

Contents

1. Latest Events and an E-mail Newsletter on New Mechanisms
2. Case Report on a Feasibility Study for Building New Mechanisms
3. Selection & Adoption Results of Feasibility Studies on New Mechanisms and CDM/JI in FY 2011 (35 Studies)
4. Newly Launched Programme for Supporting the Development of MRV Systems in New Mechanisms

1 Latest Events and an E-mail Newsletter on New Mechanisms

Official Side Event on New Mechanisms at UNFCCC SB34

On June 11, 2011, the Ministry of the Environment, Japan (MOEJ), the Global Environment Centre Foundation (GEC), and the Overseas Environmental Cooperation Center, Japan (OECC) jointly organized the “First Findings of New Mechanisms FS: based on Lao-Japan Cooperation in Transport Sector” as an official side event of the 34th Subsidiary Body (SB34) of the United Nations Framework Convention on Climate Change (UNFCCC) in Bonn, Germany. The side event featured presentations from MOEJ, government officials of Lao PDR, Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. (a FS implementing organization)*, GEC and OECC. For details: http://regserver.unfccc.int/seors/reports/archive.html?session_id=SB34



A New Mechanisms Information Platform E-Mail Newsletter

This new newsletter delivers information of the latest trends as well as domestic and overseas events etc. on new mechanisms (English and Japanese).

Registration : <http://mmechanisms.org/e/mailmagazine.html> ; Contact informtaion: info@mmechanisms.org

2 Case Report on a Feasibility Study for Building New Mechanisms

New Mechanisms Express presents a series of “Case Report on a Feasibility Study” by implementing organizations.

Please give us an outline of your Feasibility Study in FY2010.

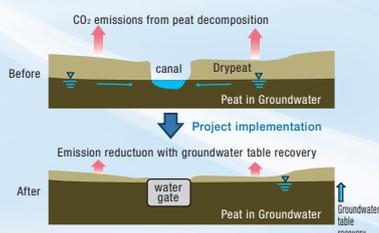
We conducted a “Feasibility Study on Sustainable Peatland Management under NAMAs” on approximately 10,000 hectares of irrigated land in Jambi Province of Sumatra, Indonesia. The peatland management project seeks to reduce CO₂ emissions by restoring the water table in the project site and suppressing aerobic decomposition of peat through the installation of water gates and other facilities, and improvement of existing water gate management (see figure below).



Mr. Hiroyuki Kurita, General Manager and Dr. Akihiko Hirayama, Senior Manager GHG Project Department, Shimizu Corporation

What are the characteristics of the sustainable peatland management project in Indonesia?

In 2005, while 38% of GHG emissions in Indonesia was from peatlands, 15% of this was caused by aerobic decomposition associated with dry peat. Therefore, Indonesia considered peatland management as an important initiative of both NAMA and REDD. Meanwhile, Indonesia's Ministry of Public Works plans to develop agricultural land in coastal lowlands, including peatland areas, as a measure to ensure food security under a national program extending over the next several decades. However, there is concern that if such development leads to drainage through construction of conventional large-scale canals, it could cause areas of peatland to dry, resulting in large-scale GHG emissions. On the other hand, water table management utilizing Shimizu Corporation's technologies in irrigated agricultural areas is attracting considerable interest in Indonesia because it can prevent decomposition caused by peatland drying, thereby reducing GHG emissions, and is expected to produce higher rice crop yields.



What about future plans?

Since the target peatland of this project is vast and susceptible to influences of the natural environment, precise monitoring and calculation of its emissions reduction like those required by the conventional CDM are problematic. With this in mind, under the FS in 2011, we intend to establish monitoring methods suitable for local conditions and to develop methodologies in the context of new mechanisms. Moreover, we believe that realizing future projects will require initiatives for bilateral offset credit mechanisms by the Japanese government and a stronger partnership with local counterparts through public-private sector collaboration.

