



**Kyoto Mechanisms Credit Acquisition Program
(KMCAAP)
Request for Proposals in FY2006**

December, 2006

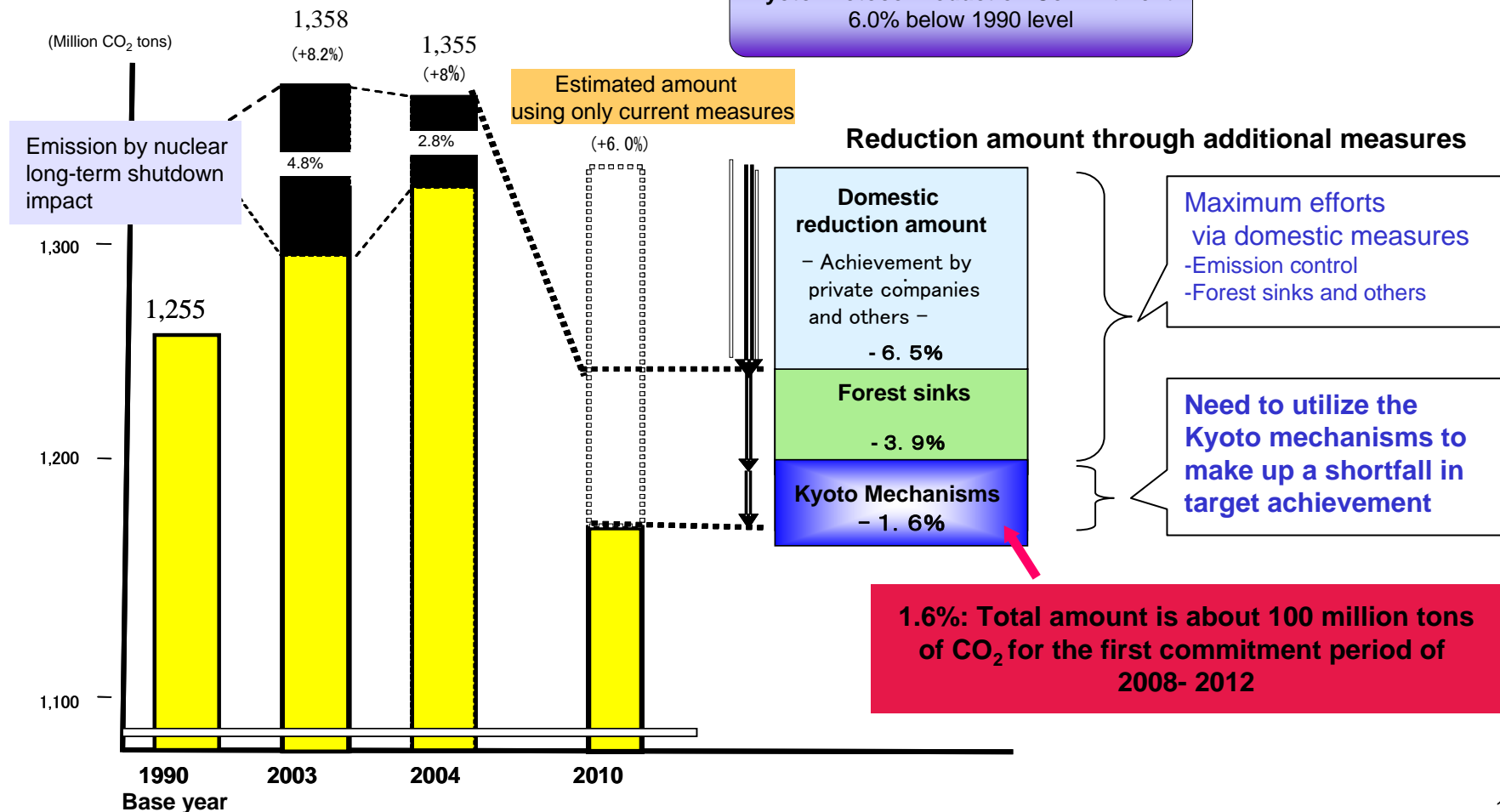
Kyoto Mechanisms Promotion Department
New Energy and Industrial Technology Development Organization

The Kyoto Protocol Target Achievement Plan



The "Kyoto Protocol Target Achievement Plan" specifies policies and measures needed to achieve the 6% emission reduction target of the Kyoto Protocol and was approved by the Cabinet in April 2005.

