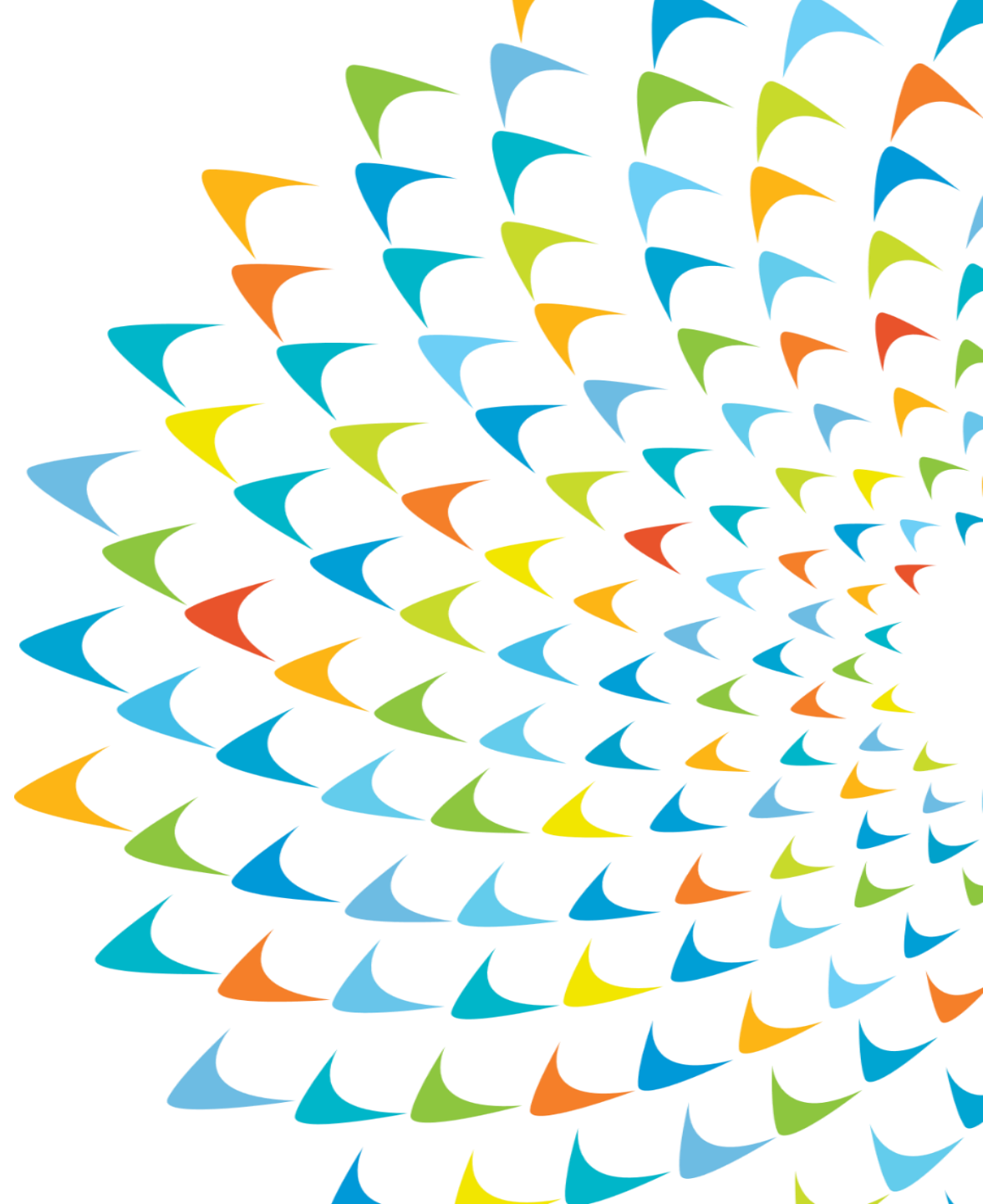




**JFJCM**

# **ADB Support for Carbon Markets and the Japan Fund for the Joint Crediting Mechanism**

23 September 2025





# Leveraging Carbon Markets for Accelerating Climate Action

There is an urgent need for significantly more finance to support climate action—Developing Member Countries need an estimated \$1.7 trillion annually through 2030 to take needed climate actions.

## The Role of Carbon Markets

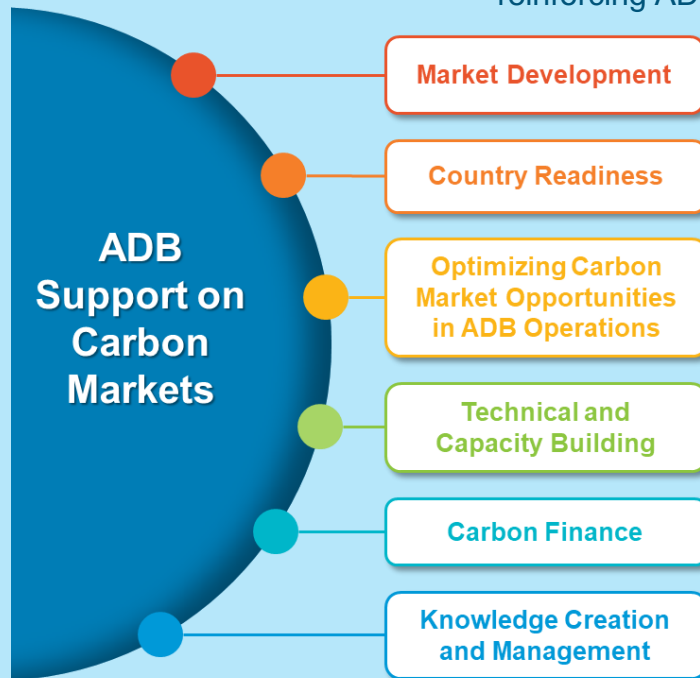
Carbon markets create incentives for investments in climate mitigation actions by providing additional source of financial stream to overcome financial, regulatory, and technical barriers.

