

**Second Set of Recommendations for
Advancing the AZEC Initiative
Targeting Steady Promotion of Decarbonization Projects**

Executive Summary

September 16, 2025
Keidanren

The Asia Zero Emission Community (AZEC) Initiative

The AZEC initiative aims to achieve decarbonization, economic growth, and energy security simultaneously (a “triple breakthrough”) in Asia through **various pathways** tailored to circumstances of respective countries.

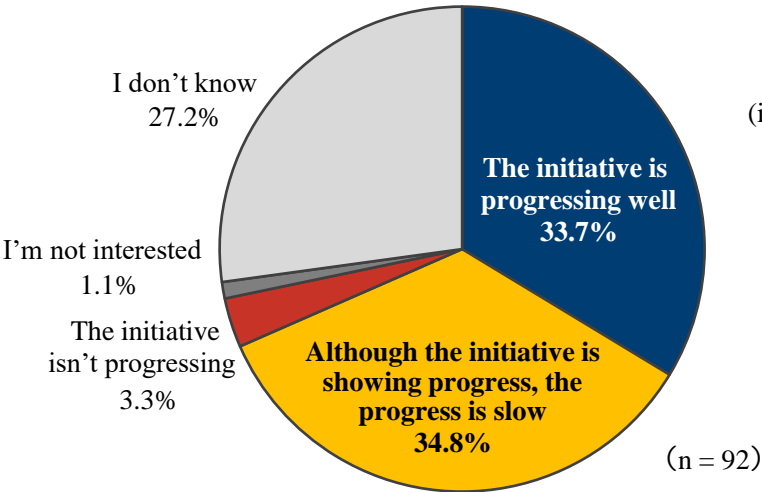
	Action by Japanese government or AZEC	Action by Keidanren
2022	Japanese government proposed AZEC initiative (Jan.)	Mentioned AZEC initiative in policy proposal Towards Green Transformation (GX) (May)
2023 Mar.	AZEC launched with 10 partner countries, mainly in ASEAN	
2024 July		Published Recommendations for Advancing the AZEC Initiative
Oct.	Second AZEC Leaders Meeting Action Plan for the Next Decade compiled	
2025 Jan.	Financing agreement signed for Muara Laboh Geothermal Power Expansion Project, first ever AZEC project to be undertaken	
Sept.		Published Second Set of Recommendations for Advancing the AZEC Initiative
Fall (TBC)	Third AZEC Leaders Meeting and Ministerial Meeting	

- ◆ **The Japanese business community has high hopes for AZEC, especially decarbonization projects.**
- ◆ **Keidanren is recommending measures to put the AZEC initiative into practice in preparation for the third AZEC Leaders Meeting and Ministerial Meeting.**

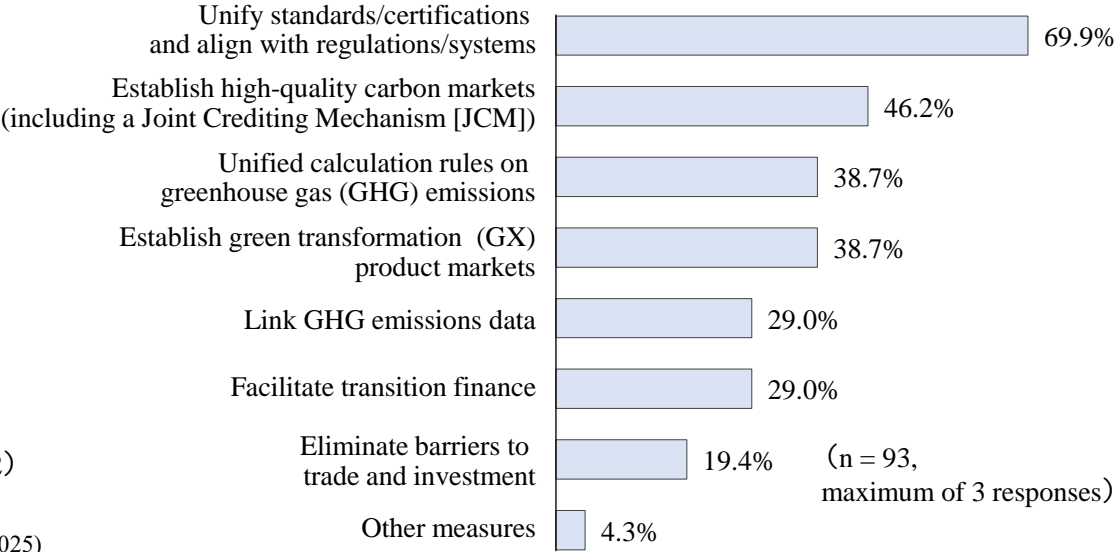
Opinions and Issues Regarding AZEC

- ◆ Amid worsening climate change, AZEC is gaining in importance as an organization that targets various pathways and a triple breakthrough.
- ◆ The Japanese business community’s opinion is that, although the AZEC initiative is showing progress, **the progress is slow**.
- ◆ As competition with other countries intensifies over energy-efficient products and decarbonization technologies, etc., it is essential to **promote individual decarbonization projects promptly and build up a track record**.

