

Japan's Approach to Article 6: The Role of the Joint Crediting Mechanism and Its Latest Progress

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Ministry of the Environment

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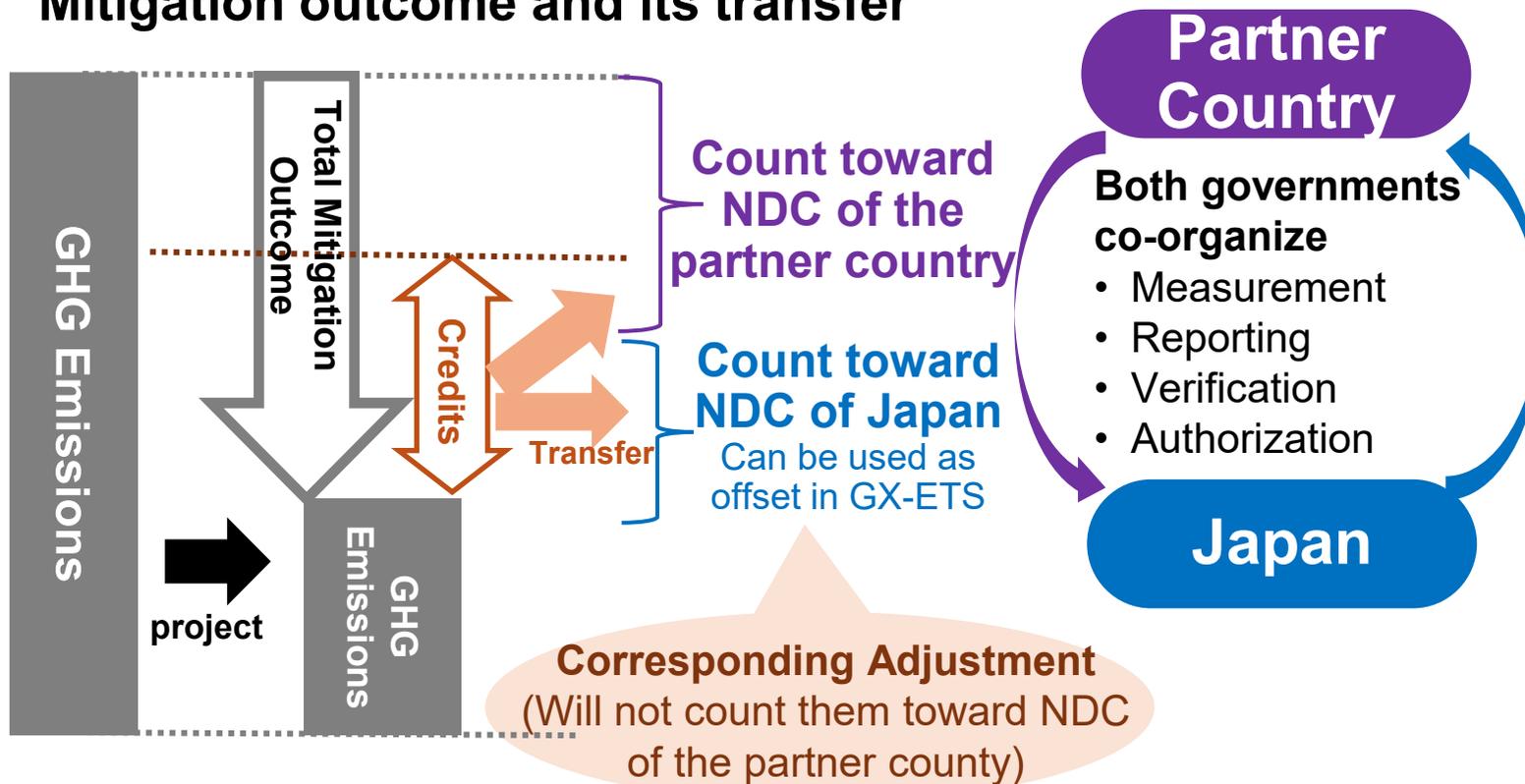


1. Overview of the Joint Crediting Mechanism (JCM)

Overview of the Joint Crediting Mechanism (JCM)

- JCM is a carbon market tool where Japanese companies and government cooperate with mitigation activities in partner countries (31 as of Today).
- Among total mitigation outcomes, both governments conservatively calculate, authorize and share JCM credits between the companies/countries in proportion to their contributions, in line with Article 6 of the Paris Agreement.
- JCM incentivizes Japan's investment in decarbonization projects bringing various benefits including achievement of NDC and sustainable development.

