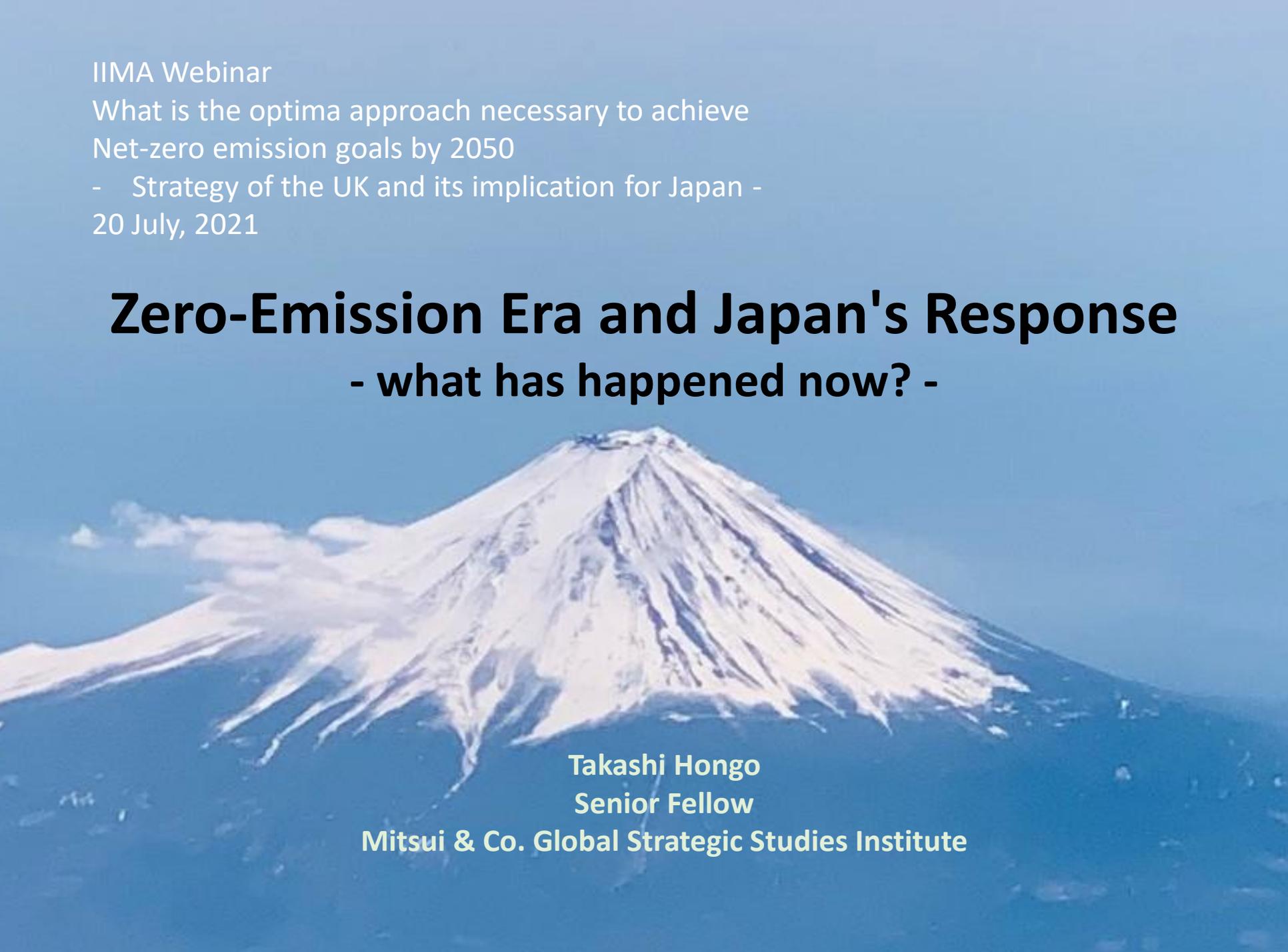


IIMA Webinar

What is the optima approach necessary to achieve
Net-zero emission goals by 2050

- Strategy of the UK and its implication for Japan -
20 July, 2021

Zero-Emission Era and Japan's Response **- what has happened now? -**



Takashi Hongo
Senior Fellow

Mitsui & Co. Global Strategic Studies Institute

Japanese Carbon Policy

- **Policy Commitment – Net Zero by 2050**
- **Carbon Pricing**
- **Energy Strategy**

Policy commitment; Carbon Neutrality by 2050

● Declaration of Carbon Neutrality(26 October, 2020)

Japan hereby declares that it aims to reduce its greenhouse gas emissions to zero by 2050 as a whole, that is, to achieve a carbon-neutral, decarbonized society by 2050.



