

Toward Realizing Carbon Neutrality by 2050 (“Society 5.0 with Carbon Neutral”)

– Determination and Actions of the Business Community –

15 December 2020

Overview

1. Introduction

- Prime Minister Suga’s declaration to realize “Carbon Neutrality by 2050” (hereafter, “2050CN”) is an admirable decision and is highly appreciated.
- 2050CN requires the realization of a new socioeconomic system (“Society 5.0 with Carbon Neutral”) through the fundamental transformation of the system as a whole, including drastic changes in a way of energy utilization that has been practiced since the Industrial Revolution, innovations in production processes of key industries, full-scale dissemination of innovative products in the transport and consumer sectors, as well as lifestyle changes.
- The business community, in full collaboration with the government, will take this challenge with unwavering resolution.

2. Challenges and the Role of the Business Community

- There are various challenges. The business community will take a proactive role in:

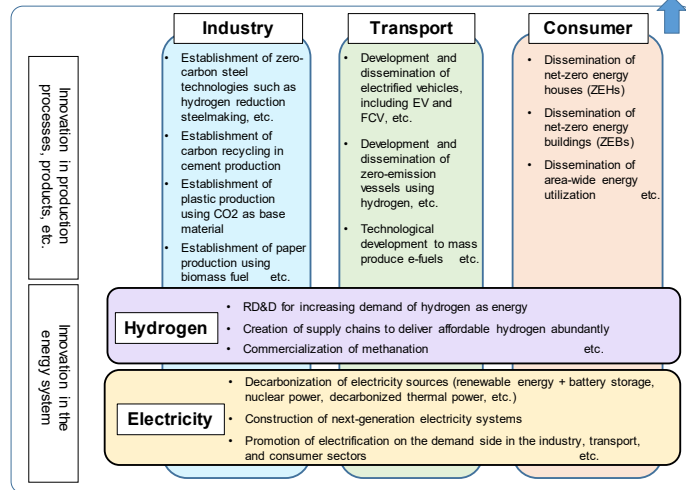
1. Stable supply of affordable and decarbonized energy;
2. Establishment of decarbonized production processes in the industrial sector;
3. Supply of innovative products and buildings in the transport and consumer sectors.

3. Perspectives in Promoting 2050CN

- Realization of “a virtuous cycle of the economy and environment” is indispensable.
1. Strengthening industrial competitiveness: generating innovations and extending them into domestic and international markets, and creating business environments which ensure the stable supply of affordable zero-emissions energy
 2. Stimulating demand: promoting investments toward large-scale infrastructure including next-generation electricity / hydrogen supply systems, as well as production facilities, transport equipment and housing enabling decarbonization

Society 5.0 with Carbon Neutral

Global expansion
(Utilization of standard certificates, emission credit transactions, etc.)



Specific Actions

4. Generating Innovation

- Expand and deepen the corporate challenges for innovation through initiatives such as Keidanren’s “Challenge Zero” with strengthen international outreach
- Clarify multiple future scenarios, and specify available technologies and policy options
- Nationalize projects particularly in important technology areas, thereby providing long-term and large-scale support
- Comprehensive support through tax incentives to back business initiatives, infrastructure development, regulatory and institutional reform, market creation, etc.

6. Promoting Sustainable Finance

- Security issuers to implement active disclosure and dialogue. Financial institutions to invest and finance based on the actual state of industries
- Mobilize funds for technologies and activities needed for innovation and transition toward a decarbonized society, in addition to funds for net-zero-emission technologies (green technologies)
- Materialize the wide range of funds mobilization (noted above), through cooperating with foreign governments and business organizations in Europe, North America, Asia, etc.

8. Conclusion

- We strongly hope that, based on this proposal, the government will compile effective policies that show its resolve on these issues.
- Keidanren is going to intensively engage in government discussions. Moreover, Keidanren will release a series of proposals regarding measures to realize 2050CN and promote “Challenge Zero” and other proactive initiatives taken by the business community.

5. Creating Next-generation Electricity Systems with Investment Cycles

- Clarify the future vision of the electricity networks, provide institutional and financial support for efficient facility construction and utilization
- Reduce risks associated with large-scale investment in new electricity sources to accelerate decarbonization, ensuring a stable power supply
- Nuclear power is indispensable for 2050CN. Immediately discuss the nuclear policy regarding replacement/new plants and R&D for new reactors, as well as restarting existing plants.
- Increase the supply of renewable energy at a price comparable to prices in Europe and North America

7. Expanding Innovation Internationally

- Early conclusion of negotiations on the rules of the Paris Agreement looking ahead to the greater utilization of the Joint Crediting Mechanism (JCM) and the WTO negotiations on the Environmental Goods Agreement. Improve the business environment in Asia which is important production bases/markets for Japanese companies
- Through the international frameworks such as the “Blue Dot Network”, create a system that recognizes the high quality of Japanese environmental technologies