Mitigation outcome and its transfer



Decarbonization projects invested by Japan



Renewable



Energy Saving



Waste



Forestry

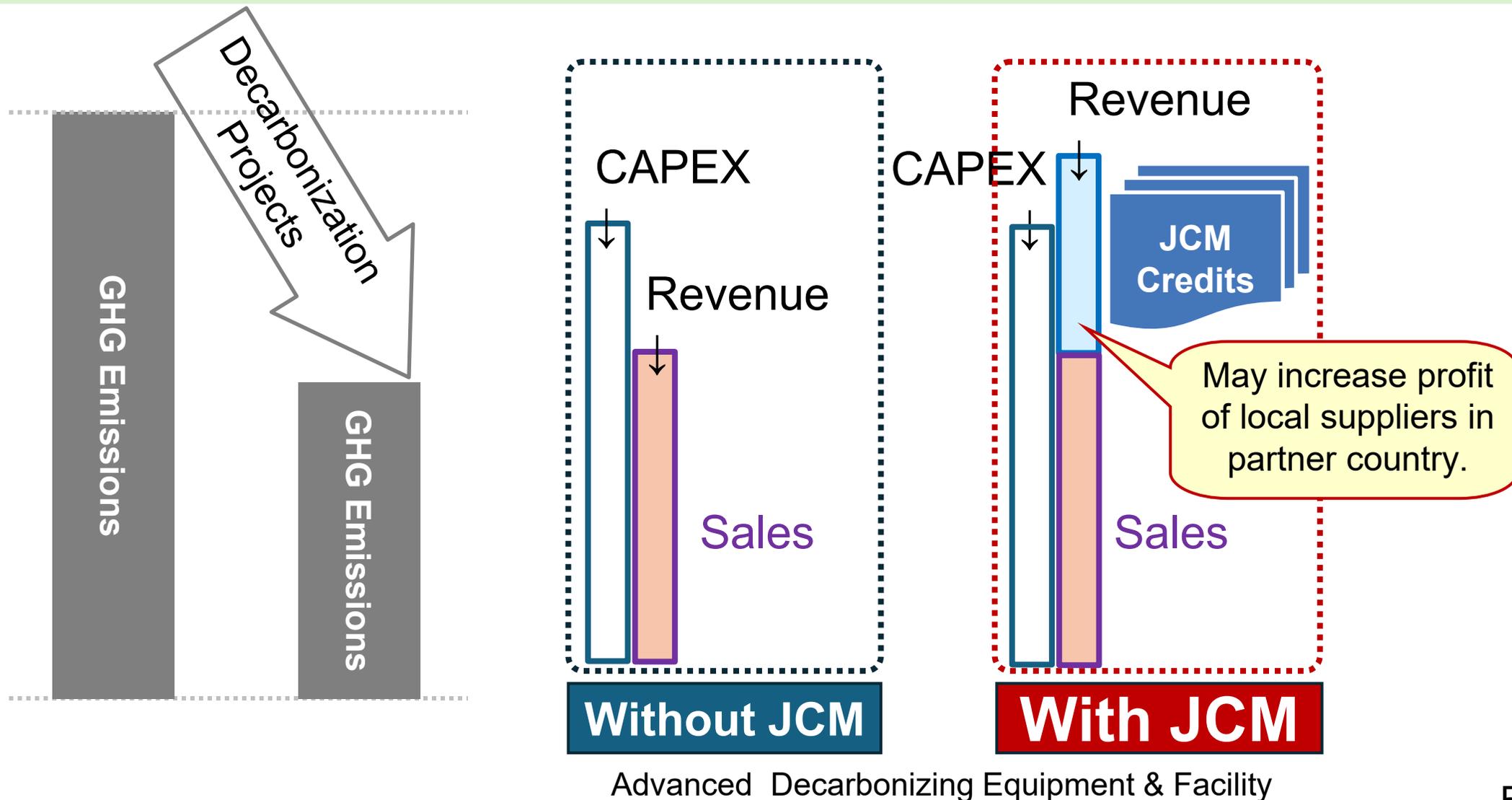


Agriculture



CCS

- **JCM incentivizes Japan's investment** in decarbonization projects bringing various benefits including
 - Deduction of price for decarbonizing material/energy in the partner country.
 - Increase of profit for supply by partner country's local suppliers.



JCM 31 Partner Countries

as of February 13, 2026

Total 296 JCM Projects



*Numbers indicates the order of signatures

* Total number of JCM projects, including those supported by MOE and METI, as well as private sectors.

