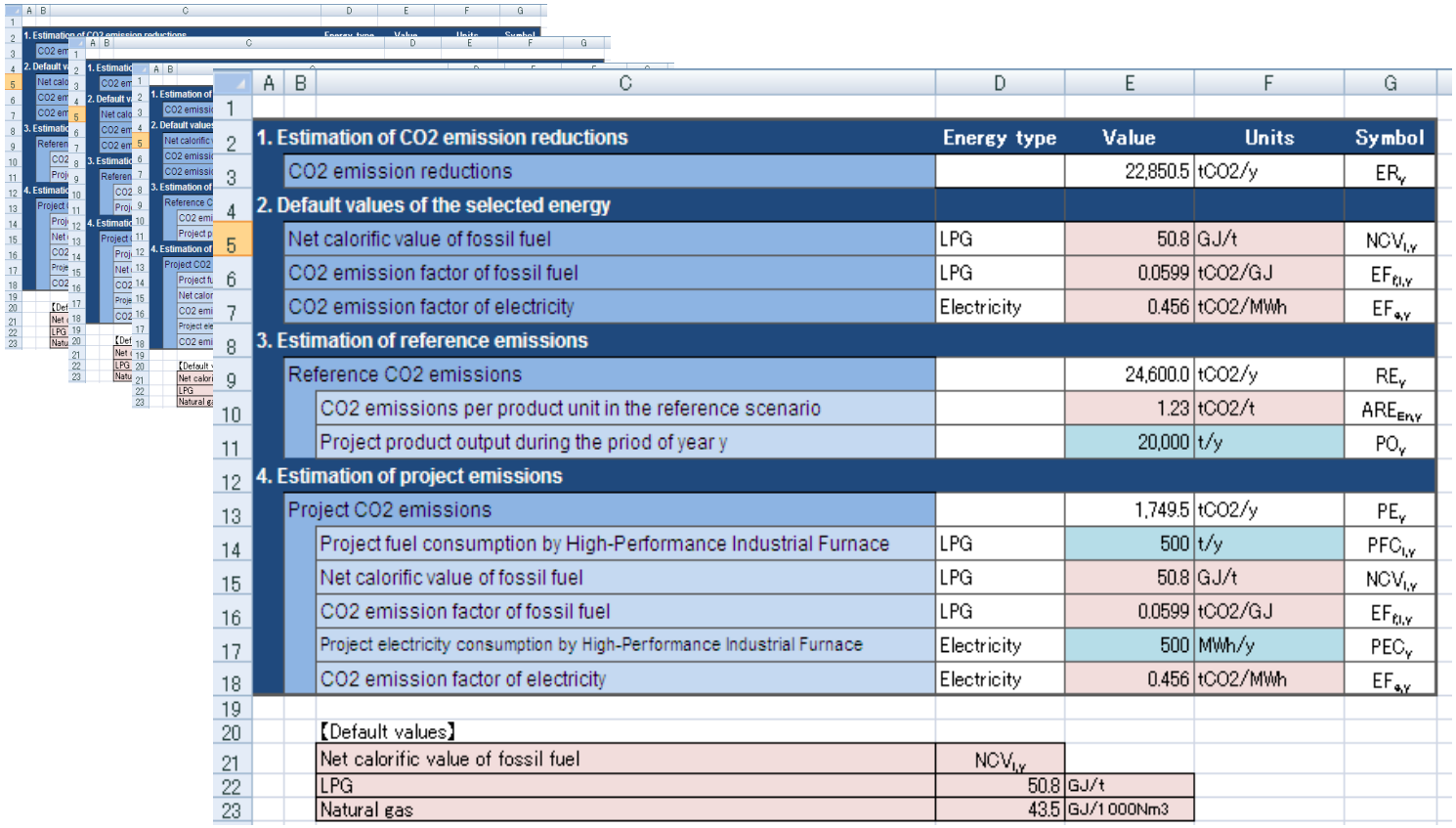


An example above provides different cases for greenfield project and existing (replacement) project and required data for each case.