## Growing Momentum

The finalization of Article 6 rules at COP29 in Baku in November 2024 marks a major milestone in international carbon market development. There is growing global momentum to use carbon markets as a cost-effective tool for reducing

## ADB's Carbon Market Program

Driving Climate Mitigation through Innovative Carbon Finance



### Examples - Carbon Finance Supported Projects

- Transmission lines with high-temperature low-sag conductors in **Bangladesh**
- Advanced battery and energy-management systems with renewables in **Mongolia**
- Clean energy for local businesses in **Palau**

ADB has a long-standing engagement with carbon markets through its **Carbon Market Program**, which facilitates innovative carbon finance to stimulate climate mitigation activities across its Developing Member Countries.

ADB adopts a holistic two-pronged approach - **Carbon Market Development** by providing technical assistance and capacity-building support and **Mobilizing Carbon Finance** for incentivizing investments in low-carbon technologies and solutions.

The Carbon Market Program has been mainstreamed as a **bank-wide initiative**, reinforcing ADB's commitment to climate action and sustainable development.

### Carbon Market Program

Japan Fund for the Joint Crediting Mechanism	Article 6 Support Facility	Climate Action Catalyst Fund
Carbon finance to incentivize deployment of advance low-carbon technologies	Technical and Capacity Building Support to enhance carbon market readiness and projects	Carbon finance to support transformative mitigation actions
<ul style="list-style-type: none"><li>Provides financial incentive for the deployment of advanced low-carbon technologies in ADB-financed projects, under the Joint Crediting Mechanism, aligned with Article 6.2 of the Paris Agreement.</li><li>Upfront finance</li><li>Demand signal</li></ul>	<ul style="list-style-type: none"><li><b>Upstream:</b> National Strategies, Frameworks, Institutional Infrastructure for carbon markets</li><li><b>Midstream:</b> Pipeline of projects for carbon credits</li><li><b>Downstream:</b> Support development of carbon market projects to generate carbon credits</li></ul>	<ul style="list-style-type: none"><li>Pre-purchase of carbon credits from ADB financed projects generating carbon credits under Article 6 of the Paris Agreement</li><li>Long term fixed price contracts and upfront payments</li><li>Price signal</li></ul>
US\$ 137 Million	US\$ 8.8 Million	US\$ 77 Million

in partnership with



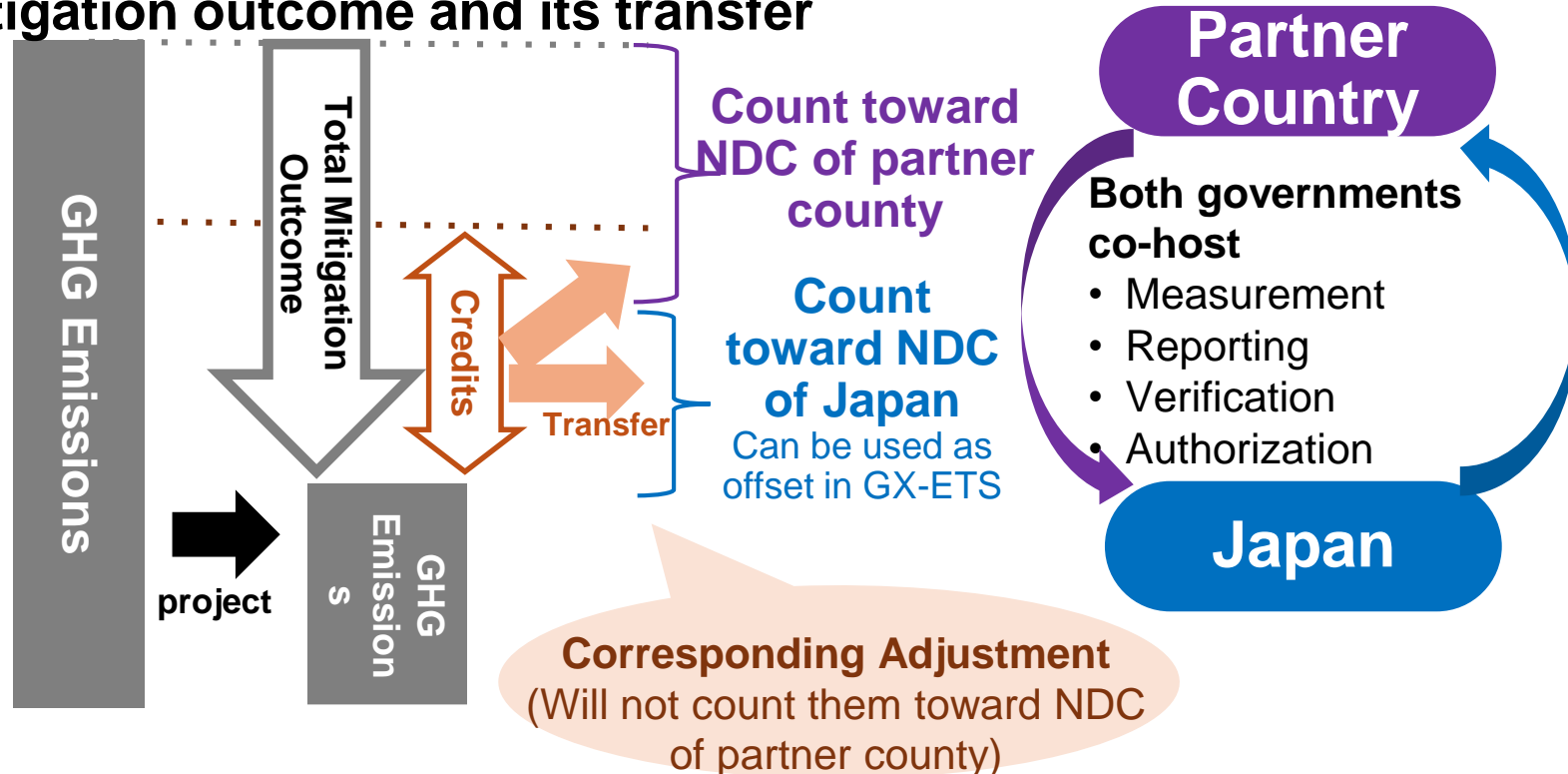
- Ministry of the Environment, Japan
- Swedish Energy Agency
- Ministry of Foreign Affairs and Trade, New Zealand
- Federal Ministry for Economic Cooperation and Development, Germany
- Norwegian Ministry of Climate and Environment