More than 290 JCM projects with over 3 billion USD of investment all over the world

Renewable Energy



Solar power, FARMLAND Co., Ltd., Chile



Floating Solar PV, TSB Co., Ltd., Thailand



Hydro Power Plant, Toyo Energy Farm Co., Ltd., Indonesia



Biogas Power Generation, ITOCHU Corporation, Philippines



Binary Power Generation Project at Geothermal Power Plant, MHI, Ltd., Philippines

Energy efficiency [Consumer sector]



Energy saving at convenience stores, Panasonic, Indonesia



High-efficiency refrigerator, Mayekawa MFG, Indonesia

Energy efficiency [Industrial sector]



Optimization in petroleum refining plant, Yokogawa Electric Corp. Indonesia



Energy-saving of mobile communications base transceiver stations, KDDI Corp. Indonesia

Effective Use of Energy



Gas Co-generation System and Absorption Chiller, Kansai Electric Power, Thailand

Energy efficiency [Urban sector]



LED street lighting system with wireless network control, MinebeaMitsumi, Cambodia



Amorphous transformers in power distribution, Yuko-Keiso, Vietnam

Waste



Power Generation with Methane Gas Recovery System, NTTDATA, Mexico



Waste to Energy Plant, JFE engineering, Vietnam

Transport



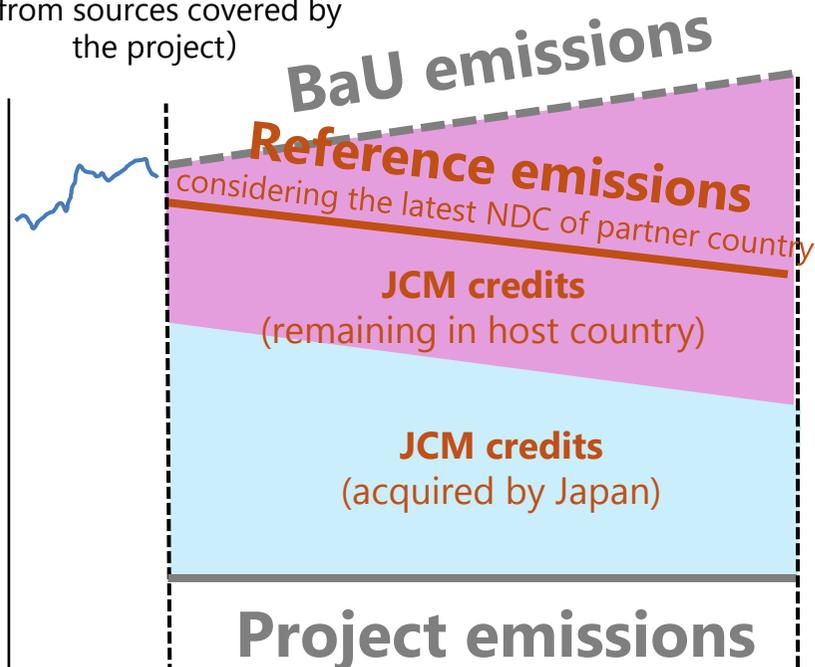
CNG-Diesel Hybrid Public Bus, Hokusan Co., Ltd., Indonesia

Evaluation and crediting of mitigation outcomes under the JCM

1. Mitigation outcomes issued as **JCM credits** are the difference between project emissions and reference emissions that are established considering the latest NDC of partner country.
2. Total mitigation outcomes by JCM projects, the difference between business-as-usual (BaU) and project emissions, consist of mitigation outcomes that is 1) NOT issued as JCM credits, mitigation outcomes issued as JCM credits acquired by 2) partner countries and 3) Japan. All of them contribute to achieving their NDCs.
3. Allocation of total mitigation outcomes for each government and participant will be consulted and decided bilaterally, taking into consideration their respective contributions to the JCM project. Such contribution includes private and public financial contributions, in-kind contributions, such as technical and operational contributions.

Emission amount

(from sources covered by the project)