* A case report of a “Feasibility Study on NAMA in the Transport Sector of Laos” were presented by Mitsubishi UFJ Morgan Stanley Securities Co., Ltd., in the New Mechanisms Express's February issue : http://www.mmechanisms.org/document/new_Mecha-Express/new_Mecha-Express_201102_eng.pdf

3 Selection & Adoption Results of Feasibility Studies on New Mechanisms and CDM/JI in FY 2011 (35 Studies)

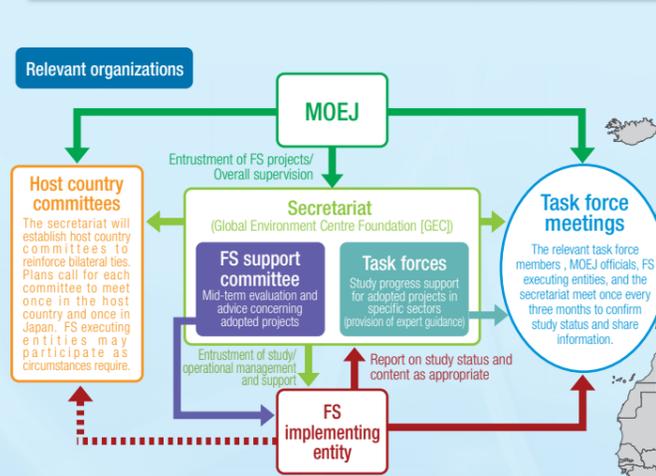
Outline of the Results of Feasibility Study Selection and Adoption

On July 14, 2011, MOEJ selected and adopted 29 Feasibility Studies (FS) on New Mechanisms and 6 FS on CDM/JI. These studies are expected to provide input into international negotiations concerning the Bilateral Offset Credit Mechanisms (BOCM) that the Japanese government proposes to be applicable from 2013 onward (implementation of projects to reduce GHG emissions and credit generation schemes through NAMA*1 and REDD+*2) and contribute to the formulation of international rules. Each study will feature the items shown at right, with due considerations of circumstances in host countries.

[Study items]

- 1) Method for setting up a reference scenario
- 2) Monitoring method (including proposals for new methods)
- 3) Method for calculating amount of emissions reduction (including proposals for new methods)
- 4) MRV (Measurable, Reportable, and Verifiable) method for the effects of emissions reductions
- 5) Measures to ensure environmental integrity
- 6) Contribution to sustainable development
- 7) Evaluation of co-benefit effects (based on the latest version of the "Manual for Quantitative Evaluation of the Co-Benefits Approach to Climate Change Projects" [issued by MOEJ]; quantitative evaluation whenever possible [study of estimation and measurement methods])