Source Prime Minister's Office
https://www.kantei.go.jp/jp/99_suga/actions/202010/26shu_san_honkaigi.html

● Leaders' Summit on Climate (22-23 April, 2021)

At this summit, Prime Minister Suga declared that, consistent with the long-term goal of carbon neutrality by 2050, Japan aims to achieve a 46% reduction in greenhouse gas emissions from FY2013 levels by 2030, as an ambitious goal. In addition, he expressed his determination to continue challenging himself to reach the goal of 50%.



<https://www.state.gov/leaders-summit-on-climate/day-1/>

Carbon Pricing

Carbon Pricing for Economic Growth (Order of Prime Minister Suga) (21 December, 2020)

Minister Kajiyama (METI)

In order to promote carbon neutral 2050, Carbon Pricing must naturally be considered. Taxes, emissions trading, and border adjustment measures will be included. He said that he would like both the Ministry of Economy, Trade and Industry (METI) and the Ministry of the Environment (MOE) to work together on this issue.

Study Group on Economic Approaches to Achieving Global Carbon Neutrality

Mr. Koizumi (MOE)

I was called to the Prime Minister's office and instructed to consider Carbon Pricing in close cooperation between the two ministries.

Subcommittee on utilization of Carbon Pricing

Interim Reports by summer, policy direction of Japan by the end of 2021

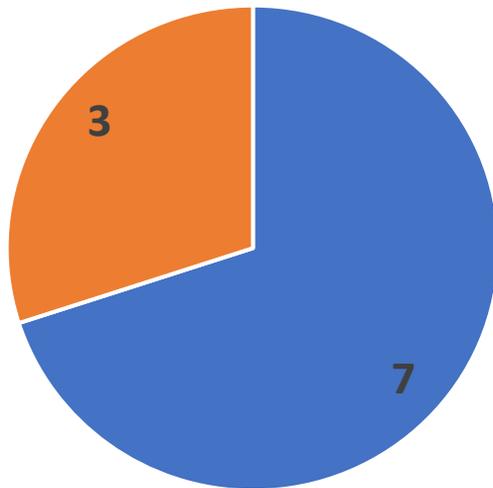
- Vitalization of the offset market
- Policy framework to promote behavior change
- Infrastructure development for implementing Carbon Pricing

(Options)

- Carbon Tax
- ETS
- Offset mechanism
- Carbon Border Adjustment
- Internal Carbon Pricing

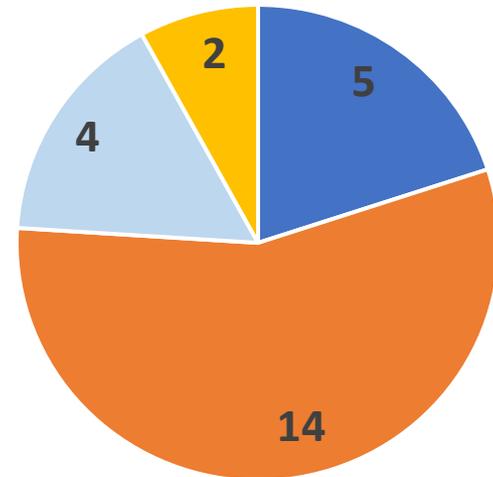
Composition of Study Group

For METI



■ Industry & related ■ Academia

For MOE



■ Industry & related ■ Academia
■ NGO ■ Service

Consideration of Basic Energy Plan

	NDC	Under discussion	Remarks
Long term goal	Carbon Neutral after 2050 as early as possible	Carbon Neutral by 2050	Announced on October 2020 and confirmed by Act on Promotion of Global Warming countermeasures
2030 Target (from 2013)	26% reduction	46% reduction, seeking for 50% reduction	New target was announced on April 2021
Energy demand	351 million KL	326 million KL	1.4% economic growth as the assumption
Energy saving	16 million KL	50 million KL	Additional measures are considered
Zero emission power	44%	60%	Renewable power is planned to be increased by 20-30%.
Thermal power		56%	Decrease its share but reminding energy security (particularly natural gas supply
(hydrogen/Ammonia)	-	(potential)	Studying mix-combustion
GHG emission	1.042 million ton	760 million ton	

Source: Ministry of Economy, Trade and Industry, Advisory Committee for Natural Resources and Energy 14 July 2021

Industry's action

- **Net Zero Target and Strategies**
- **Risk management and Opportunities**

What Japanese companies concern?