Total mitigation outcomes by JCM projects

1) Mitigation outcomes NOT issued as JCM credits

2) Mitigation outcomes issued as JCM credits acquired by partner country

3) Mitigation outcomes Issued as JCM credits acquired by Japan

Partner country's contribution

Reflected in partner country's inventory and contributes to achieving its NDC

Japan's contribution

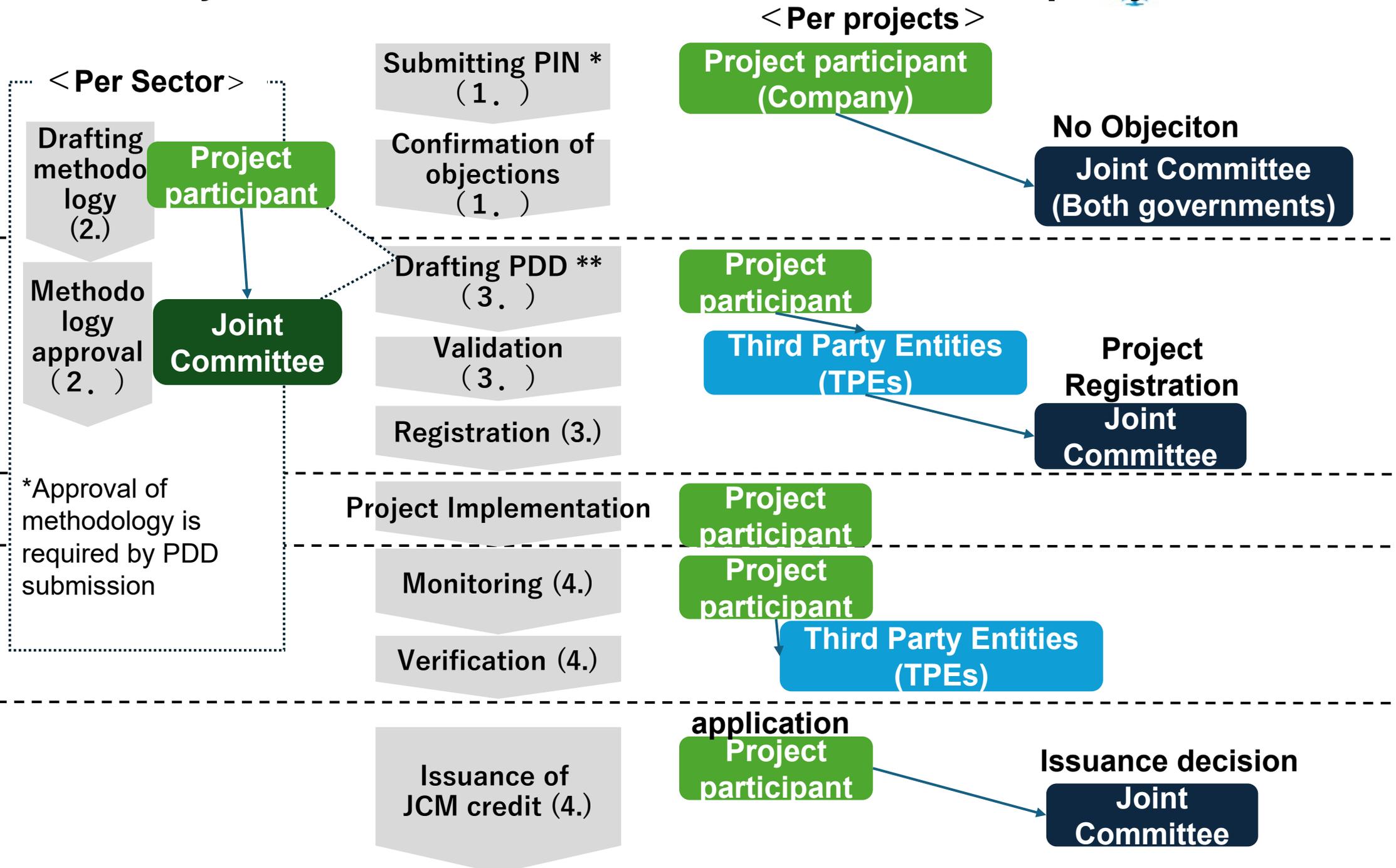
Used for Japan's NDC, etc

Time

Start of project

End of crediting period

JCM Project Process and Role of Private Company



* PIN (Project Idea Note): Explains the outline of the project.

** PDD (Project Design Document): Includes monitoring methods and estimated emission reductions. Required for project registration.

2. Recent Updates on the JCM

Update and Progress under the JCM in 2025

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■ Establishment of the JCM Implementation Agency (JCMA) in April 2025



■ New JCM partner countries: Tanzania (May) and India (August)



■ Article 6 initial report and Article 6 Technical Expert Review (A6TER)

- Japan submitted updated initial report on 14 October 2025.
- **6 JCM partner countries** submitted their initial reports with technical support by Article6 Implementation Partnership Center (A6IP).
- Japan and 5 partner countries have been reviewed by A6TER team.

■ First and second ITMOs issuance under the JCM

- 1st ITMOs issuance between Japan-Thailand on 11 Nov 2025
- 2nd ITMOs issuance between Japan-Maldives on 16 Dec 2025

■ Publication of Application Criteria for JCM Projects on December 8, 2025

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ITMOs for JCM Credit in Thailand and Maldives