GHG Emission Reduction Amounts



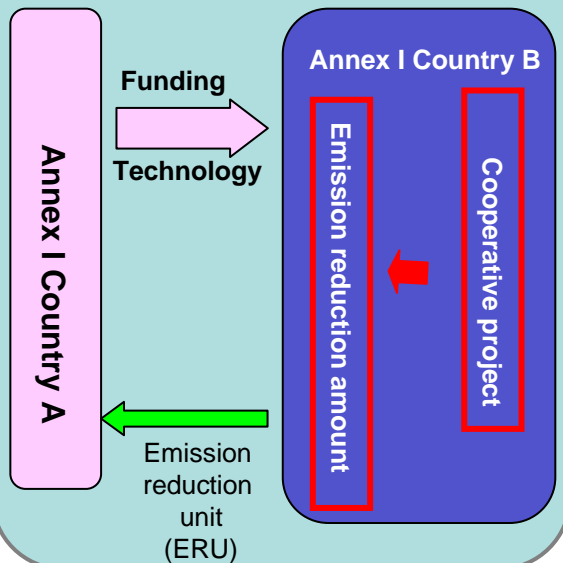
Overview of the Kyoto Mechanisms

The Kyoto Protocol defines three mechanisms to enable a country to reduce emissions in other countries. These mechanisms include Joint Implementation, the Clean Development Mechanism and Emissions Trading (including the Green Investment Scheme).

Joint Implementation (JI)

Article 6 of the Protocol

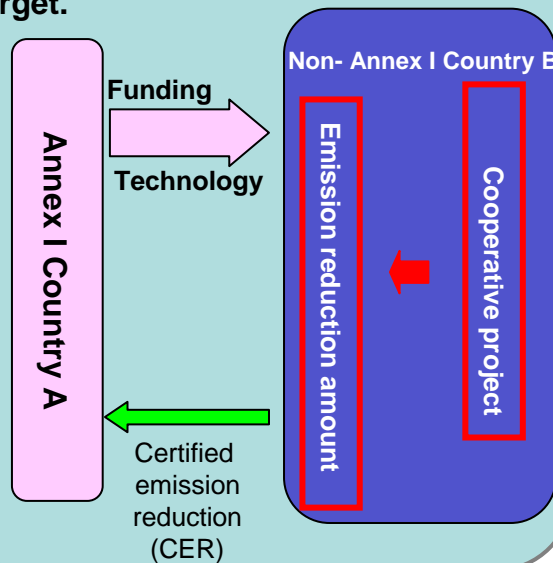
Annex I countries jointly implement a project. The country providing funding and technology can then use the resulting emission reduction units (ERUs) to achieve its emission reduction target.



Clean Development Mechanism (CDM)

Article 12 of the Protocol

Annex I country and Non-Annex I country jointly implement a project. The country providing funding and technology can then use the resulting certified emission reductions (CERs) to achieve its emission reduction target.

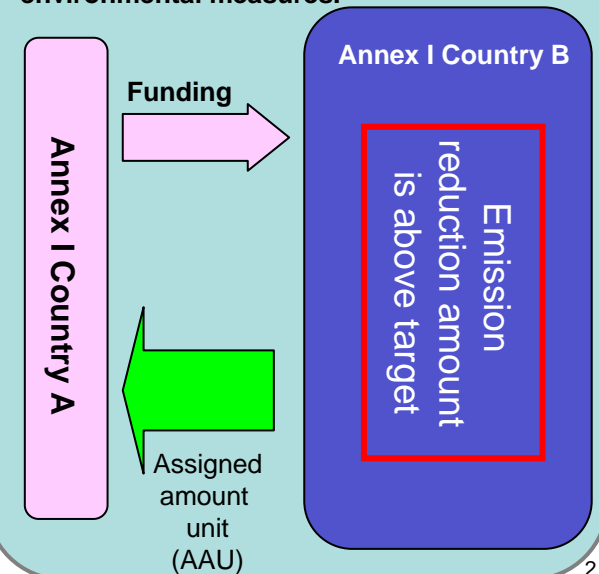


Emissions Trading (ET)