# Japan Fund for the Joint Crediting Mechanism

- ❖ Established in June 2014 as one of ADB's trust funds
- ❖ Contribution by Government of Japan: **\$137.30M** (2014-2024)
- ❖ Provides **financial incentives** for the adoption of **advanced low-carbon technologies** in **ADB-financed projects** that use the JCM
- ❖ Both **sovereign** and **non-sovereign** projects are eligible

## Mitigation outcome and its transfer





# Knowledge Products

AD

ADB publications on promoting the JCM as a forerunner of Article 6.2 mechanisms.



<https://www.adb.org/publications/article-6-paris-agreement-lessons-jcm>



<https://www.adb.org/publications/article-6-paris-agreement-lessons-jcm-v2>





# JFJCM Eligibility Criteria

## Eligible Countries

- ❖ All ADB developing member countries that **have signed bilateral agreements on the JCM** with the Government of Japan (19 out of 31 JCM partner countries).
- ❖ Azerbaijan, Bangladesh, Cambodia, Georgia, **India**, Indonesia, Kazakhstan, Kyrgyz Republic, Laos, Maldives, Mongolia, Myanmar, Palau, Papua New Guinea, Philippines, Sri Lanka, Thailand, Uzbekistan, and Viet Nam (as of August 2025).

## Eligible Projects

- ❖ Investment project **financed by ADB** or ADB administered funds.
- ❖ ADB technical assistance for developing JFJCM pipeline projects.

\* Can be used for additional financing to ongoing ADB project.

## Eligible Technologies

- ❖ **Advanced low carbon technologies** that reduce greenhouse gas (GHG) emissions.
- ❖ The technologies must have a **proven track record** but must be "advanced" in the host country context.



# Case Study: Advanced Micro-Grid Technology in Maldives

Project	Preparing Outer Islands for Sustainable Energy Development Project (POISED)
JFJCM Support	\$5 million (total project cost: \$129 million)
Technology Deployed	Advanced battery energy storage system and energy management system
Description	<p>Installed on top of 1.6 MW solar PV, the JFJCM supported battery energy storage system and energy management system enable:</p> <ul style="list-style-type: none"><li>✓ Smoothing variable power from solar PV</li><li>✓ Optimizing diesel generator operation</li><li>✓ Integrating renewable energy into the grid</li></ul>
Location	Addu, Maldives
GHG Reductions	Appx. 1,300 tCO <sub>2</sub> /year



BESS at the project site



Training local staff for EMS operation



Solar PV at the project site



# JFJCM Project Portfolio

S.No.	Project Portfolio	Host Countries	JFJCM Support	Technologies Deployed
1	Preparing Outer Islands for Sustainable Energy Development Project (POISED)	Maldives	\$5.00 Mn	Advanced battery and energy management system
2	Southwest Transmission Grid Expansion Project	Bangladesh	\$7.00 Mn	Energy efficient transmission lines
3	Upscaling Renewable Energy Sector Project	Mongolia	\$6.00 Mn	Solar PV with advanced battery system and EMS
4	Improving Access to Health Services for Disadvantaged Groups Investment Program	Mongolia	\$3.48 Mn	Energy efficient HVAC, high insulation window, rooftop solar PV and ground source heat pump
5	Greater Male Waste to Energy Project	Maldives	10.00	Waste-to-energy plant (incineration)
6	Geothermal Power Generation Project (Phase 1)	Indonesia	\$10.00 Mn	Geothermal power plant with advanced designs
7	Accelerating Sustainable System Development Using Renewable Energy Project (ASSURE)	Maldives	\$6.20 Mn	Advanced flow battery system Ocean renewable energy pilot
8	Disaster Resilient Clean Energy Financing Project (DRCEF)	Palau	\$5.00 Mn	Financial intermediation to support investment in low-carbon technologies
9	Bishkek Low-carbon Municipal Building Upgrading Pilot	Kyrgyz Republic	\$5.00 Mn	Energy efficient heat pumps, ventilation system with heat recovery, and building energy management systems
		<b>Total</b>	<b>57.68</b>	