Opinions of the AZEC initiative’s progress



Measures to be prioritized



Source: Keidanren’s Survey on Advancing the AZEC Initiative (September 2025)

Measures Necessary to Put the AZEC Initiative into Practice

- ◆ Governments of Japan and other AZEC partner countries should promote both **individual decarbonization projects** and the **AZEC-wide policy coordination** upon which projects depend, as two complementary approaches.
- ◆ **To achieve policy coordination**, it will be essential to **clarify timescales in each policy area** and implement coordination accordingly.

Measures necessary to put the AZEC initiative into practice

Measures necessary for promoting policy coordination and individual projects are closely related.

In these recommendations, they are summarized as shown below.

- Unified calculation rules on GHG emissions
- Deployment of data use cases
- Environmental value indicators

Measures to be promoted through policy coordination

- Unification of standards/certifications and alignment with regulations/systems
- Promotion of JCM use and expansion of counterpart countries

Measures necessary for promoting individual decarbonization projects

- Development of roadmaps and frameworks
- Finance

- ◆ **Unified calculation rules on GHG emissions provides the foundation for companies and governments to take emission reduction measures. It should be undertaken as the first step toward decarbonization.**
- ◆ **To enable Unified calculation rules on emissions reductions in supply chains and ensure traceability, the aim should be to link emissions data across national borders in the future.**

Visualization of GHG emissions

- **Discussions on establishing unified calculation rules within the AZEC region should be started.**
- It is pragmatic to **ensure compatibility focused on the GHG Protocol**, which is widely employed internationally. At the same time, it is necessary to **resolve the GHG Protocol's outstanding issues** including recognition of carbon credit offsets and the deduction of direct CO₂ emissions when waste is used as a fuel source.

Expansion and deployment of data use cases

- The public and private sectors should cooperate on creating industrial data spaces, as well as **establishing data use cases** and **deploying them in partner countries**.
- **Discussions should be started regarding linkage of GHG emissions data with a view to creating internationally interoperable industrial data spaces** in partner countries in the future.

Promotion of Green Products, Etc.

- ◆ To rapidly promote outstanding energy-efficient products and decarbonization technologies (“green products, etc.”) throughout the AZEC region, standards and certifications should be unified, and regulations and systems should be aligned.

Areas where Japan is leading the way

Automotive fuel

Aviation fuel

Shipping fuel

Low-carbon hydrogen and ammonia

- In areas where Japan is leading the way, such as perovskite solar cells and carbon-recycled concrete, Japan should encourage partner countries and other countries worldwide to adopt Japanese standards.
- Initiatives such as promoting common calculation standards for low-carbon fuels including biofuel and developing an international certification system should be pursued through intergovernmental dialogue.
- Under the AZEC framework, partner countries should engage in technical cooperation, encourage investment, and establish an environmental value transfer scheme for sustainable aviation fuel (SAF), while avoiding a medley of separate regulations and systems for each country.
- It is necessary to reconcile AZEC’s discussions on calculating GHG emissions and the International Maritime Organization (IMO)’s discussions on fuel regulation encompassing terrestrial GHG emissions.
- The Japanese government should acquire an overview of the supply chains as a whole, then provide systematic, strategic support for private-sector efforts toward international standardization.

- ◆ It is necessary to clarify which forms of environmental value should be evaluated for each industry and consider indicators that can appropriately evaluate these (e.g., CFP,¹ Allocated CFP,² or Avoided Emissions³).

1. Carbon Footprint of Product.

2. CFP that accounts for appropriate allocation of the effects of emissions reduction.

3. An approach that quantifies the volume of emissions reduction in a supply chain resulting from replacement of a conventional product or service with a company’s own product or service.

- ◆ To promote individual projects, it is essential to create frameworks and the right business environment through public-private sector cooperation.