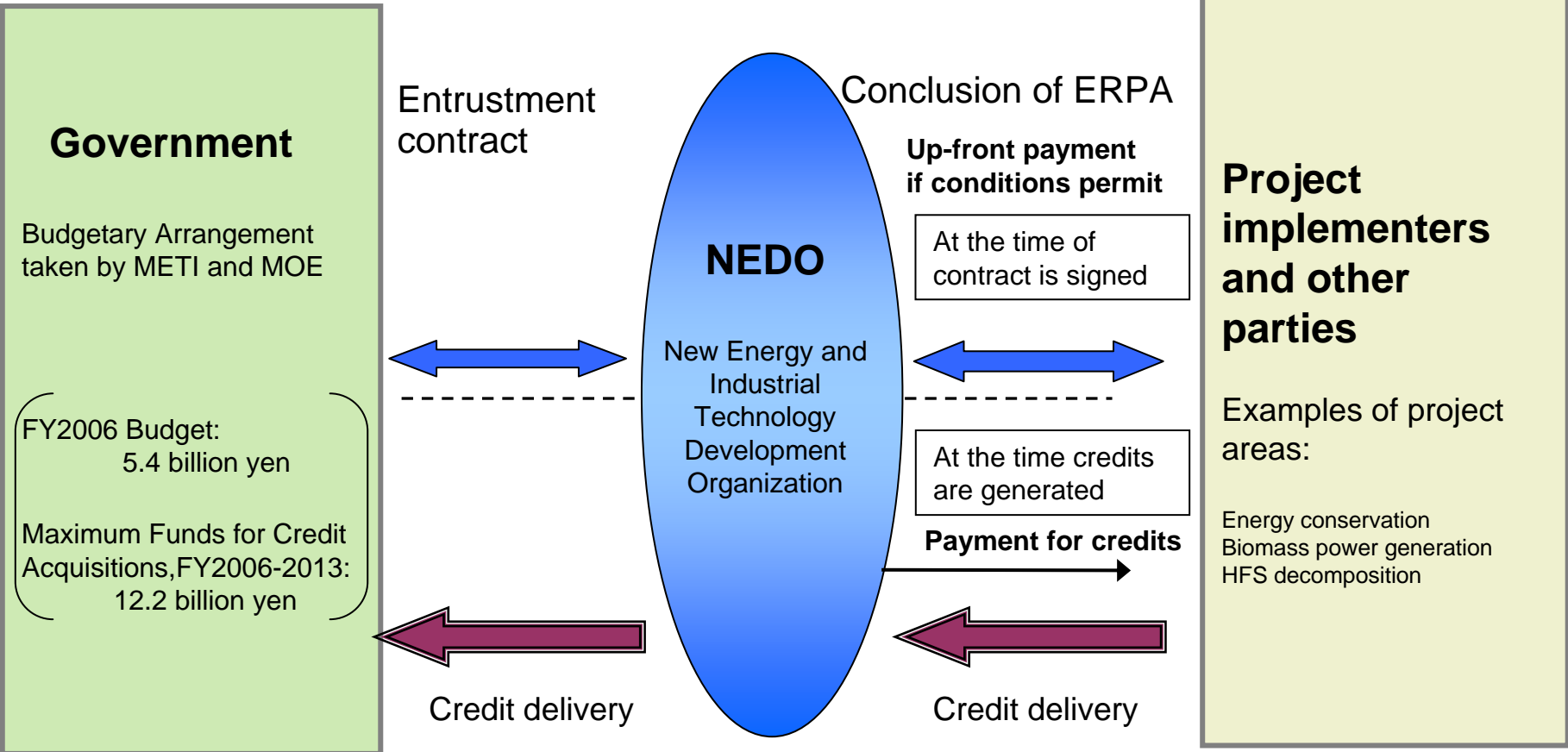
Article 17 of the Protocol

Annex I countries can acquire credits from other Annex I countries and use them to achieve its emission reduction targets.

* The Green Investment Scheme (GIS) is an emission trading scheme concerning specific environmental measures.