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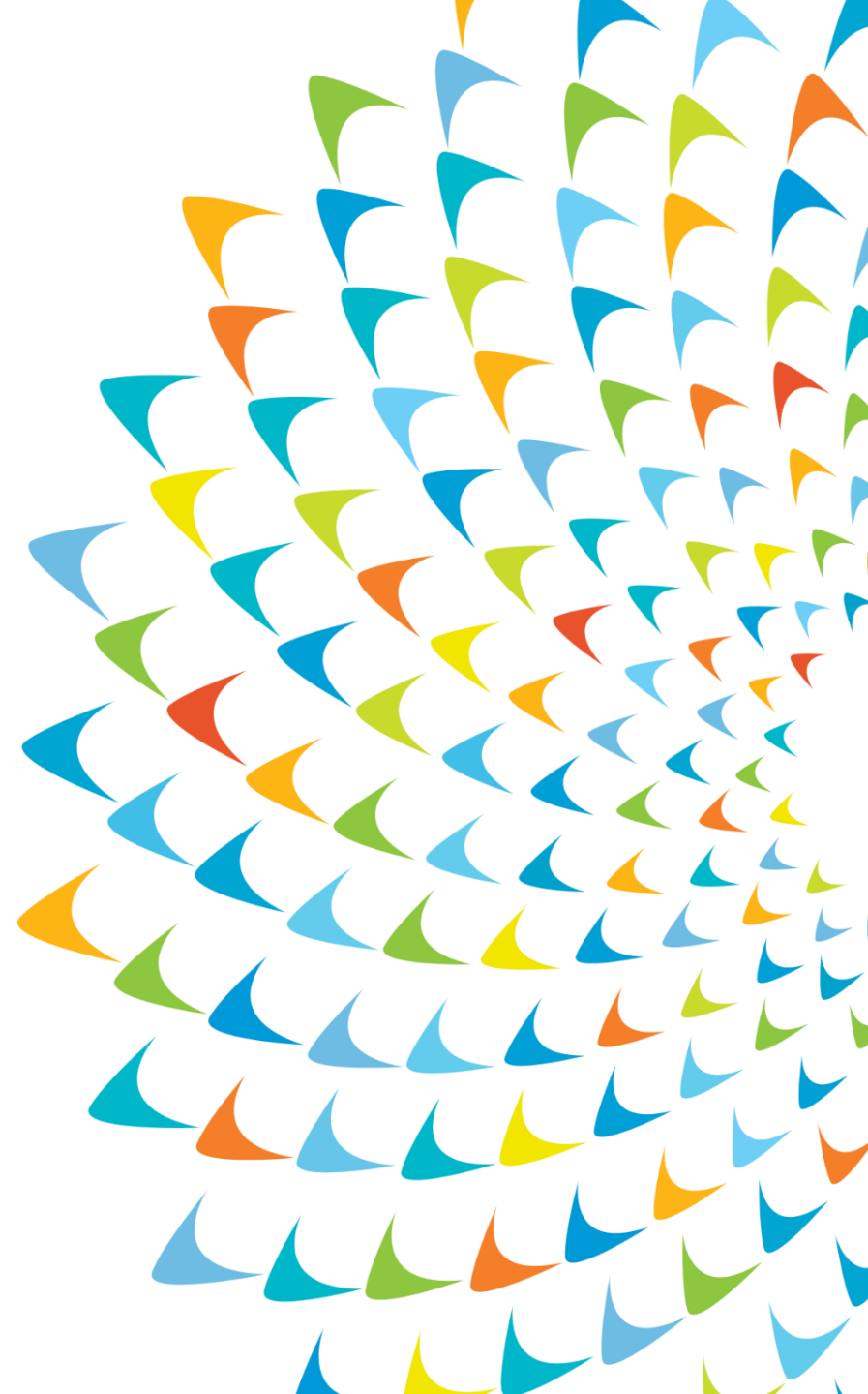
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Climate Change and Sustainable Development Department

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**Thank you**







# ADB's Carbon Market Program

## Climate Action Catalyst Fund

- Commenced Operations in Jan 2024.
- **Financial Commitment: A total of \$ 77 million from the Swedish Energy Agency and the Norwegian Ministry of Climate and Environment.**
- **Mobilize carbon finance** to catalyze investments for the deployment of low-carbon technologies and solutions **including through the private sector.**
- Incentivize transformative Mitigation Actions in ADB DMCs by **purchasing ITMOs and MOs** under **Article 6 of the Paris Agreement** on behalf of the Financing Partners.
- Support a diverse range of Mitigation Actions and facilitate the **delivery of sustainable development impacts** in ADB's DMCs.

