Proposal for Assertive Diplomatic Strategies to Tackle Climate Change

16 July 2013
Keidanren

1. Introduction

(1) Keidanren formulated an Action Plan on the Environment in 1997, under which it has demonstrated numerous accomplishments in the areas of energy conservation and CO_2 emission reduction. On 17 January this year we launched Keidanren's Commitment to a Low Carbon Society[1], which takes our Action Plan to the next level and marks the beginning of new activities where we contribute through technology to achieving the goal of halving global greenhouse gas (GHG) emissions by 2050.

While maintaining and enhancing the world's most advanced levels of low-carbon technology and energy efficiency, industrial sectors and companies participating in Keidanren's Commitment to a Low Carbon Society are also making an international contribution through initiatives including technology transfer to developing countries as well as developing innovative new technologies. By steadily implementing Keidanren's Commitment to a Low Carbon Society, the Japanese business community will continue to lead global efforts to combat climate change.

(2) On 25 January this year, the administration headed by Prime Minister Shinzo Abe, which took office at the end of 2012, announced that prior to the 19th session of the Conference of the Parties to the United Nations Framework Convention on Climate Change it would conduct a zero-based review of the 25 percent emission reduction target and develop assertive diplomatic strategies to tackle climate change in the aim of making a global contribution by fully utilising advanced Japanese technologies. In addition, the Japan Revitalisation Strategy approved by the cabinet on 14 June set policy direction for full-scale introduction of a bilateral/joint offset mechanism and formulation of a New Low-Carbon Technology Plan.

A zero-based review of the previous administration's energy and environment strategy was also announced, and the government declared its intention to formulate responsible energy policy. Since CO_2 from energy sources accounts for approximately 90 percent of Japan's GHG emissions, climate change policy needs to be consistent with energy policy.

(3) We make the following proposals in the firm expectation that assertive diplomatic strategies to tackle climate change will be organically linked to Keidanren's Commitment to a Low Carbon Society.

2. Fundamental Approach

(1) Climate change should be addressed worldwide from a long-term perspective. Efforts to tackle this issue must be compatible with economic growth in order for

[1] See http://www.keidanren.or.jp/en/policy/2013/003_commitment.pdf for full text.

all major emitters to make a long-term commitment to combating climate change, and advanced technologies hold the key to achieving such compatibility.

By maximising the use of best available technologies (BAT) for energy conservation and low-carbon solutions in tandem with development and commercialisation of innovative technologies enabling extensive emission reductions, countries can aim at sustainable development while also achieving major reductions in GHG emissions.

(2) Widespread international use of advanced technologies, products, and expertise developed by Japanese industry can improve countries' energy efficiency, create low-carbon societies, reduce resource consumption, and contribute to global climate change countermeasures[2].

The Japanese business community also possesses advanced technologies for adapting to various effects of climate change, and needs to offer proactive support to developing countries.

Such initiatives will help Japanese companies to expand their overseas business, and thus also contribute to the government's key priority of revitalising Japan's economy.

3. Measures Aimed at Spread of Japan's Energy-Saving and Low-Carbon Technologies and Products

(1) Creating an environment for the international spread of advanced technologies

One of the keys to achieving widespread use of Japan's advanced technologies and products is appropriate evaluation of their environmental performance. In this context, it will be useful to develop highly transparent and reliable evaluation mechanisms [3] while continuing to raise international awareness of the environmental performance of Japanese technologies and products.

International efforts to eliminate barriers to trade in environmental goods are also crucial. The 2012 APEC Economic Leaders' Meeting made significant progress in this area by agreeing to reduce effective tariffs on 54 items to 5 percent or less by

[2] For example, it is estimated that if coal-fired thermal power plants in the US, China, and India used the latest highly efficient technologies already operating in Japan, they could reduce CO_2 emissions by approximately 1.3 billion t-CO_2. The International Energy Agency has calculated that international transfer and widespread use of energy conservation technologies has the potential to reduce steel industry emissions by approximately 400 million t-CO_2, and Japanese technologies and products are estimated to have the potential to reduce chemical industry emissions by approximately 300 million t-CO_2. There are numerous other examples of energy conservation technologies, products, and services developed by Japanese industry that can contribute to global climate change countermeasures, including next-generation automobiles, inverter air conditioners, and safer nuclear power generation.

[3] For example, the Japan Iron and Steel Federation proposed that an ISO standard should be set for methods of assessing CO_2 efficiency in steel plant production processes to appropriately evaluate Japan's cutting-edge initiatives in this field, and in March this year ISO published ISO14404: Calculation Method of Carbon Dioxide Emission Intensity from Iron and Steel Production, a world first.

the end of 2015, and further efforts to liberalise trade in environmental goods are required.

(2) Encouraging emerging and developing countries to adopt low-carbon technologies

Establishment of the necessary systems in recipient countries is an essential element in supporting the adoption of low-carbon technologies in emerging and developing countries. While continuing to utilise Japan's experience and expertise, the Japanese government needs to support the following initiatives:

(a) Establishment of internal systems in recipient countries
- Reasonable environmental standards (top runner programmes, etc.)
- Best practice accreditation systems (labelling, etc.)
- Tax incentives and subsidies for development and deployment of energy-saving products
- Green purchasing policies, systems requiring suppliers to meet certain emission standards and operational performance when bidding for contracts
- Recycling systems[4]

(b) Awareness-raising activities in recipient countries
- Seminars and events for companies and citizens
- Support of capacity-building for government officials
- Efforts to make energy savings more visible through websites, etc.

