

## **Reference: Basic Thinking on the Problem of Global Warming**

### 1. Industry Measures to Address Global Warming

#### (1) Measures to address global warming should principally be through voluntary efforts

At present, 57 industrial organizations and companies participate in the Keidanren Voluntary Action Plan on the Environment, engaging in vigorous efforts to address global warming. Among these, 34 industries in the industrial and energy-conversion sectors have laid down a uniform target of reducing CO<sub>2</sub> emissions in fiscal 2010 to below their fiscal 1990 levels. Industrial output increased in fiscal 2003 as a result of the economic recovery in Japan, but in spite of this the volume of CO<sub>2</sub> emissions declined by 0.6% relative to their fiscal 1990 level. This was because of steady progress in increasing CO<sub>2</sub> emissions intensity and energy consumption intensity and in the shift to less carbon-intensive forms of energy. Voluntary efforts should continue to form the core of industry measures to address global warming.

#### (2) Mechanisms to enhance transparency and credibility

Each year Nippon Keidanren implements detailed follow-up surveys of the state of progress being made in voluntary action plans in individual industries, and releases its findings widely through the Internet and other media. In addition, the relevant government councils conduct annual reviews of the progress being made in each industry, and the results of those are reported to joint meetings of the councils concerned with domestic measures to address global warming.

The Evaluation Committee for the Voluntary Action Plan on the Environment was established in July 2002 for the purpose of ensuring that the industrial community continues its efforts within the framework of the Voluntary Action Plan over the medium and long term, while enhancing its transparency and credibility. Since the fiscal 2003 follow-up, the content of the plan has been improved on the basis of the committee's reports.

#### (3) The contribution of technological development

The development of technologies constitutes the key to countering global warming over the long term, and industry will therefore continue to contribute by means of technological development. Since the oil crises the Japanese industrial sector has already achieved energy savings of more than 20%, which is very high relative to savings made by other countries. Therefore, to cut CO<sub>2</sub> emissions still further it is essential not only to fully mobilize existing technologies, including in the field of nuclear power, but also to undertake innovative technological development. To ensure the compatibility of economic activity and the environment, it is incumbent upon the government to give technologies to counter global warming a pivotal status in Japan's national technology-development strategy, and to provide assistance over the medium to long term to stimulate private-sector technology development.

#### (4) Promotion of nuclear energy

Promoting the use of nuclear power generation, which emits no CO<sub>2</sub>, is the most important issue for addressing global warming. Efforts to promote the use of nuclear energy must be pursued, backed by the devotion of maximum efforts by industry, the national government and local governments, to ensure its safety, and by the publication of more information so as to gain the understanding of the public.

### 2. Measures by the Transportation, Offices and Households Sector to Address Global Warming

The sectoral breakdown in the Ministry of the Environment's preliminary report for CO<sub>2</sub> emissions in fiscal 2003 shows that the CO<sub>2</sub> emissions of the energy-conversion and industrial sectors have remained relatively static from fiscal 1990, but those in the offices and households sector have risen by 33% and nearly 20% respectively relative to fiscal 1990; in fiscal 2003 they accounted for approximately 50% of all emissions in Japan.

The industrial sector is endeavoring to reduce emissions from offices and distribution activities, and through the supply of energy-saving products, information and services it is also making vigorous efforts to cut emissions in the offices and households sector.

Nevertheless, the prerequisite for finding the solution to the problem of global warming is for every citizen to take voluntary action on their own initiative. It is incumbent upon the government to supply appropriate information in order to give a strong stimulus to people's attitudes towards voluntary behavior, and to quickly implement activities that will bring about those voluntary actions on the part of individual citizens. For that purpose the government administration must first take initiatives and set an example.

### 3. Domestic Systems

#### (1) The advantages of voluntary efforts are undermined by basing plans on formal agreements or making them obligatory

Countries such as the United Kingdom have been introducing a system of concluding agreements between the government and industries and companies to address the prevention of global warming, and it has been argued that Japan should do likewise. However, experience shows that there would be a strong risk that agreements in Japan would be highly inflexible and restrictive in character and would be unilateral. If global warming countermeasures were to be codified in agreements of that kind, the advantage of flexibility inherent in the current voluntary efforts would risk being lost, and therefore it is a step that should not be adopted without adequate consideration.

It is also argued that the formulation of action plans should be made compulsory. However, the most effective way of taking steps in the industrial sector to restrain emissions of greenhouse gases is for business people themselves, who are in the best

position to grasp the true situation in each industry, to formulate and implement action plans voluntarily. Making this process compulsory would be undesirable, since it would markedly undermine the benefits of voluntary efforts.

(2) Domestic emissions trading premised on compulsory emission limits is inappropriate

The building of a system for domestic emissions trading premised on the allocation of compulsory emission limits has the strong character of a controlled economy and thus has no place in a market economy, and it would be difficult to ensure fairness in the apportionment of the limits. For reasons such as these, such a move would be inappropriate. Also, in Japan's case in particular the level of energy-saving in companies is high, and therefore there is not expected to be scope for unused emission credits to be released into the domestic market.

(3) Emphatic opposition to the introduction of environmental taxes

The introduction of environmental taxes (including a carbon tax and carbon-energy tax) has been mooted as a means of restraining CO<sub>2</sub> emissions. However, global warming is a problem that is closely linked with people's daily lives and with economic activity, and therefore the voluntary participation and cooperation of the people as a whole is a prerequisite for addressing it. The introduction of environmental taxes would not provide a route towards resolving the problem.

There can be no expectation that the environmental taxes currently being proposed by the Ministry of the Environment and others would have the effect of curbing CO<sub>2</sub> emissions. What is more, they would dampen the present full-fledged economic recovery and would hamper industrial activity. New taxes and tax increases would undermine the international competitiveness of manufacturing industry, cause the hollowing-out of domestic industry, and have a serious impact on employment. Additionally, there is the risk that the shift of manufacturing overseas from a country that has achieved the world's highest level of energy efficiency would have the effect of ultimately increasing the volume of emissions of greenhouse gases globally.

In addition, fossil fuels are already subject to a variety of energy taxes such as the petroleum and coal tax introduced in October 2003. The introduction of a new tax would impose multiple taxes on manufacturing industry and thereby place a more excessive burden on it.

The vitality of the companies conducting the technological development that constitutes the key to resolving the problem of global warming must not be diminished, and it is impermissible to alter the lifestyles of the people of the country through ill-considered tax increases. Instead of introducing environmental taxes, progress must be made with the study of genuinely effective measures to address global warming.

#### 4. Global Strategies

(1) The international framework from 2013

The problem of global warming is global in scale, and thus it is essential to create a framework for reducing greenhouse gases in which all countries and regions participate. All countries, including the United States, the world's largest source of emissions, and the developing countries, whose emissions are projected to increase substantially as they undergo population growth and economic development, must study a realistic and flexible framework for the period from 2013: one that ensures the compatibility and coexistence of the environment and economic activity.

## (2) Positive use of the Kyoto Mechanism

The Kyoto Mechanism is an effective option through which to achieve the targets of the Kyoto Protocol while seeking harmony between the environment and economic activity. For this it is essential to put international rules firmly into place at an early date. For the mechanism to be effective it is vital to have the voluntary participation of the private sector, and for that it will be necessary to build a framework that facilitates that participation, including simpler procedures and more clearly defined rights to credits obtained.