## Article 6 Support Facility

- Commenced Operations in Jan 2019.
- Funded under TA 9695 (**US\$ 8.8M**) by ADB's TASF, Govt of Germany, Swedish Energy Agency and Govt of New Zealand.
- **Enhance Carbon Market Readiness**
  - **Upstream:** Policy, Regulatory & institutional infrastructure
  - **Midstream:** Identify potential sector and develop pipeline
  - **Downstream:** Technical support for project preparation for carbon markets
- **Collaboration** with Other Development Partners for the co-creation of **high integrity carbon markets.**
- **Knowledge Products & capacity building**
- **Global Public Goods**
  - Attribution
  - SD Impact Assessment
  - MOPA/Term Sheet Templates

## Japan Fund for the Joint Crediting Mechanism

- Commenced Operation in June 2014.
- **Financial Contribution: \$137.30 million by the Ministry of Environment Japan, Government of Japan.**
- Provide financial incentives (grant) for the deployment of advanced low-carbon technologies and solutions.
- Support GHG mitigation actions through the Joint Crediting Mechanism, a bilateral carbon market mechanism between Japan and the DMCs, aligned with Article 6.2 of the Paris Agreement.
- Provide co-financing support to ADB-financed projects including investment projects financed by ADB or ADB administered funds, and ADB TAs for developing JFJCM pipeline projects.



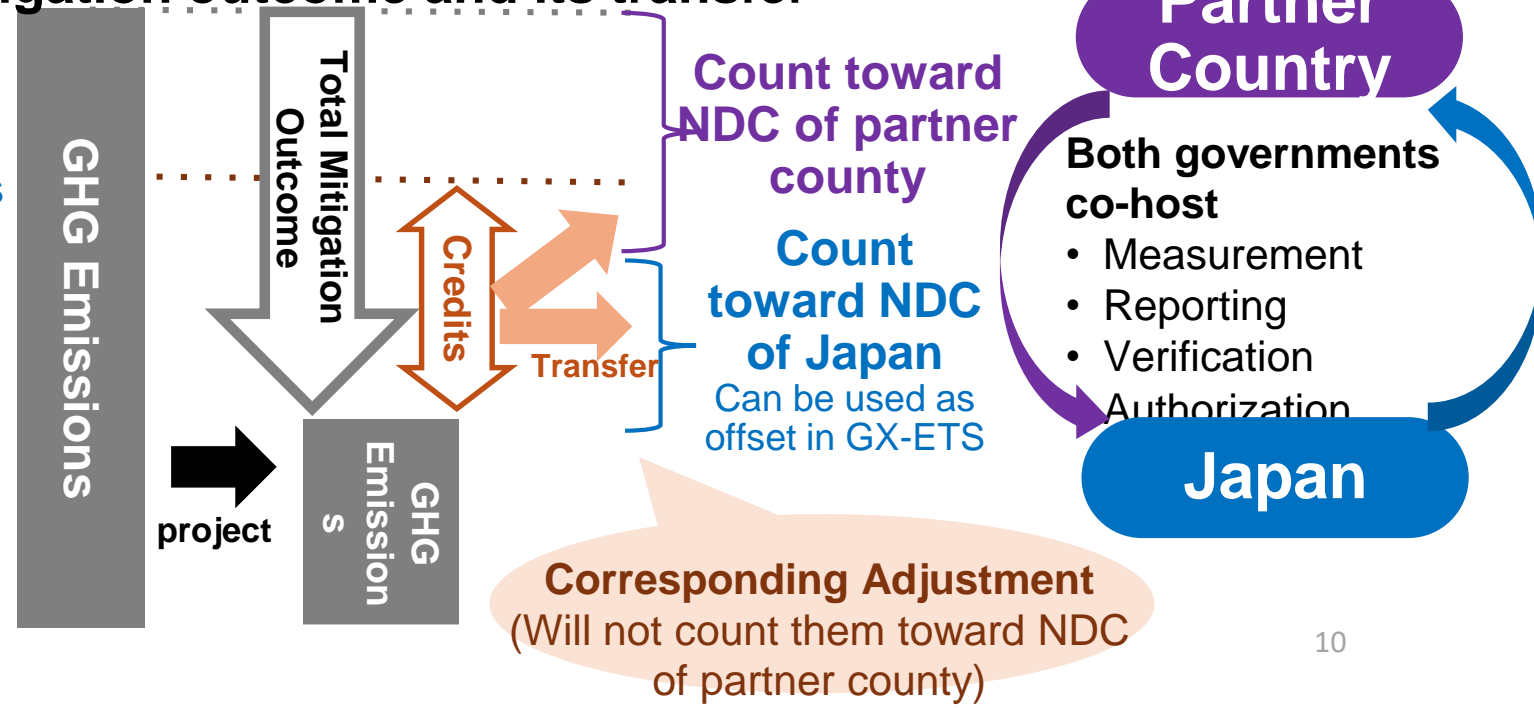
# Japan Fund for the Joint Crediting Mechanism (JFJCM) - Snapshot

- Established in June 2014 as a ADB Trust Fund with financial commitment by the Government of Japan
- Contribution by the Government of Japan: **\$137.30M** (2014-2024)
- Provides **financial incentives (grant)** for adoption of **advanced low-carbon technologies** in **ADB-financed projects** that use the Joint Crediting Mechanism (JCM)\*
- Both **sovereign** and **non-sovereign** projects are eligible

## \*Joint Crediting Mechanism (JCM)

- Project-based bilateral offset crediting mechanism managed by Japan and partner countries
- Facilitates the diffusion of **low-carbon technologies** that lead to GHG emission reductions that are **measurable, reportable & verifiable**
- A forerunner to cooperative approaches under **Article 6 of the Paris Agreement**.
- Carbon credits from JCM projects will be shared among the countries and **used to achieve their emission reduction targets** while ensuring the avoidance of double counting through corresponding adjustment.

