Proposal on Japan’s long-term growth strategy under the Paris Agreement

– Business-led innovation to address challenges towards decarbonization –

Summary

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Introduction

(1) Against the backdrop of the adoption of SDGs and the Paris Agreement in 2015, as well as the expansion of ESG investment, the international community is increasingly committed to global warming countermeasures, in particular promotion of long-term and substantial reductions in greenhouse gas emissions (decarbonization).

(2) Japan as president of the G20 Osaka Summit should take the lead on global warming countermeasures by demonstrating an “proactive” vision to the international community through its long-term growth strategy (long-term strategy) looking ahead to 2050, linking efforts on global warming issues centered on innovation to economic growth and contributing to SDGs, as well as by sharing such vision with other countries.

1. Promotion of business-led innovation as the key to long-term and substantial reductions (decarbonization)

(1) Japan should send a firm message domestically and internationally outlining its stance to meet the challenge of decarbonization with business-led disruptive innovation (developing a wide range of innovative technologies and deploying them smoothly in society through cost reduction).

(2) The government should focus on maintaining and expanding R&D and investment resources of the private sector, improving the investment and business environments through measures including regulatory and institutional reforms under public-private partnership, and international collaboration.

*Explicit carbon pricing measures will be a barrier to business-led innovation.

2. Realization of energy transition ensuring S+3E at a high level

(1) To realize energy transition ensuring S+3E (safety, plus energy security, economy, and environment), promotion of renewable energy as the major power source, continuous utilization of nuclear power with the prerequisite of securing safety, improving efficiency of thermal power, dissemination and expansion of decentralized energy sources, improvement of a next-generation power grid, technological development for key technologies such as hydrogen and CCUS etc. should be promoted.

(2) To encourage private investment in energy sectors including electric power, the government should enhance predictability on energy supply and demand and improve an investment environment by showing the overall vision of sustainable electric power and energy systems.

*For issues concerning Japan’s stagnating electric power investment, Keidanren plans to compile a policy proposal in April to promote adequate investment which supports the base of sustainable growth, and conduct active discussions on these issues with the Japanese government and others concerned.

3. Contribution to avoided emissions through Global Value Chain (GVC)

(1) Companies will realize a “virtuous cycle of environmental protection and economic growth” that draws upon the growth of emerging countries, and contribute to avoided emissions, by developing energy saving and low-carbon goods and services both domestically and internationally through GVC.

(2) The government should initiate a game change, in which countries compete their contributions to global reductions, and should also support contributions by companies by working to improve the business environment including inter-governmental cooperation to establish enabling policies and systems in countries where goods and services are extended.

4. Encouraging proactive actions by companies and organizations

(1) Companies and organizations have been proactive in taking global warming countermeasures, and achieved proven results with “Keidanren’s Commitment to a Low Carbon Society”. In addition, around 70 companies and organizations have formulated their “long-term visions” up to 2050, and the movement toward formulation is to be further expanded.

(2) The government should make every effort to reflect the private sector’s “long-term vision” into Japan’s long-term strategy as much as possible, and support challenges for innovation by companies and organizations.

*Around 70 companies and organizations have already formulated their “long-term visions”, and around 190 companies and organizations are in the process of formulation.

5. Aiming for enhanced ambition under a multiple track scenarios towards a “vision” or “goal”

(1) The long-term strategy should indicate a “vision” and “goal” as a direction to be aimed for, to achieve “decarbonization through business-led innovation”, and this must be clearly distinguished from a “target” to be achieved systematically.

(2) For the goals such as the long-term goal of the Paris Agreement, we should take a process that pursues an ambitious multiple track scenario and all options, and flexibly determine and revise the priority issues (this is called “scientific review”). We should make focused investment by identifying technologically and economically feasible options, and aim for enhanced ambition.

*In the Paris Agreement, it is agreed to keep the increase in global average temperature to well below 2 °C above pre-industrial levels, and to pursue efforts to limit the temperature increase to 1.5°C. The Cabinet decided on 80% reductions by 2050 under certain conditions in Japan’s “Plan for Global Warming Countermeasures”. 