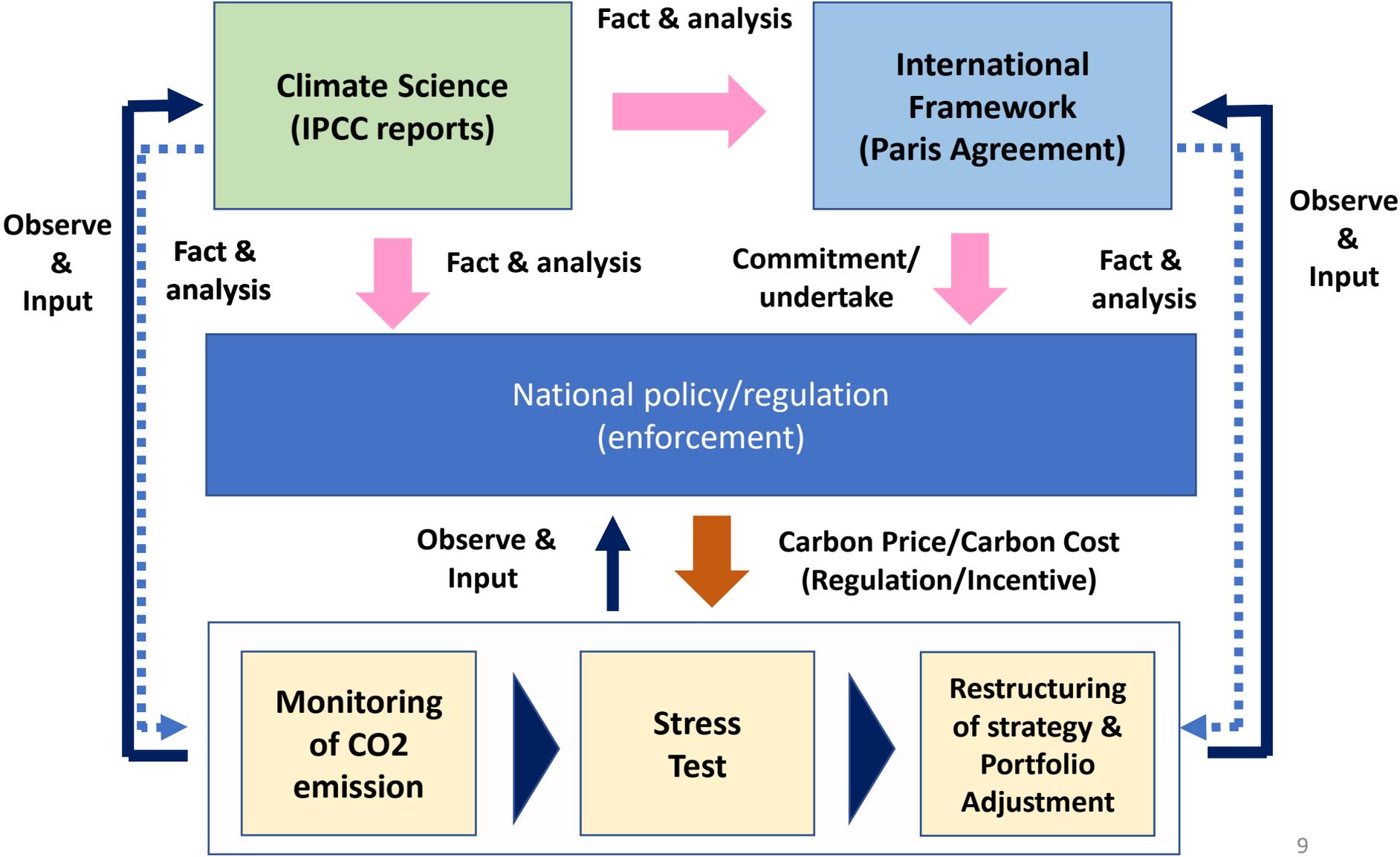
- ◆ “Net Zero” becoming almost “Business as Usual” in Japan too, even in energy and energy intensive industry. Its turning point was 2020, after Carbon Neutrality Declaration by PM Suga.
- ◆ Industries are being strongly lobbied by investors which are keen to climate change actions and environmental activists.

- Scope 3 emission: difficult to precise calculation/estimation and beyond control
- Climate contribution by their products; increase emission when they increase products contributes to emission reduction
- Role of offset; “green washing” VS Hierarchy approach
- Milestone for Net Zero emission and scenario analysis; 2030 target and alignment with Paris Agreement Target
- Disclosure;

Case of Proposals by NGO etc.