## Mitigation outcome and its transfer

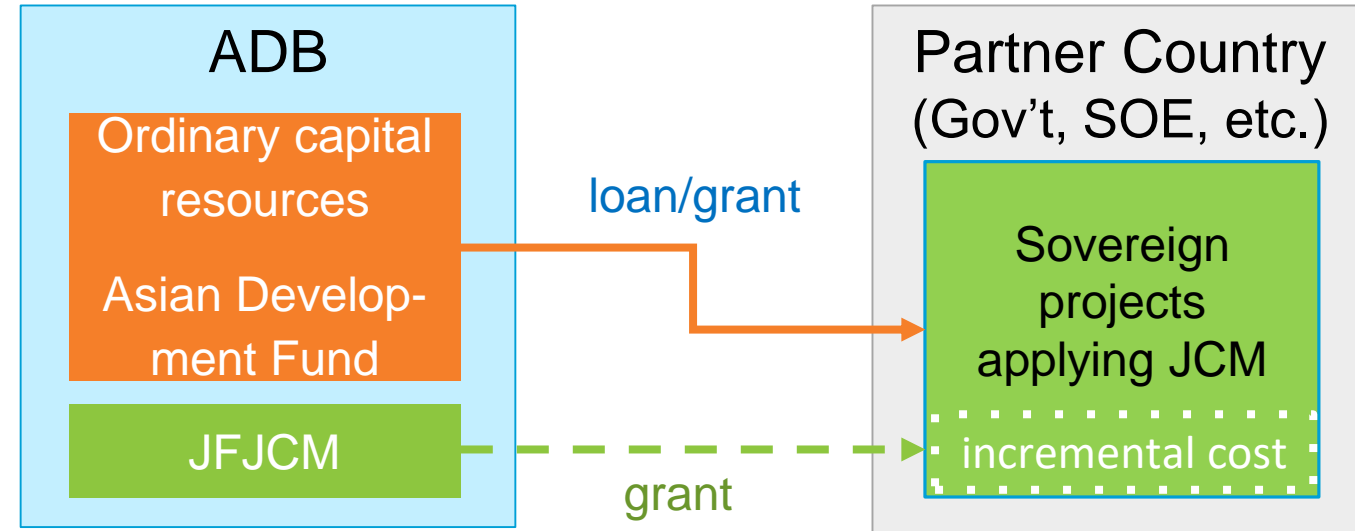




# JFJCM Support Schemes

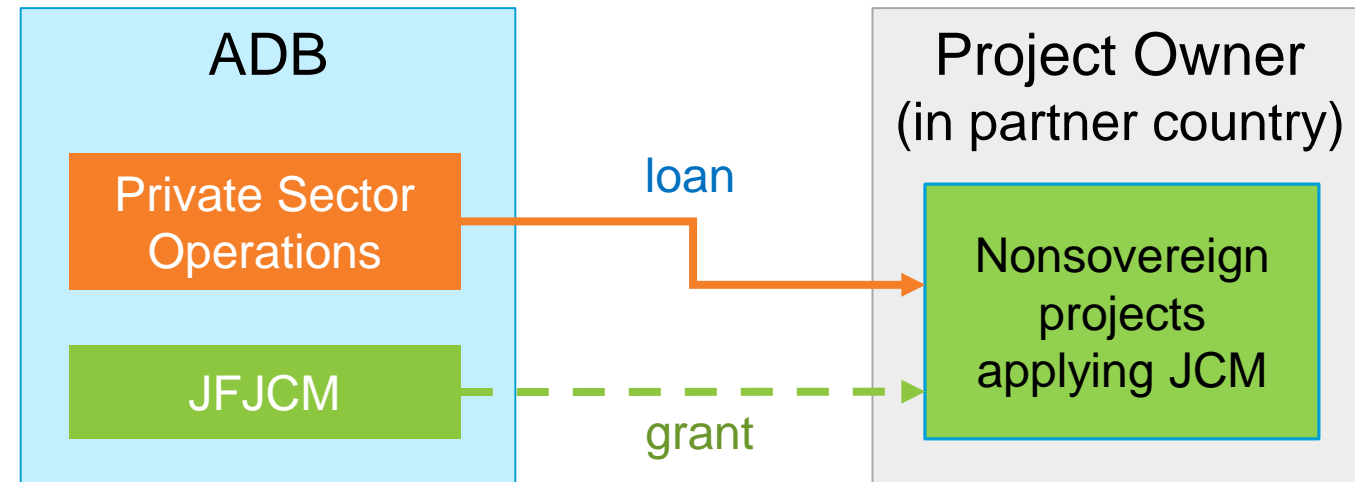
## For Sovereign Project

- JFJCM provides grant for **incremental cost** of advanced low-carbon technologies
- Maximum amount of grant:
  - i. **10% of total project cost (capped to \$10 million)**
  - ii. **\$5 million** if the project cost < \$50 million