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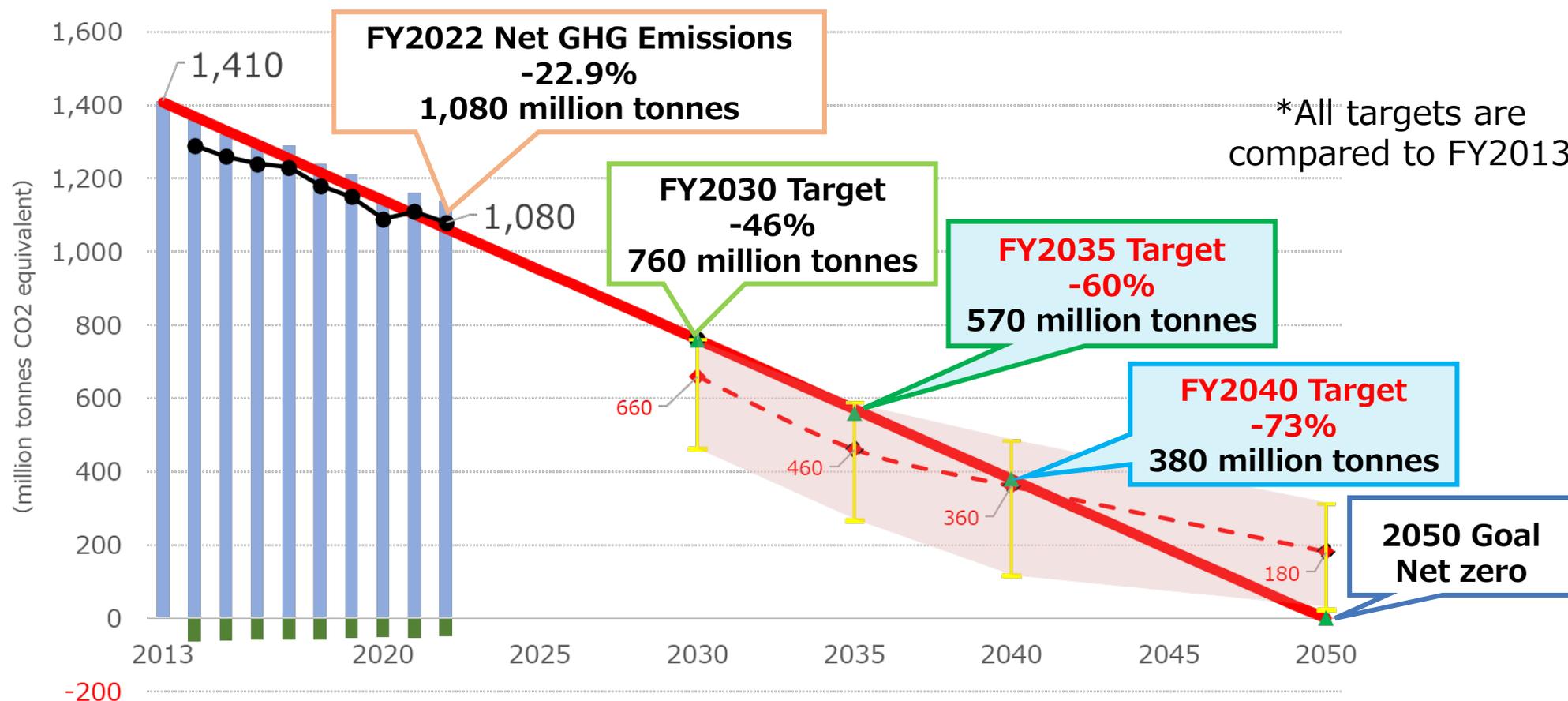
- JC decision: JC7, October 30, 2025 
- Completion of ITMOs: November 11.
- Project title: Introduction of 5MW Floating Solar Power System on Industrial Water Reservoir in Thailand (TH014)
- Quantity of ITMOs authorized: 1,009 tCO₂eq
- Vintage: 2021

- JC decision: JC5, 16 December 2025 
- Completion of ITMOs: 17 December
- Project title: Introduction of Smart Mini Grid System at Addu City (MV002)
- Quantity of ITMOs authorized: 433 tCO₂eq
- Vintage: 2021 – 2022