Image of BOCM Methodology Formats (4/5)

- Calculation of Emission Reductions/removals
  - ➢Spread sheets for calculation logic are provided in separate sheets and data input in the “data input sheet” automatically calculate emission reductions/removals.
  - ➢Default values should be widely used, in a conservative manner, in order to reduce monitoring burden.

Example: High-Performance Industrial Furnace



1. Estimation of CO2 emission reductions	Energy type	Value	Units	Symbol
CO2 emission reductions		22,850.5	tCO2/y	ER_y
2. Default values of the selected energy				
Net calorific value of fossil fuel	LPG	50.8	GJ/t	$NCV_{f,y}$
CO2 emission factor of fossil fuel	LPG	0.0599	tCO2/GJ	$EF_{f,y}$
CO2 emission factor of electricity	Electricity	0.456	tCO2/MWh	$EF_{e,y}$
3. Estimation of reference emissions				
Reference CO2 emissions		24,600.0	tCO2/y	RE_y
CO2 emissions per product unit in the reference scenario		1.23	tCO2/t	$ARE_{En,y}$
Project product output during the priod of year y		20,000	t/y	PO_y
4. Estimation of project emissions				
Project CO2 emissions		1,749.5	tCO2/y	PE_y
Project fuel consumption by High-Performance Industrial Furnace	LPG	500	t/y	$PFC_{f,y}$
Net calorific value of fossil fuel	LPG	50.8	GJ/t	$NCV_{f,y}$
CO2 emission factor of fossil fuel	LPG	0.0599	tCO2/GJ	$EF_{f,y}$
Project electricity consumption by High-Performance Industrial Furnace	Electricity	500	MWh/y	PEC_y
CO2 emission factor of electricity	Electricity	0.456	tCO2/MWh	$EF_{e,y}$

【Default values】

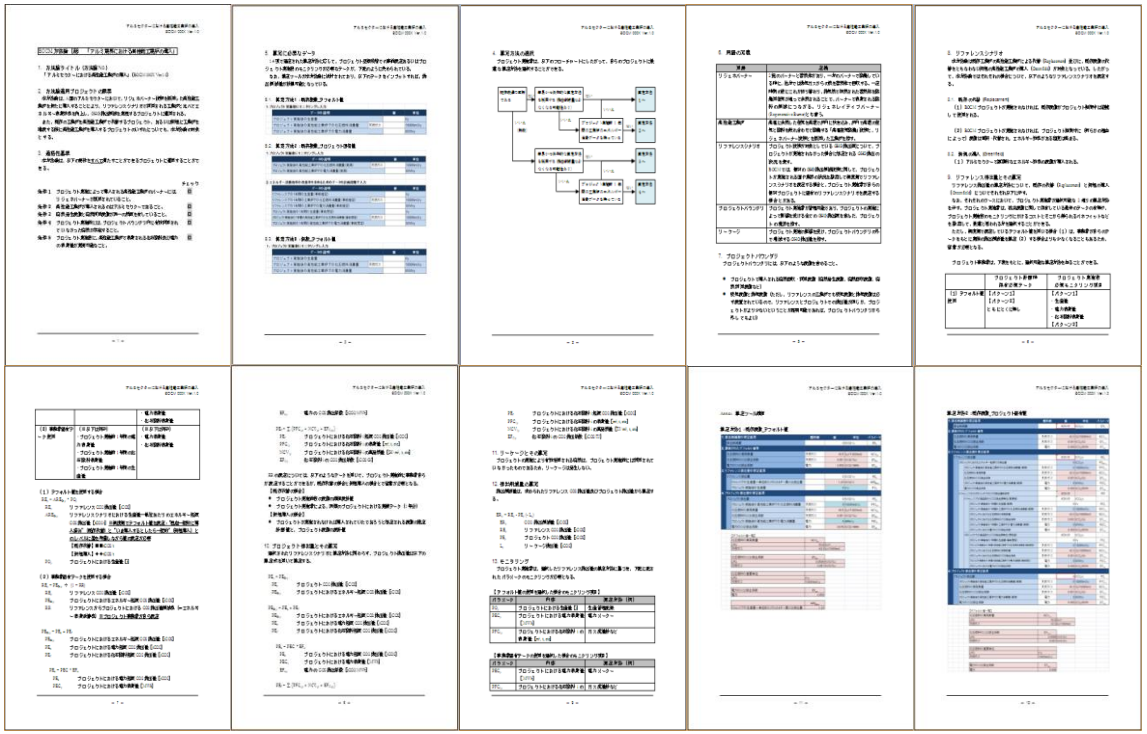
Net calorific value of fossil fuel	$NCV_{f,y}$	
LPG	50.8	GJ/t
Natural gas	43.5	GJ/1000Nm3