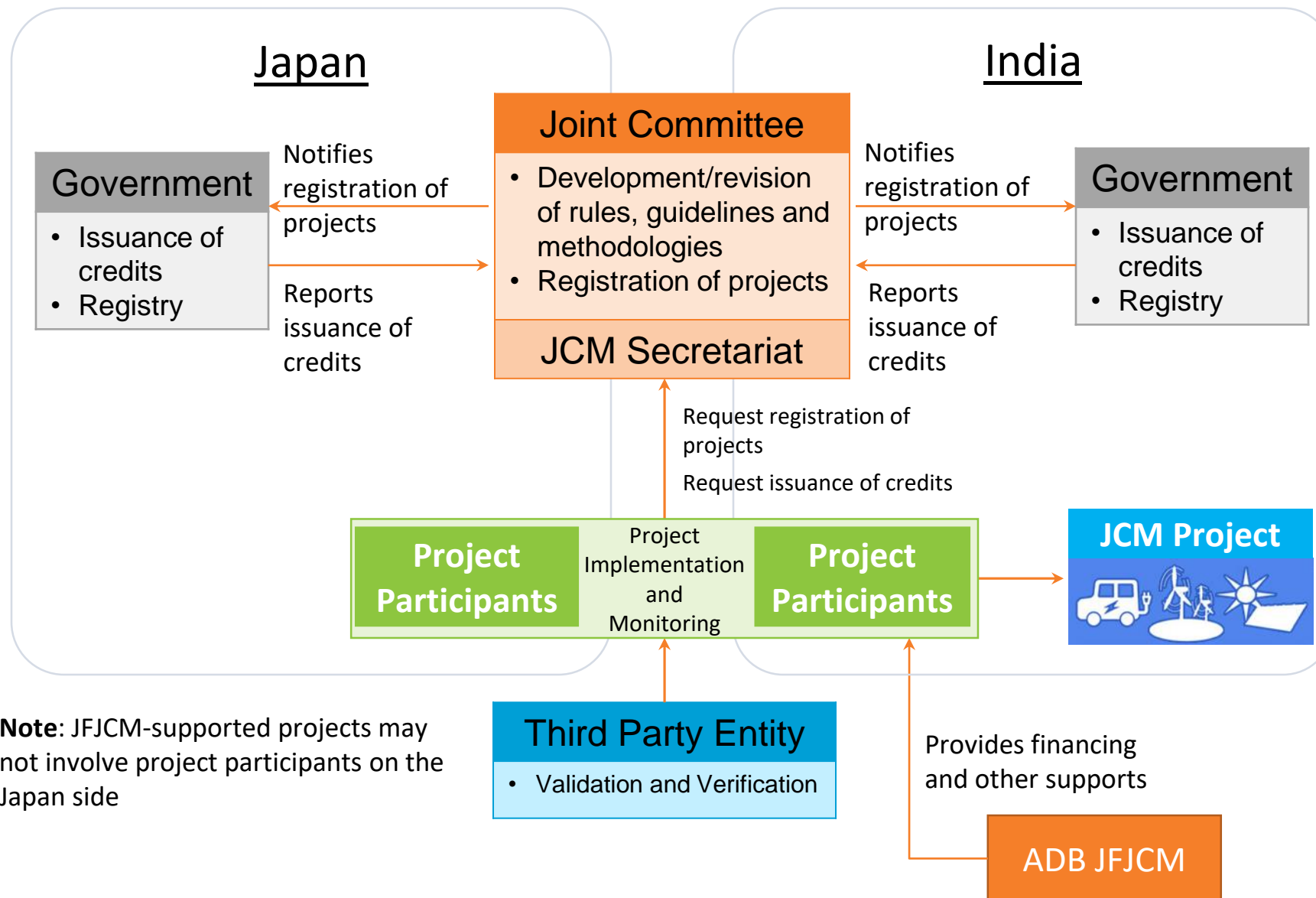
## For Nonsovereign Project

- On top of the ADB loan, JFJCM provides grant by milestones to support deployment of advanced low-carbon technologies
- Maximum amount of grant:  
**10% of total project cost (capped to \$10 million)**