Formulation and enhancement of roadmaps

- To make green investment by companies more predictable, all partner countries should **formulate and enhance roadmaps** including timings for introduction of green products, etc., priority sectors for investment, the expected energy mix and fostering experts.
- The **Asia Zero Emission Center** established within the Economic Research Institute for ASEAN and East Asia (ERIA) should **promote energy transitions** in partner countries and **support their development of visions, roadmaps, or policies for decarbonization**.
- It is also essential to foster experts to promote decarbonization. The Japanese government too should **draw on its expertise and experience in investment strategies for specific sectors, etc. to offer proactive assistance**.

Proactive use of public-private dialogue

- **Active use should be made of frameworks*** for bilateral discussions involving both the public and private sectors to establish appropriate business environments for formation and implementation of projects, etc.
* Japan already has frameworks with Vietnam, Indonesia, the Philippines, and Thailand.
- **Such frameworks should be extended** to other partner countries. By progressing bilateral policy coordination, institutional improvements, and promotion of individual projects, **models for success should be created and deployed throughout AZEC**.

Enhancement of the Japanese Government's Information Provision and Support System

- ◆ The support system should be enhanced to enable the Japanese government's public support programs, etc. to be used effectively.

Enhancement of information provision

- The Japanese government should **develop and enhance a support system to provide companies with information and advice** on partner country governments' priority sectors and support measures, as well as market trends, etc.
- **Information about public support programs*** and how they relate to each other should be **summarized and provided in an easily understandable format that helps corporate executives work out which program is right for their company.**

* E.g., subsidies under the Global South Future-Oriented Co-Creation Project (the Global South Budget), the Japan-ASEAN Integration Fund (JAIF), the international demonstration projects of Japan's New Energy and Industrial Technology Development Organization (NEDO), and the public-private partnerships of the Japan International Cooperation Agency (JICA).

Enhancement of support system

- The Global South Budget should **include a budget specifically for AZEC projects** or should **seek applications for fully funded or commissioned projects.**
- The Japanese government should **create a system of preferential support for projects utilizing Japanese-made GX materials.** The system could offer favorable conditions regarding loan interest rates and repayment periods, insurance coverage ratios, insurance premiums, or the amounts of subsidies granted. It should also support **partner countries in developing systems that facilitate use of such materials.**

- ◆ The challenges in providing transition finance are reliably predicting investment returns, determining projects' eligibility for loans, and ensuring the trustworthiness of companies. Support is required to facilitate transitions that reflect the circumstances in individual countries.

Enhancement of predictability

- Partner countries' public and private sectors should collaborate to **enhance trustworthiness and investment predictability** by, for example, **clarifying which projects** contributing to countries' NDCs and long-term objectives **will receive support** through transition finance.

Consideration of framework to enable strategic use of support and funding

- **A mechanism should be considered to enable coordinated, strategic use** of the Japanese government's various public support programs and the funding it contributes to international organizations, **as required for each country and project**.
- To move this forward, **public-sector and international organizations could engage in discussions at the forums for discussions involving both the public and private sectors**, while **companies could make use of the support provided and work toward collaboration on concrete issues**.
- Over the medium- to long term, AZEC will need a financing framework that financially supports individual projects while also **attracting private funds**. It will also be necessary to **create a mechanism that mobilizes funds** not only from Japan and the international organizations, but **also from partner countries**.

Promotion of JCM Use and Expansion of Counterpart Countries

- ◆ The predictability of projects should be improved by ensuring JCM's project procedures and credit approval and issuance process are straightforward and transparent.

Expansion of partner countries

- A JCM agreement with Malaysia should be signed as soon as possible. Agreements with Australia and others are also anticipated.

Promotion of JCM use

- The predictability of JCM-registered projects should be improved by, for instance, **appropriately sharing information between the governments** of Japan and the counterpart country, **providing advance notification of rule changes, and guaranteeing continued issuance of credits.**
- **Methodologies and guidelines should be standardized for all JCM counterpart countries,** including AZEC partner countries. It is also necessary to increase the number of people drafting methodologies.
- The Japanese government should take steps **such as clarifying JCM approval criteria and credit allocation, and increasing the number of JCM-registered projects.*** It should also **increase its support for companies negotiating with the governments of counterpart countries on methodology, allocation of credits, etc.**

*In sectors such as hydrogen; ammonia; synthetic fuels; biomass; cogeneration; waste-to-energy; boilers; gas turbines; fuel conversion; electricity storage; seawater desalination; manufacturing-related technologies for energy- and resource efficiency, etc.; smart cities; smart mobility; carbon capture and storage (CCS); carbon capture, utilization, and storage (CCUS); forestry; and agriculture.

- Private-sector JCM initiatives should be promoted by visualizing the value of JCM credits to **increase investment predictability** and allowing **credit acquisition via offtaking only.**