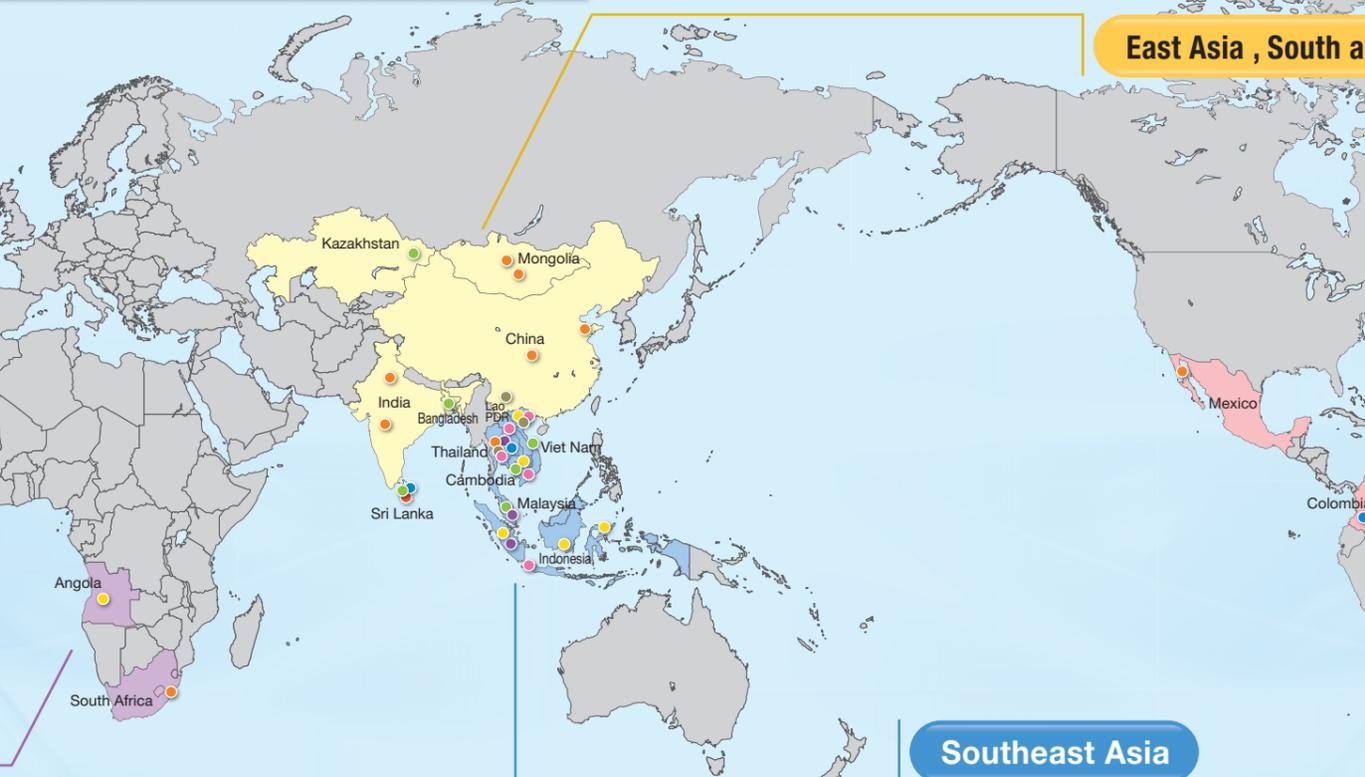
Implementing Entities for Feasibility Studies on New Mechanisms and on CDM/JI in FY 2011



| Host Country(ies) Category | FS Title | FS Entity |
|---|--|---|
| South Africa Energy Efficiency/ Energy Saving | New Mechanism Feasibility Study for Integrated Energy Efficiency Activities at Beer/Beverage Factories Using Specific Energy Consumption Methods in South Africa | Recycle One, Inc. |
| Angola REDD+ | New Mechanism Feasibility Study for REDD+ through Revegetation at Derelict Commercial Forested Lands and Fertilisation of Woody Biomass Tips for Cement Plants in Angola | Pricewaterhouse Coopers Aarata Sustainability Co., Ltd. |

| Host Country(ies) Category | FS Title | FS Entity |
|---|---|--|
| Mongolia Energy Efficiency/ Energy Saving | New Mechanism Feasibility Study for Multiple Application of Energy Efficiency Improvement Measures at Coal Thermal Power Plants in Mongolia | Suuri-Keikaku Co., Ltd. |
| Mongolia Energy Efficiency/ Energy Saving | New Mechanism Feasibility Study for Energy Saving at Buildings by Utilising Geothermal Heat Pump and Other Technologies in Mongolia | Shimizu Corporation |
| China Energy Efficiency/ Energy Saving | New Mechanism Feasibility Study for Energy Saving by Reducing Water Consumptions through Diffusion of Water-Saving Toilet Systems to Households in Dalian, China | Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. |
| China Energy Efficiency/ Energy Saving | New Mechanism Feasibility Study for Energy Efficiency Improvement by Introducing Energy Management and Control Systems at Factories in Shaanxi Province, China | Yaskawa Electric Corporation |
| China Others | New Mechanism Feasibility Study for Electric Generation based on Low-Level Coal Mine Methane and Integrated Energy Efficiency Improvement in Yunnan Province, China | Tepia Corporation Japan |
| India Energy Efficiency/ Energy Saving | New Mechanism Feasibility Study for Energy Efficiency Improvement by Introducing High-Performance Industrial Furnaces to Aluminium Industry in India | Japan Industrial Furnace Manufacturers Association |