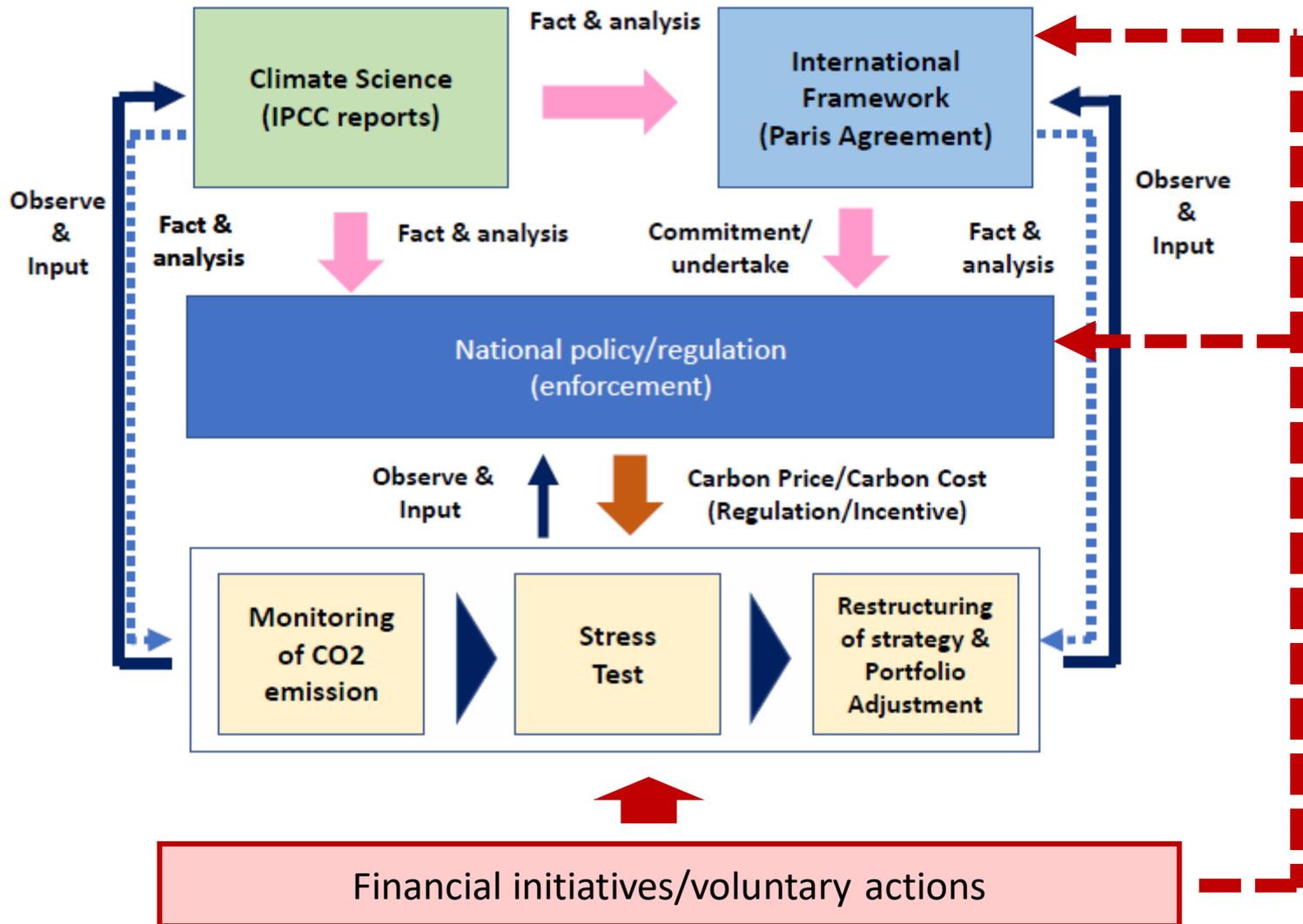
Company	Proposals
MUFG	Setting index and target aligning with Paris Agreement (NGO as a shareholder)
Sumitomo Corp.	Strategy aligning with 1.5 degree target (NGO as a shareholder)
Kansai Elect.	Proposal that the Articles of Incorporation be changed. (Kyoto City as a shareholder)
Mitsubishi Corp.	Request for major shareholders to have engagement (by NGO)

Corporate Strategy and international framework



New movement

New movement – Influence of financial initiatives/new market rules on corporate strategy and national policy



Paris to Glasgow

- Expectation of UK-Japan cooperation
 - Implementation of Paris Agreement
 - Ambitious and practical targets
 - Flexibility of road to targets



12 December 2015, COP21, Paris