NEDO Implements Governmental Credit Acquisition through Active Use of the Kyoto Mechanisms



METI: Ministry of Economy, Trade and Industry
 MOE: Ministry of the Environment

Kyoto Mechanisms Credit Acquisition Program - Overview -



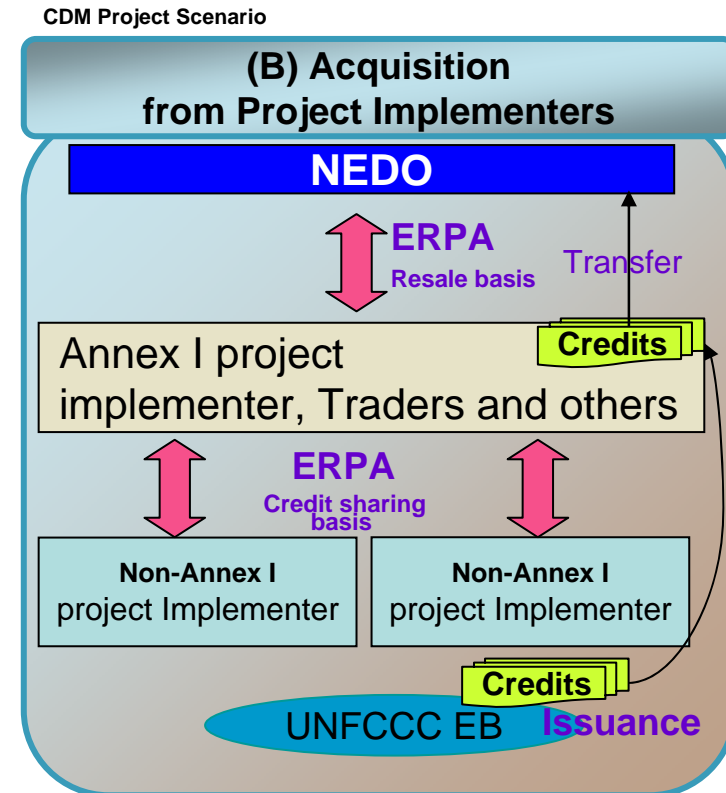
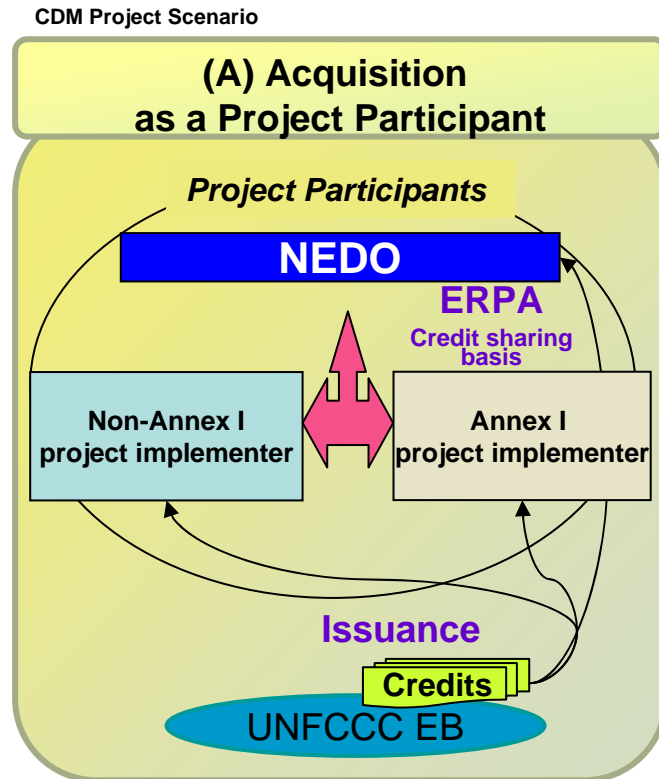
NEDO is aiming to acquire credits through the following methods this fiscal year:

(A) Acquisition as a Project Participant

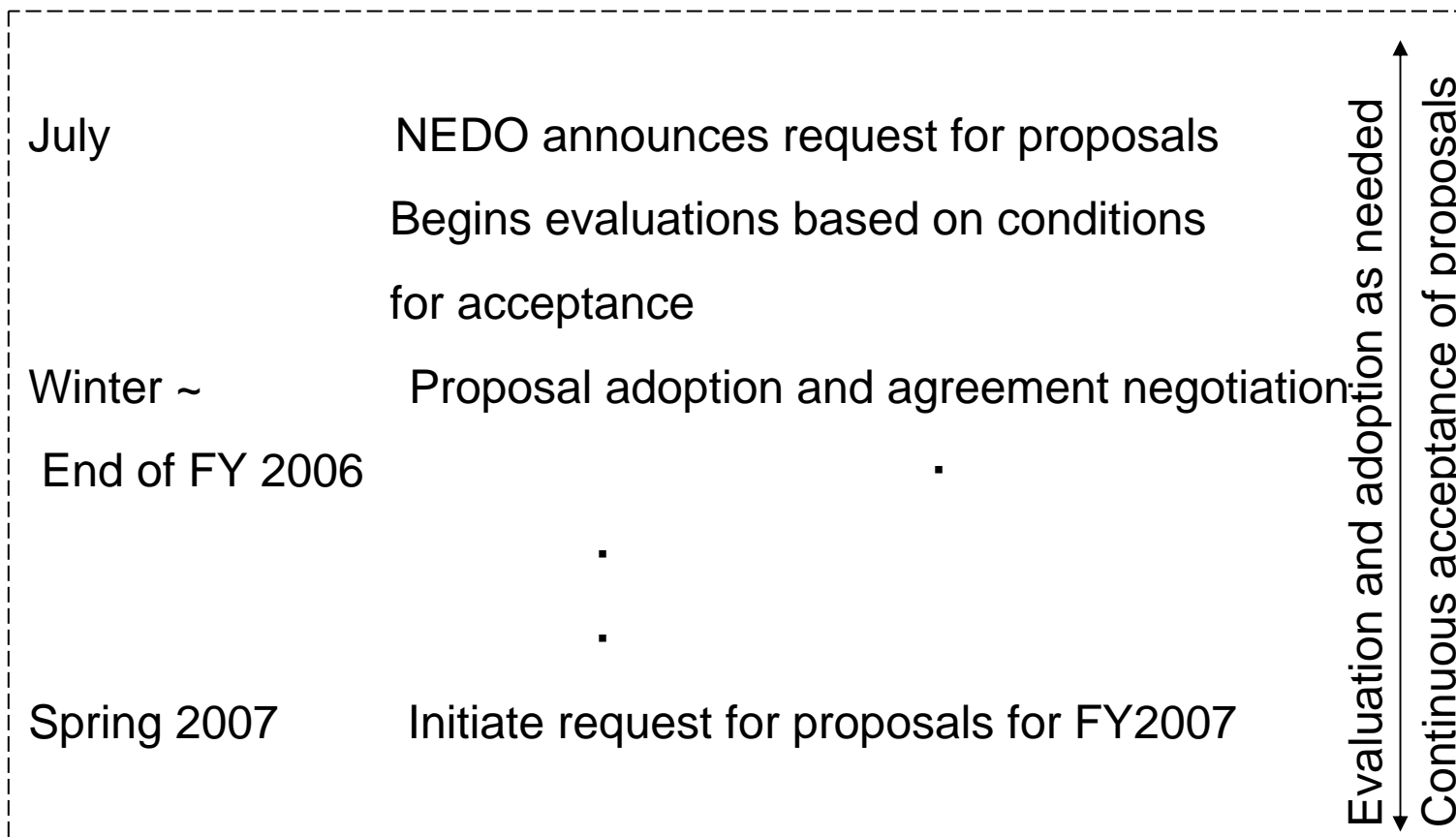
- Participate in projects and sign emission reduction purchase agreements (ERPA) with other project implementers, NEDO will acquire credits directly from the credits issuers (the UN CDM Executive Board (CDM) and Annex I countries (JI and GIS)).

(B) Acquisition from Project Implementers

- Purchase credits with ERPA from project implementers who have acquired or will acquire credits in the future.