Japan's Updated NDC in Feb 2025

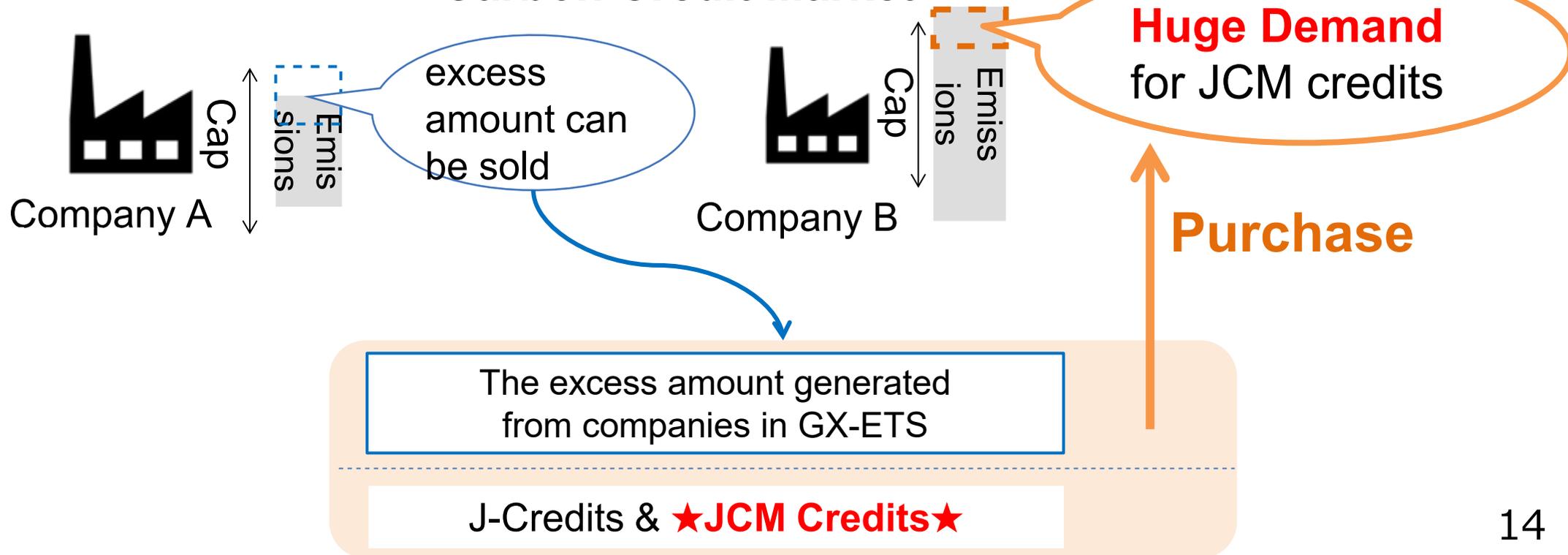
- Japan seeks a **linear pathway towards net zero by 2050**. As for the new NDC in Feb 2025, Japan sets ambitious targets to reduce its GHG emissions **by 60% in FY2035 and by 73% in FY2040**, from its FY2013 levels, **aligned with the global 1.5°C goal**.
- New NDC expressed that **through JCM, Japan aims to contribute to reduction of 100 million ton-CO2 in 2030 and 200 million ton-CO2 in 2040 globally**. *Accumulated ***Not the credit amount**
- These targets **increase medium and long-term predictability** and **accelerate Green Transformation (GX) investments**.



Japan Launches Compliance Carbon Market

- Japan will launch domestic compliance market in FY 2026 (GX-ETS).
 - Mandatory ETS (Emission Trading Scheme), covering about **600 million ton-co2 per year**
- JCM credits acquired by Japan can be used **for the achievement of companies' compliance targets (caps) under GX-ETS**, which **creates the huge demand for JCM credits**.

GX-ETS (Emission Trading Scheme) and Carbon Credit Market



Application Criteria for JCM Projects

1. For a project to be eligible for the JCM, it is required to provide **added value through the use of the JCM**, specifically:
 1. The **need for incentives from credits to ensure project viability** (e.g., there is no revenue expected other than credit income, or even if revenue is expected, the payback period would be prolonged or the internal rate of return (IRR) would be low without credit income, making project implementation difficult). However, no uniform numerical standards, such as IRR or payback period, will be set.
 2. From the perspective of contributing to the Partner Country's NDC, the project is required to **demonstrate particular excellence** in aspects such as **level of difficulty of the technology, scale, or speed of implementation**.
 3. The **potential for spillover and horizontal expansion** within the Partner Country (including **participation of local companies** and **benefits to local industries** through **capacity building and technology acquisition**).

The **representative company is requested to explain these points**. Based on this, and **following sector-specific guidelines and methodologies** as a premise, the relevant ministries and government agencies will **comprehensively determine JCM applicability**, considering factors such as **accountability in an international context**.

Application Criteria for JCM Projects (Continued)