Effective safeguards for intellectual property are an essential part of encouraging technology transfer and development. The United Nations is currently discussing measures to encourage technology transfer to developing countries, and appropriate protection of intellectual property needs to be a prerequisite for such systems.

(3) Promoting a bilateral/joint offset mechanism

(a) A bilateral/joint offset mechanism is an effective tool for using Japan's world-leading technologies to make an international contribution. Appropriate implementation of measurement, reporting, and verification (MRV) is essential to foster understanding and recognition of such a mechanism in the international community. In the aim of developing a concrete mechanism, joint committees have already been convened with countries that have signed bilateral agreements, and we hope that this will lead to the establishment of a highly transparent scheme.

(b) The business community will play a leading role in implementing actual emission reduction projects, and in order to ensure that mechanisms sufficiently reflect industry views, forums enabling industry participation will need to be established under the joint committees.

(c) Based on the results of a questionnaire on bilateral/joint offset mechanisms[5] conducted by Keidanren (16 April 2013), we call on the government to take the following initiatives:

(i) Accelerate and promptly conclude negotiations with favourable countries (including ASEAN nations and India)

[4] Use of waste heat, use of alternative energy derived from waste material and biomass, disposal of HFCs and CFCs, etc.

[5] See http://www.keidanren.or.jp/policy/2013/036.pdf (in Japanese)

(ii) Enhance feasibility studies with a view to identifying promising projects, and steadily implement trials

(iii) Establish and expand funding assistance schemes to encourage the introduction of new technology, for example:

- Yen loans and other forms of official development assistance
- Extended use of low-interest finance schemes offered by the Japan Bank for International Cooperation (JBIC) and the Japan International Cooperation Agency (JICA)
- Establishment and enhancement of New Energy and Industrial Technology Development Organization (NEDO) support schemes for trials

(iv) Support human resource development and capacity building in target countries

(d) The existing Clean Development Mechanism presents a number of problems. For example, it is difficult for energy-saving technologies which are effective in encouraging climate change countermeasures to be certified, and it takes a long time for project certification. The United Nations is currently discussing various approaches including a bilateral/joint offset mechanism. While ensuring transparency, reliability, and environmental integrity, the Japanese government needs to negotiate for a bilateral/joint offset mechanism that is as flexible and user-friendly as possible.

(e) The essential purpose of a bilateral/joint offset mechanism is the reduction of actual CO_2 emissions overseas and provision of a framework for appropriately evaluating Japan's contribution, not the creation and trade of credits. Although reduction potential can be calculated, identifying and quantifying the actual extent of reductions is difficult due partly to issues on the side of recipient countries. Reductions achieved through bilateral/joint offsets should be regarded as supplementary to and separate from Japan's mid-term reduction targets.

4. Development of Innovative Technologies

(1) The international community has set the ambitious target of halving worldwide GHG emissions by 2050. In order to involve developing countries in meeting this target, it will be essential not only to maximise the introduction of existing BAT, but also to develop and commercialise innovative technologies to achieve new breakthroughs. To remain a leader in constantly generating new BAT, Japan needs to establish a technology creation cycle, where profits from the development and deployment of innovative technology are ploughed back into further technology development.

(2) However, since many innovative technologies require huge budgets and long development timelines from basic research to development and commercialisation, it is difficult for individual companies and industries to shoulder the entire risk. The government needs to share a technology development road map with the business community and focus its R&D investment on priority areas. The government should also further enhance the R&D tax incentive system to encourage corporate investment in R&D. Moreover, an environment conducive to trials of new technologies needs to be created.

(3) In the near future Keidanren intends to publish the results of a questionnaire on energy and low-carbon technologies[6]. We call upon the government to make steady progress with technology development policy, taking into account the views of the business community, which plays a key role in technology.

5. A Framework for 2020 and Beyond

(1) In considering the framework to be applied by all countries from 2020, a bottom-up approach with target-setting predicated on maximum introduction of BAT, as adopted in Keidanren's Commitment to a Low Carbon Society, will be effective in encouraging maximum effort based on conditions prevailing in each country in order to achieve economic growth while combating climate change.

(2) To this end, Keidanren has been advocating a pledge and review approach, whereby countries voluntarily submit and pledge to reduction targets and action plans, and progress towards fulfilment of targets is internationally reviewed. Keidanren has also emphasised the vital importance of proper measurement, reporting, and verification (MRV) to ensure transparency and reliability.

In recent United Nations negotiations, developed countries have supported a framework enabling each country to determine its own targets and measures and submit these to the United Nations, followed by international review. We hope that concrete examination emphasising national autonomy will be conducted, since this will also encourage developing and emerging countries with large emission volumes or high levels of capability to strive for similar reductions to developed countries.

(3) To create effective climate change countermeasures amid increasingly complex global economic links and flourishing trade, it is crucial not to focus solely on economy-wide targets, but rather to take a multifaceted approach that encourages industry- and sector-specific measures to enhance energy efficiency worldwide and evaluates GHG reductions throughout the product life cycle.

6. Conclusion

(1) Keidanren is committed to action, and will contribute to reducing worldwide GHG emissions through our Commitment to a Low Carbon Society, which encompasses proactive initiatives not only to reduce emissions in Japan, but also to support developing countries and develop innovative technologies.

(2) We hope that the government will formulate effective and assertive diplomatic strategies to tackle climate change so that the public and private sectors can cooperate to achieve economic growth for Japan, making an international contribution through initiatives including support for developing countries, and combating global climate change integrally.

[6] See http://www.keidanren.or.jp/policy/2013/069.html for the results (in Japanese only) that were eventually made public on 22 July 2013.