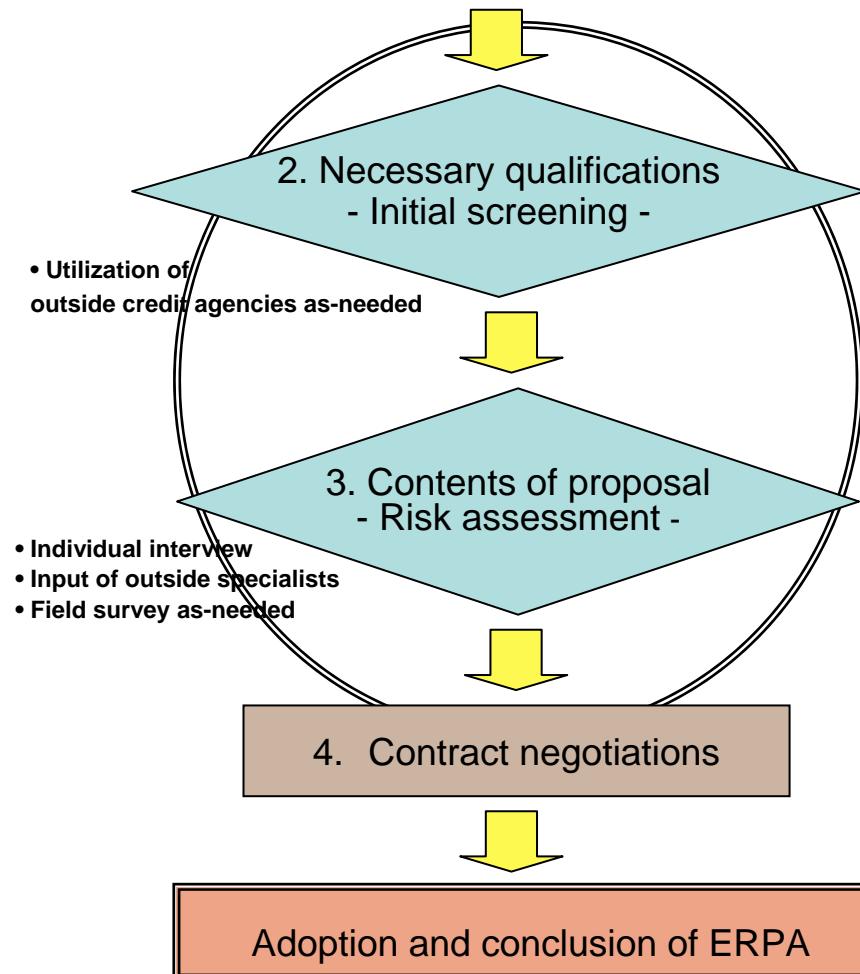
FY2006 Kyoto Mechanisms Credit Acquisition Program Plan



Kyoto Mechanisms Credit Acquisition Program Request for Proposals in FY2006



1. Request for and acceptance of proposals



1. Acceptance of proposals

Year-round acceptance of proposals.

If necessary, NEDO will endeavor to accelerate the evaluation and adoption of proposals requiring prompt action.

2. Necessary qualifications

During initial screening, NEDO checks standard criteria in documents regarding the implementation ability of the proposing party, management capacity, and the amount of credits for transfer.

3. Examination of proposal contents

With the input of external specialists, NEDO uses the following criteria to rate and select the best performing projects: 1) the rate of guarantee, 2) the rate of early credit transfer, 3) the credit capability and risk management system of the project developer, and 4) the price of credits.

4. Contract negotiations

Contract negotiations include credit price, transfer amount, timing of the transfer and other details.

Requests for and Acceptance of Proposals



Acceptance	Year-round requests for and acceptance of proposals, in order to select best-performing projects.
Review	Document reviews, interviews and field surveys will be conducted when necessary. It may also be necessary to evaluate economic issues, creditworthiness, the cost of credits and other details.
Payment for Credits	In principle, payment upon delivery of credits each year. However, up-front payments may be possible, depending on contract terms.
Up-front Payments	Through the evaluation of project details, the creditworthiness and other details regarding a project developer, it is possible to make partial payments up-front. In such cases, a third-party guarantee or credit transfer guarantee will, in principle, be required.
Language	Unless otherwise agreed upon by the Parties, all communications between the Parties, including any notices, requests or other communications under this Agreement, shall be in Japanese.
Currency	For the time being, payments can only be made in yen.
ERPA	A master agreement (ERPA) shall provide the basis for discussions and explanations of fundamental contract terms. Agreements shall be governed by Japanese law, in principal, but this is negotiable.

Necessary Qualifications

Corporate Status	<ul style="list-style-type: none"> ▪ Japanese company or foreign company, or ▪ International consortium (consisting of Japanese companies or foreign companies)
Credit Rating	<ul style="list-style-type: none"> ▪ Companies having publicly available credit ratings are examined on the basis of their long-term credit ratings ▪ Companies with no publicly available credit rating are subject to an examination of their creditworthiness and financial capacity by outside credit agencies.
Minimum Total Contracted Transfer Amount	<ul style="list-style-type: none"> ▪ Acquisition as project participant: Not less than 250,000 t/CO₂, in principle ▪ Acquisition from project implementers: Not less than 500,000 t/CO₂, in principle
Project Management Ability	<ul style="list-style-type: none"> ▪ Organization and management system should be sufficient to ensure successful project completion ▪ Specific Kyoto Mechanisms experience and achievements (e.g. governmental approval, CDM EB approval, credit acquisition and others)