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JAPAN INTERNATIONAL COOPERATION AGENCY



This is a dashboard summary for this bank from E3G's major report "Banking on Asia: Alignment with the Paris Agreement at six Development Finance Institutions in Asia". Please see the full report for the detailed analysis behind this summary.

Founded: The "new" JICA, which integrated (1) the technical cooperation of JICA, (2) the Japanese Overseas Development Assistance (ODA) loans of former JBIC, and (3) some grants provided by Japan's Ministry of Foreign Affairs, was launched in 2008. JICA was originally founded in 1974 and was reformed in 2003 and then again in 2008.

Mission: Human security and quality growth

Total assets: USD 112 billion

Headquarters: Tokyo, Japan

Top shareholders: 100% Japanese government-owned incorporated administrative agency

Key moments and decisions coming up:

- Integration of the Japan long-term emissions strategy in Japanese government policy and therefore JICA operations.
- Japan is revising its national energy strategy with deliberations set to begin next year. This process is to be completed by 2021.

Summary of Paris alignment assessment: The Japan International Cooperation Agency presents a very mixed picture in terms of Paris Agreement alignment – the most mixed of all the institutions studied. JICA is a leader in terms of climate risk and its overall climate strategy, which should in principle be a good foundation for further Paris alignment across the institution. However, this does not filter down to its sectoral strategies, energy efficiency policies and technical cooperation. And there are aspects of JICA's operations which run directly counter to Paris goals.

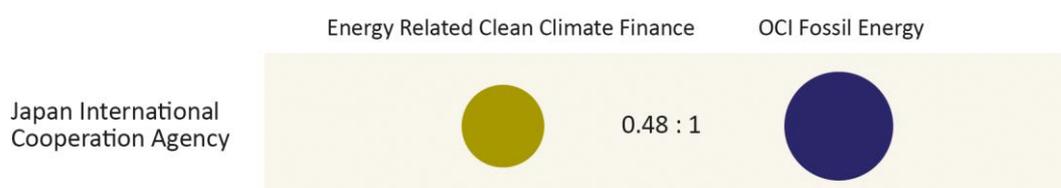


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Figure 1: A summary of the assessment of JICA's Paris Agreement alignment

E3G criteria	JICA Assessment
Overarching climate strategy	Paris aligned – The strategy integrates both mitigation and resilience.
Integration of climate mitigation and resilience in key sectoral strategies	Not Paris aligned – The strategies are in contradiction to or make no mention of climate. Energy strategy highlights need for coal.
Transparency of climate finance data	Some progress – There is reasonable disclosure of climate finance data but lack of transparency on FI sub-projects.
Energy efficiency strategy, standards and investment	Some progress – Focus on formulating energy conservation master plans for countries within its Technical Assistance, but gives way to national standards.
Fossil fuel exclusion policies	Not Paris aligned – No fossil fuel exclusions other than OECD guidelines on efficient coal. Explicit support for coal.
Greenhouse gas accounting and reduction	Some progress – Project-level reporting in energy, transport, forests and other sectors but no target.
Climate risk, resilience, and adaptation	Paris-aligned – JICA evaluates projects on vulnerability and climate-proofing, assesses clients' structural climate risk, relatively high spending on adaptation.
Green/brown energy finance and scaling up climate investment	Not Paris aligned – Large investment in coal over the 2016–17 period.
Technical assistance for implementing Paris goals	Some progress – JICA does both climate-related technical cooperation and technical assistance for power-sector development plans which lock in fossil fuel technologies.
Promotion of green finance	Some progress – JICA has issued SDG-aligned bonds and is engaged in initiatives around TCFD adoption as well as developing emerging bond markets.

Figure 2: JICA's energy-related clean finance versus fossil finance (2016–17 average)



Source: E3G analysis of climate-related finance data from OECD-DAC and fossil finance data from OCI



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Paris-aligned project case study: A 2006 study on energy conservation and energy efficiency and the Energy Service Company (ESCO) model¹.

Misaligned project case study: The 1GW Indramayu Coal Fired Power Plant Project in West Java, Indonesia².

Recommendations:

- > JICA should implement robust energy efficiency standards in project financing and not give way to national energy efficiency standards when these are lower than JICA's standards.
- > JICA should put in place an exclusion policy for coal, and then extend that to oil and gas projects in a second phase.
- > Increase support for green financing in client countries through JICA's Technical Cooperation and cease encouraging carbon lock-in with its power generation sector technical assistance.

Leadership area: JICA's climate risk management. JICA promotes physical climate risk assessments and countermeasures at the feasibility study stage of project appraisal. Projects are assessed for climate vulnerability and required adaptation measures are identified. JICA also works on climate risk and adaptation at systemic level. One of its four climate change cooperation priorities is enhancing climate risk assessment and countermeasures. Other development banks should follow suit in this regard.

¹ JICA (2006) **Project study on energy conservation by utilising ESCO**

² JICA **Indramayu Coal Fired Power Plant Project**