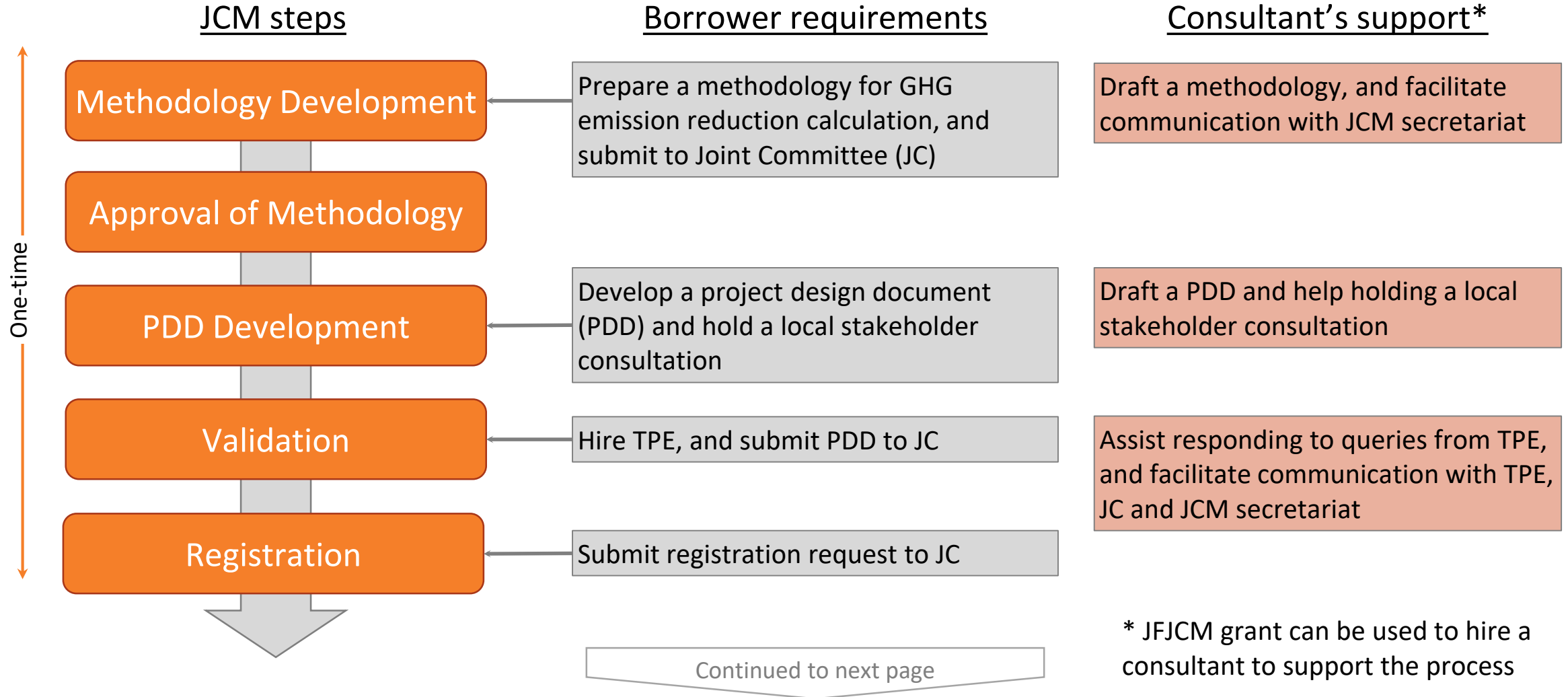
# Roles of key entities in JCM projects





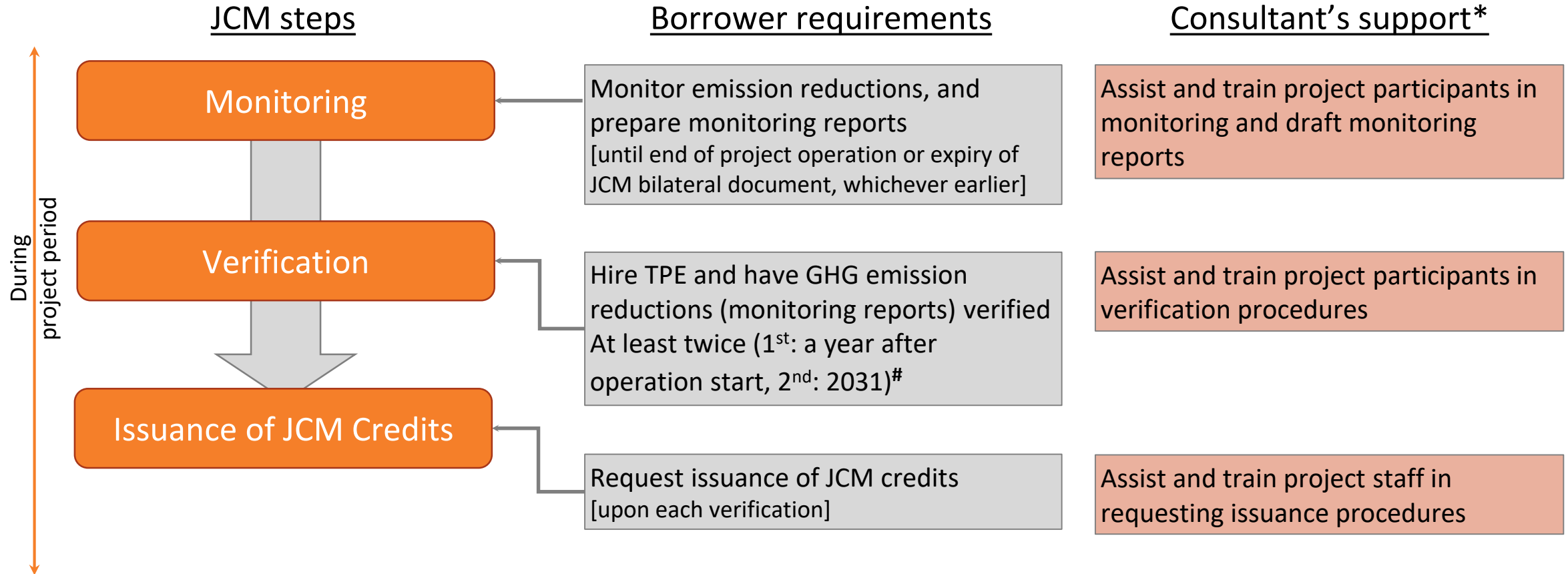


# JCM project cycle and requirements (1)





# JCM project cycle and requirements (2)



# Cost for hiring TPE will be borne by Borrower for the verification to be done if the timing is after the ADB project implementation period.

\* JFJCM grant can be used to hire a consultant to support the process