Image of BOCM Methodology Formats (5/5)

- Description of methodologies
  - Details of methodologies should be described by writing and calculation formula so that project proponents can understand logic behind and to enhance transparency.

Structure of the methodology

- Project description
- Eligibility
- Calculation method selection
- List of required data
- Project boundary
- Reference scenario
- Calculation
- Monitoring



Capacity building

◆ Capacity building is an important component of BOCM.

◆Capacity building for BOCM will be useful not just for BOCM alone, but also for improving CDM, and developing NAMAs.

(Example)

Indonesia

➢Support for establishing the MRV agency by JICA

Zambia/Bhutan

➢Support for simplified CDM methodologies for Rural Electrification by JICA

Mekong countries

➢Policy dialogue and enhanced briefing on BOCM for government officials in charge of climate change of five Mekong countries(Cambodia, Lao PDR, Myanmar, Thailand, Viet Nam) scheduled in July

Capacity Building Activities by METI

METI engages in a variety of capacity building activities, such as seminars, expert dispatches, technical experts invitations, joint researches on MRV methodologies, and government-private sector dialogues:

(Purposes)

- ✧ To provide technical know-how necessary to implement GHG emissions reduction projects under the BOCM
- ✧ To establish MRV methodologies for the BOCM
- ✧ To train experts on MRV methodologies for the BOCM
- ✧ To train entities to act as third-party verifiers for the BOCM
- ✧ To deepen understanding on the institutional and technical aspects of the BOCM both at government and private sectors.

Capacity building activities by METI will start in FY2013, using its budget.

Possible tool to be used

ECCJ
The Energy Conservation Center, Japan

- ➢ Educational Seminars for Engineers
- • Technical seminars providing knowledge concerning the Energy Conservation Act and the latest energy conservation technologies
- • Practice seminars that discuss practical technologies using demonstration Equipment, etc.

ICETT
International Center for Environmental Technology Transfer

- ➢ Activities relating to environmental technology:
- • Seminars
- • Expert dispatches
- • Technical experts invitations
- • Joint researches on MRV methodologies

HIDA
The Overseas Human Resources and Industry Development Association

- ➢ Activities relating to technical scholarship:
- • Seminars
- • Expert dispatches
- • Technical experts invitations

J-coal
Japan Coal Energy Center

- ➢ Activities relating to coal energy
- • Training projects
- • Clean coal technology transfer projects
- • Coal-fired equipment diagnosis