| Host Country(ies) Category | FS Title | FS Entity |
|--|--|--|
| India Energy Efficiency/ Energy Saving | New Mechanism Feasibility Study for Energy Savings by Utilising LED Lights at Office Buildings in India | The Japan Research Institute, Limited |
| Sri Lanka Biomass Utilisation | New Mechanism Feasibility Study for Development of Castor Seed Industry Cluster in Sri Lanka | PEAR Carbon Offset Initiative, Ltd. |
| Sri Lanka Renewable Energy | New Mechanism Feasibility Study for Development of Best Grid Electricity Mix Focusing on Renewable Energy Sources in Sri Lanka | Ex Corporation |
| Sri Lanka Renewable Energy | CDM Feasibility Study for Wind Power Generation for Hambantota International Convention Centre in Sri Lanka | Takasago Thermal Engineering Co., Ltd. |
| Bangladesh Waste Management | CDM PoA Feasibility Study for Household Biogas Digester Promotion Programme in Bangladesh | PEAR Carbon Offset Initiative, Ltd. |
| Kazakhstan Waste Management | CDM PoA Feasibility Study for Energy Utilisation of Broiler Chicken Manure in Ust-Kamenogorsk, Kazakhstan | Ex Corporation |



| Host Country(ies) Category | FS Title | FS Entity |
|---|--|---------------------------------------|
| Brazil REDD+ | New Mechanism Feasibility Study for REDD+ in Acre State, Brazil | Marubeni Corporation |
| Colombia Renewable Energy | New Mechanism Feasibility Study for Renewable Energy Development Focusing on Geothermal Power Generation in Colombia | Mitsubishi Research Institute, Inc. |
| Mexico Energy Efficiency/ Energy Saving | New Mechanism Feasibility Study for Promotion of Energy Efficiency Improvement at Households through Introduction of Low-CO ₂ Houses and Diffusion of Energy-Efficient Appliances in Mexico | The Japan Research Institute, Limited |

Africa

| Host Country(ies) Category | FS Title | FS Entity |
|---|--|--|
| Viet Nam REDD+ | New Mechanism Feasibility Study for REDD+ through Revegetation at Denuded Lands and Woody Biomass-based Power Generation in Son La Province, Viet Nam | Sumitomo Forestry Co., Ltd. |
| Viet Nam Others | New Mechanism Feasibility Study for CO ₂ Abatement through Utilisation of Blast Furnace Slags as Blending Material for Cement in Viet Nam | Mitsubishi Research Institute, Inc. |
| Viet Nam Energy Efficiency/ Improvement | CDM Feasibility Study for Energy Efficiency Project through Installing High Efficiency Air Conditioners in Viet Nam, with New CDM Methodology Development | Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. |
| Lao PDR Transportation | New Mechanism Feasibility Study for Urban Transport Management in Vientiane, Lao PDR | Katahira & Engineering International |
| Cambodia REDD+ | New Mechanism Feasibility Study for REDD+ in Prey Long Area, Cambodia | Conservation International Japan |
| Cambodia Biomass Utilisation | CDM Feasibility Study for Biomass-based Power Generation Project in Cambodia, with Development of Standardised Baseline of Off-Grid Electricity Generation | Japan NUS Co., Ltd. |