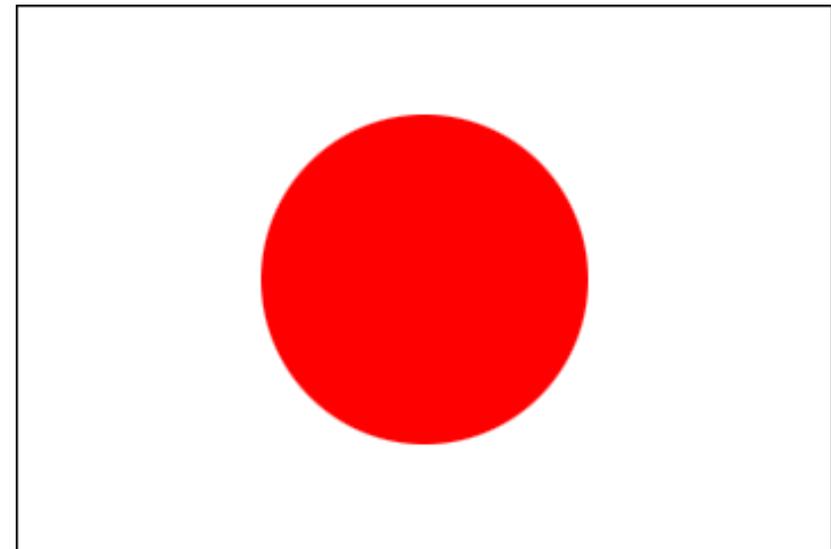
2. **Before the earlier of the start date of procurement of equipment or construction of facilities** for emission reductions or removals, the Project Idea Note (PIN) has been submitted to the government of the Partner Country through the Government of Japan. However, projects that have already started procurement or construction will be **exempt from this condition**, in case due to **subsequent changes in circumstances** (e.g., changes in the business environment causing difficulties in continuation), the **representative company can reasonably explain** that the need for incentives from credits or added value as indicated in paragraph 1 has arisen, and **projects implemented with public financial support** for equipment or facilities toward application of the JCM.
3. Regarding the condition described in **paragraph 2 above**, **projects that do not procure an equipment** for emission reductions or removals (**e.g., forestry sector, agriculture sector, land use sector**) are **exempt**. For the forestry sector, activities started before the approval of the JCM guidelines for the forestry sector between Japan and the Partner Country may still be eligible if they meet the requirements described in the guidelines.
4. The **PIN clearly explains the role of Japanese companies or government** in emission reductions or removals and **quantifies the financial contribution from Japan**.

Please note that approval of a proposed project as the JCM requires consent with the government of the Partner Country, and meeting the above criteria does not guarantee approval of a JCM project.

3. JCM between Mongolia and Japan

Mongolia and Japan started the JCM in 2013

- **1st JCM Partner country!**
- **7 JCM projects are going on and contributing actual emission reduction and sustainable development of Mongolia.**



■ Development of domestic regulatory frameworks

- Establish the domestic approval framework for Article 6 under the Climate Change Law as soon as possible
- Allow the JCM process for existing projects to continue without waiting for the formal enactment of the Law

■ JCM Rules & Guidelines

Approval by Joint Committee for the updates on R&G in line with Article 6 is required.

Appendix

JCM projects without subsidy: 100 pipeline projects

- As of February 2025, we have approximately 100 consultations as follows.
- Quite a few projects are to reduce GHG from non-fossil fuel sources.

Others(24) 25%

**Rice Paddy fields
(22) 23%**

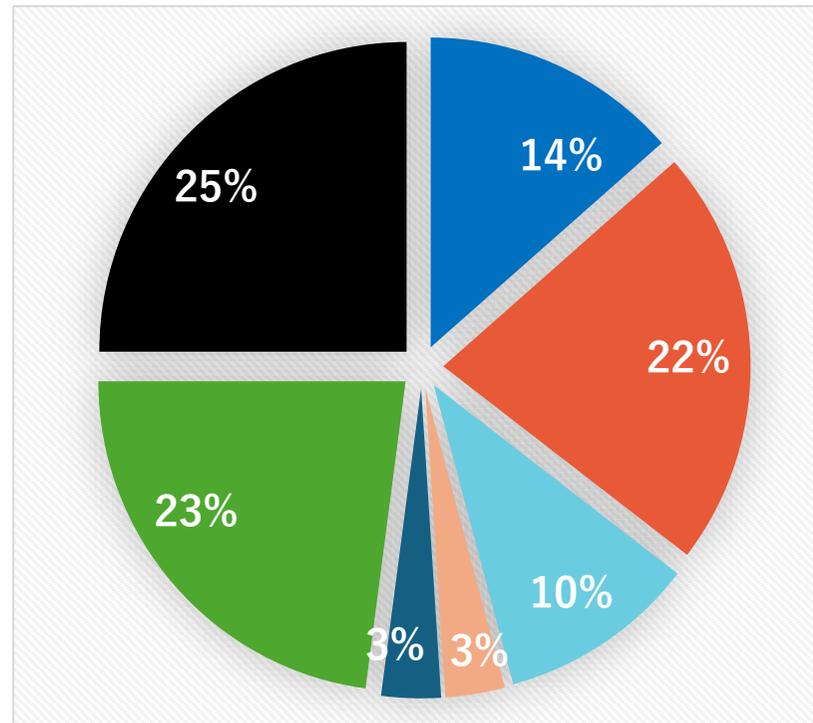
- AWD etc.

Fluorocarbon (3) 3%

- Fluorocarbon recovery and destruction

Green Carbon (3) 3%

- REDD+ etc.



Renewable Energy

(13) 14%

- Solar Power Generation etc.

Energy Efficiency

(21) 22%

- Boiler
- LED etc.

Transport (10) 10%

- Optimization of shuttle bus
- EV etc.