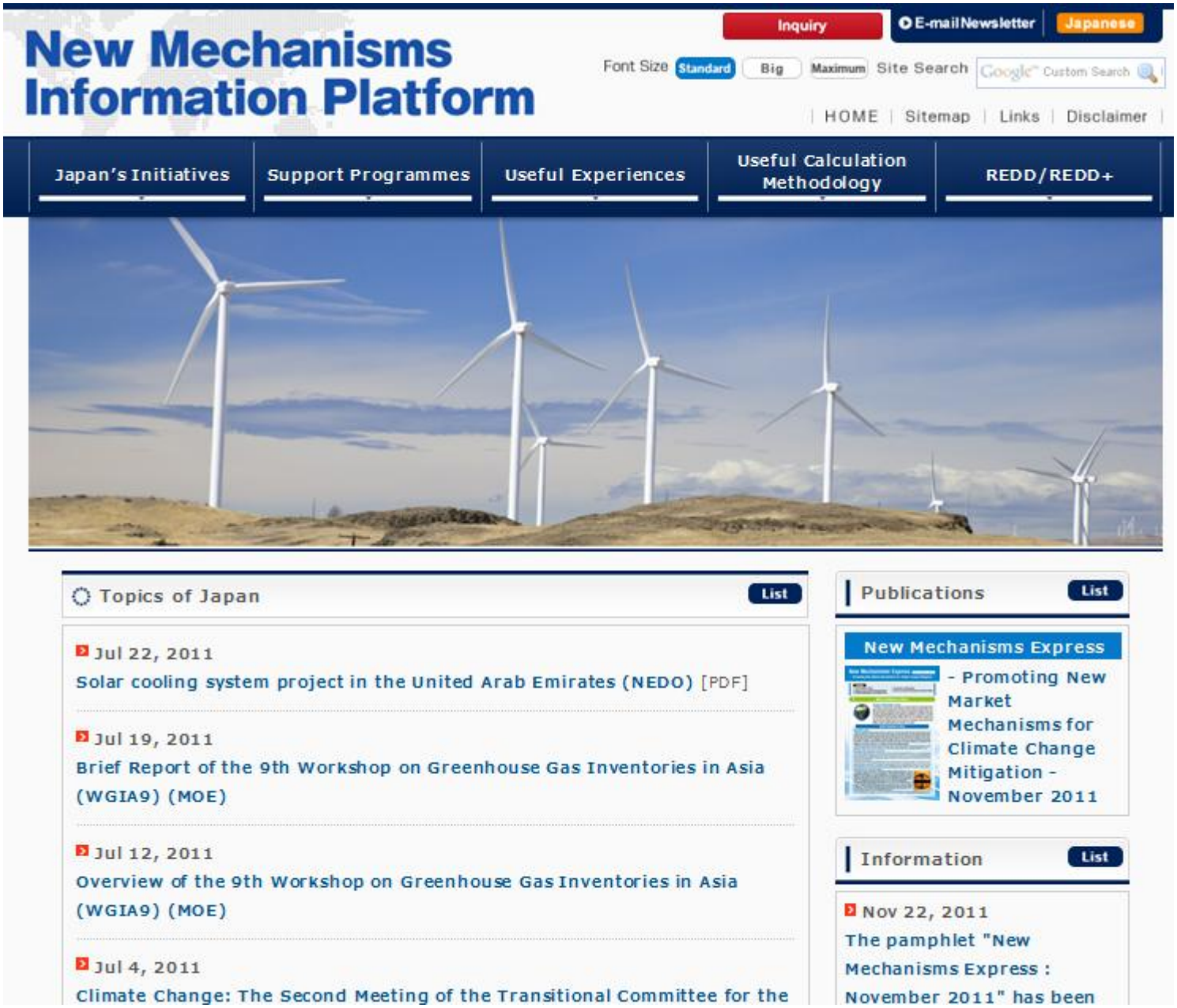
Capacity Building Activities by MOEJ (1/2)

- Starting from 2003, MOEJ has been implementing CDM capacity building programme in Asian countries to develop institutional arrangements for the CDM.
  - Institute for Global Environmental Strategies (IGES) has been collaborating with Asian countries for capacity building.

- Building on the existing CDM capacity building activities, MOEJ launched capacity building for MRV for the BOCM.
  - Such capacity building will be conducted in Asia, Latin America and Africa respectively, to reflect specific circumstances and capacities of those countries for implementing MRV.

- New Mechanisms Information Platform website was established by Overseas Environmental Cooperation Center (OECC) to provide the latest movements and information on the BOCM.
  - URL is http://www.mmechanisms.org/e/index.html

Capacity Building Activities by MOEJ (2/2)



Packaging of policy tools for 'tailored' assistance for developing countries by METI

- **Combination of relevant policy tools**
- **Visualization of emissions reduction efforts**

Form the basis for enhanced business involvements