

Urgent Policy Proposal for Achieving Green Growth Outline

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Keidanren

- In order to achieve carbon neutrality (CN) by 2050 and reductions of GHG by 46% by 2030, as announced by Prime Minister Suga, collective efforts of both public and private sectors are essential. We need to create a virtuous cycle of the economy and the environment (Green Growth) and advance the fundamental transformation of the entire society and economy (GX: Green Transformation). With limited time, we strongly request the Government to present a clear path to green growth, fully considering the differences among the measures that can be taken in difference timeframes, and formulate effective policies based on both natural and social sciences by mobilizing the knowledge held by various sectors and at various levels,
- The business community acknowledges that aiming to achieve carbon neutrality by 2050 while creating a virtuous cycle of the economy and the environment is an important agenda for building sustainable capitalism; we are determined to work closely with the Government with an unwavering resolve.

Overview

— Basic approach to achieving green growth —

1. Strongly promoting proactive initiatives by the business community (CN Action Plan)

- The Keidanren's Commitment to a Low Carbon Society has produced robust results to date and has played an important role in achieving Japan's emission reduction target.
- Keidanren will renew its Commitment as the Keidanren Carbon Neutrality Action Plan, strongly promoting proactive actions, including identifying the visions of each industry toward achieving CN by 2050.

2. Mobilizing policy resources toward a virtuous cycle of the economy and the environment

- As Japan's national strategy, mobilize policy resources, addressing climate & energy policy and the growth strategy in an integrated manner. Encourage self-directed private investment and improve the current economic environment.
- 1) Investment in large-scale infrastructure, deployment of transport equipment, buildings and housing; 2) support for the deployment of facilities that help companies in energy saving and decarbonization; 3) tax incentives and financial support for innovation; and 4) fostering new industries relevant to CN

3. Presenting a concrete future vision and fostering public understanding for matters including costs

- A clear-cut explanation to all levels of the public on the the significance of aiming to achieve CN by 2050, future visions, measures that need to be taken for the achievement of the 2030 target, and the accompanying advantages and disadvantages.
- Flexible implementation of individual measures based on constant review and verification, considering their feasibility and cost-effectiveness

Individual topics

— Policy measures for the achievement of green growth —

4. Pursuing reduction efforts centered on the proactive initiatives of the business community

- The business community will pursue maximum efforts, by reducing emissions from domestic business operations, reducing emissions across the product life cycle, international cooperation and technology development with a view to achieving CN by 2050.
- The Government should position the Keidanren Carbon Neutrality Action Plan as a pillar of the measures to be taken by the business community and implement not only penalties but also incentives that will promote proactive initiatives.

5. Promoting further initiatives in the industry, transport and consumer sectors

- (1) Industry: Implement bold measures for financial support and business environment improvement including expansion of the Green Innovation Fund; and reduce industrial power costs with a view to achieving CN by 2050.
- (2) Transport: Bold tax incentives and fiscal measures for: technology-neutral electrification; fuel measures; streamlining of logistics, etc.
- (3) Consumer: Improve thermal insulation in buildings & housing; promote ZEB/ZEH; increase electrification; introduce BEMS/HEMS; and develop public campaigns, etc.

6. Securing a low cost and stable supply of hydrogen and accelerating its wide application

- Accelerate efforts on both supply and demand sides with a view to the new 2030 target.
- Promote technology development and capital investment for wider application, and developing an international supply chain.
- Utilize methanation and synthetic fuels (e-fuels).
- The Government should take the initiative and fully support relevant industries and companies, including fiscal support for infrastructure development with using the general account budget.

7. Considering carbon pricing schemes that will benefit growth

- Seizing the momentum of finding value in CO2 reductions, pursue the optimal policy mix based on careful discussion of the various types of carbon pricing schemes (including voluntary carbon credit markets, internal carbon pricing, etc.) from an economic growth perspective, without limiting options to a carbon tax, or an emissions trading scheme.
- Discuss how to address CBAM, taking into consideration the viewpoint of securing international competitiveness.

8. Promoting sustainable finance

- In order to support actions for the achievement of CN from a financial perspective, further develop foundations for sustainable finance, including promoting corporate disclosures and constructive dialogue based on the TCFD recommendations and participation in discussions at the IFRS Foundation.
- Mobilizing global financial resources by fostering understanding on financing for innovation and transition and securing reliance and transparency.

9. Advancing proactive climate diplomacy

- Promote ambitious initiatives implemented by each country, including emerging and developing countries, through proactive climate diplomacy under the partnership with major countries and regions such as the US and the EU.
- Develop the business environment in Asia; reduce emissions through the overseas deployment of energy efficient/decarbonizing technologies, products and infrastructure.