(Ref.) Key Updates of JCM Rules and Guidelines

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- 1. Integration:** Integrated nine JCM guidelines to one document, with overall revisions including accommodating requirements from Article 6.2 guidance
- 2. Crediting period:** Fixed period of 10 years, or a renewable period of 5 years, maximum 15 years
- 3. Project Idea Note (PIN):** PIN decided by the Joint Committee as an initial process
- 4. Sustainable development reporting:** Guidelines for the sustainable development implementation plan (ex ante at project registration) and report (ex post at credit issuance) *A6 related
- 5. Authorization:** Each government authorizes the JCM credits generated after 1st January 2021 and issued in the Japanese JCM registry, for the use toward the achievement of Japan's NDC, and applies corresponding adjustments consistent with the Article 6.2 guidance *A6 related
- 6. Deletion of the 2030 deadline**
- 7. JCM credit allocation:** At the time of project registration; Project participants of a JCM project consult among themselves and both governments the credit allocation among the project participants of Japan, the project participants of (Partner Country), the Government of Japan and the Government of (Partner Country), taking into consideration their respective contribution to GHG emission reductions or removals.
- 8. Reference emissions:** The reference emissions are established in a manner that the proposed project contributes to the achievement of the NDC of the partner country *A6 related
- 9. ISO / Article 6.4 :** Revisions to accommodate the latest ISO(14065) mainly in the Guidelines for Validation and Verification. For TPE designation requirement, Article 6.4 DOE is now officially recognized.

JCM Website

URL: <https://www.jcm.go.jp/>

Contents

- General information page
- Individual JCM Partner countries-Japan page

Function

- Information sharing to the public, e.g.,
 - the JC decisions
 - rules and guidelines
 - methodologies and projects
 - issuance of JCM credits
 - call for public inputs/comments
 - status of TPEs, etc.
- Internal information sharing for the JC members, e.g.
 - File sharing for electric decisions by the JC

▼Image of the general information page

The screenshot shows the JCM HOME page. The header includes the JCM logo and the text 'HOME'. Below the header, there is a navigation menu on the left with categories like 'About The Mechanism', 'Third Party Entry', 'Rules and Guidelines', 'Project Cycle Search', 'Mongolia - Japan Page', 'Cambodia - Japan Page', 'Indonesia - Japan Page', 'Korea - Japan Page', 'Malaysia - Japan Page', 'Philippines - Japan Page', 'Thailand - Japan Page', 'Vietnam - Japan Page', 'Yemen - Japan Page', 'Lao - Japan Page', 'Indonesia - Japan Page', 'Cuba - Japan Page', 'Malaysia - Japan Page', 'Cambodia - Japan Page', 'Mexico - Japan Page', 'Senegal - Japan Page', 'China - Japan Page', 'Myanmar - Japan Page', 'Thailand - Japan Page', 'Contact us', and 'Annual transactions'. The main content area is titled 'The Joint Crediting Mechanism (JCM)' and features a large image of a blue sky with clouds. Below the image, there is a section for 'About the Mechanism' and a 'News' section with a table of recent updates.

Published date	Country	Subject
02 Jun 10	Indonesia	Indonesia Approval for JCM
10 May 10	Indonesia	Indonesia Approval for JCM
13 May 10	Indonesia	Call for public comments on JCM approved methodologies (Indonesia) "The addition of a new sector at the point of credit factory" (12 May to 27 May 2010)
12 May 10	Indonesia	Electronic Decision by the JC
30 Apr 10	Cambodia	Joint Joint Committee in Minister Meeting
27 Apr 10	Cambodia	Indonesia Approval for JCM
14 Apr 09	Indonesia	Call for public comments on a proposed decision to the approved methodologies (4. A1000) "Implementation of non-ferrous metals with representative business for aluminum building element" (10 April to 20 April 2010)
14 Apr 10	Indonesia	Approval for JCM
12 Apr 09	Indonesia	Call for public comments on proposed JCM methodologies (Indonesia) "Modification of Energy Consumption by Introducing an Energy-Efficient Old Computerized Carbon Processing System into a Coal-fired Plant" (12 April to 20 April 2010)

▼Image of the individual JCM Partner countries-Japan page

The screenshot shows the JCM Partner Country - Japan page. The header includes the JCM logo and the text 'Partner Country - Japan'. Below the header, there is a navigation menu on the left with categories like 'News', 'About The Mechanism', 'Joint Committee', 'Rules and Guidelines', 'Third Party Entry', 'Methodologies', 'Project Cycle Search', 'Contact us', and 'Annual transactions'. The main content area is titled 'About the Mechanism' and features a section for 'Basic Concept of the Joint Crediting Mechanism (JCM) more...' and a 'News' section with a list of recent updates.

Published date	Country	Subject
07 Aug 18		The Historical Document Signed by Laos and Japan