| Host Country(ies) Category | FS Title | FS Entity |
|---|--|---|
| Thailand Waste Management | New Mechanism Feasibility Study for Waste Management Activities in Thailand | Pacific Consultants Co., Ltd. |
| Thailand Transportation | New Mechanism Feasibility Study for Development of Mass Rapid Transit (MRT) Network in Bangkok, Thailand | Japan Weather Association |
| Thailand Renewable Energy | New Mechanism Feasibility Study for Renewable Energy Development by Wind Power Generation in Low Wind Speed Conditions in Thailand | Yonden Engineering Co., Inc. |
| Thailand Energy Efficiency/ Energy Saving | New Mechanism Feasibility Study for Promotion of Energy Efficiency Improvement through Institutional Development of Building and Energy Management Systems (BEMS) with Certificated Carbon Credits in Thailand | Yamatake Corporation |
| Thailand Others | New Mechanism Feasibility Study for CO ₂ Reduction through Utilising Off-Peak Power from Storage Batteries and Introducing Electric Vehicles in Thailand | Mizuho Information & Research Institute, Inc. |
| Malaysia Waste Management | New Mechanism Feasibility Study for Energy Generation by Waste Management Activities, through Anaerobic Digestion as Model Technology, in Malaysia | Ichikawa Kankyo Engineering Co., Ltd. |

| Host Country(ies) Category | FS Title | FS Entity |
|---|--|--|
| Malaysia Transportation | CDM PoA Feasibility Study for Fuel Efficiency Improvement through Introduction of Digital Tachograph to Cargo Trucks in Malaysia | Nippon Express Co., Ltd. |
| Indonesia Waste Management | New Mechanism Feasibility Study for Energy Application of Wastes and Wastewater Originated in Processing of Agricultural Products in Indonesia | Chugai Technos Corporation |
| Indonesia, and Viet Nam Transportation | New Mechanism Feasibility Study for Development of Mass Rapid Transit (MRT) Systems in Jakarta, Indonesia, and Hanoi and Ho Chi Minh, Viet Nam | Mitsubishi Research Institute, Inc. |
| Indonesia REDD+ | New Mechanism Feasibility Study for REDD+ in Central Kalimantan Province, Indonesia | Mitsubishi UFJ Research & Consulting Co., Ltd. |
| Indonesia REDD+ | New Mechanism Feasibility Study for REDD+ and Bio-Fuel Production and Utilisation in Gorontalo Province, Indonesia | Kanematsu Corporation |
| Indonesia REDD+ | New Mechanism Feasibility Study for Avoidance of Peat Aerobic Degradation by Peatland Rewetting and Rice Husk-based Power Generation Associated with Rice Production Increase in Jambi Province, Indonesia | Shimizu Corporation |

< Categories >

- REDD+
- Energy Efficiency/ Energy Saving
- Biomass Utilisation
- Waste Management
- Transportation
- Renewable Energy
- Others
- CDM/JI

*1: Nationally Appropriate Mitigation Actions for developing countries
 *2: Reducing Emissions from Deforestation and Forest Degradation in Developing Countries
 Note: New Mechanism sectors and CDM/JI projects are plotted in the FS-targeted regions on the map using their color code. It should be noted that some projects may target a country's entire area or multiple countries.

4

Newly Launched Programme for Supporting the Development of MRV Systems in New Mechanisms

Outline of the Programme

During FY2011 MOEJ initiated a "Programme for Supporting the Development of MRV Systems in Asia, Central and Eastern Europe, Latin America and Africa towards Building New Mechanisms." This programme aims at conducting a study/survey on criteria for selecting methods and projects to evaluate contributions towards GHG emission reduction. Furthermore, on-site capacity building will be conducted to improve basic abilities of candidate verification bodies in developing countries as a part of the programme. In early July, we interviewed persons in charge of each programme group, according to the following questions.

Questions:

- 1) How have your support activities progressed thus far?
- 2) Can you describe future challenges and prospects of capacity building?

Counterparts: Cambodia, China, India, Indonesia, Lao PDR, Mongolia, Philippines, Thailand, Viet Nam

- 1) IGES has provided capacity-building support for CDM in the selected Asian countries since 2003. We have just begun the MRV support activities for new market mechanisms in the Asian countries newly including Viet Nam and Mongolia. At present, we feel that Japan is taking a lead in this field. After holding a series of workshops on MRV systems under J-VER scheme*3 and JEVTS*4, Thailand and Indonesia have started practical studies in case of taking similar approaches in the future. On the other hand, there are also some countries that are considering purposes and kinds of projects, and how to MRV them. Thus, the degree of the MRV support activities progress varies from country to country.
- 2) As J-VER and JEVTS were developed in Japan, their required levels of MRV should be adjusted flexibly to meet the conditions in each country. Regarding a case of MRV in NAMAs, there is a gap between our idea of having MRV for market mechanisms and the ideas that developing countries have. Therefore, we will support the construction of feasible MRV systems which can also appropriately value environmental technologies in sectors that are not fully covered by the existing CDM. Moreover, we believe it will be necessary to seek to ensure that generated carbon credits have high credibility and quality as to make them internationally tradable, in addition to working towards building a flexible system that meets the needs of the developing countries.



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Counterparts: Ghana, Kenya, Morocco, Mozambique, Senegal, South Africa, Tanzania, Uganda, Zambia



Mr. Tadanori Kumano
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Department
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- 1) We dispatched preparatory study missions to collect on-site information and build human networks through the Africa Carbon Forum in Morocco etc., so that our support activities can be more effective. Our activities will emphasize collaboration closely with counterparts towards reasonable new mechanisms after 2013, sharing an idea of Bilateral Offset Credit Mechanisms by MOEJ. In this context, it is important for counterparts to understand the benefits from MRV by themselves based on their CDM experiences. In particular, a textbook prepared by the Latin American programme will be utilized for capacity building.
- 2) There are several issues in each country such as an excessive burden can be placed upon the experts due to the limited number of them. On the other hand, there is growing interest in mitigation efforts in Africa, where COP 17 will be held this year. We would like to maximize this opportunity to build and strengthen a partnership through a bottom-up process towards building new MRV frameworks.

Counterparts: Argentina, Brazil, Chile, Colombia, Mexico, Peru, Uruguay, Kazakhstan, Uzbekistan, Serbia

- 1) MRV-related approaches may come in a variety of forms among partner countries. Therefore, in this programme, we are preparing a textbook that summarizes (1) MOEJ initiatives on Bilateral Offset Credit Mechanisms, (2) 30 original methodologies that simplify CDM as much as possible, (3) a positive list, and (4) MRV methods. The methodologies cover a broad range of sectors—including energy, transport, energy saving, waste and wastewater etc.—so that individual countries can choose the best methodologies taking into consideration of their own national circumstances. Our on-site support activities will pursue MRV-related capacity building of local organizations, referring to concrete model cases, with the assistance by verification bodies in Japan.
- 2) Unlike East and Southeast Asia, this type of on-site programme has not yet been widely conducted by Japan in Latin America, Central and Eastern Europe, and Central Asia. Hence, we are looking forward to being newly inspired to build better MRV systems. Personally speaking, I believe that, in addition to GHG emissions reduction, these developing countries have great interest in co-benefit aspects such as products, materials, environmental measures, and economic development. Consequently, I would like to work with counterparts to establish frameworks which enable technologies and products, having high superiority in this regard, to be appropriately valued.



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Pacific Consultants Co.,Ltd.

*3 J-VER(Japan Verified Emission Reduction): http://www.env.go.jp/en/earth/ets/mkt_mech/j-ver_scheme.pdf

*4 JEVTS(Japan's Voluntary Emissions Trading Scheme): <http://www.env.go.jp/en/earth/ets/jvets1105.pdf>



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