

RECOMMENDATIONS ON THE CLIMATE POLICY IN JAPAN

March 2015

JAPAN CLIMATE LEADERS' PARTNERSHIP



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Japan Climate Leaders' Partnership (Japan-CLP) is a business coalition in Japan that regards spearheading to a sustainable low carbon society to be a business opportunity. On July 30th 2009, Japan-CLP was set up to urge the industrial community in Japan to develop a sound sense of urgency on the issue of climate change and to initiate more proactive actions. The member companies share the common goal of building a sustainable low carbon society through communicating proactively with policy makers, industry and citizens, and will undertake a variety of activities with a focus on Asia.

Members (as of March 2015):

AEON, ASKUL, DOWA Ecosystem, Fujitsu, LIXIL Group, ORIX, Ricoh, Sagawa Express

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FOREWORD

We are seeing more frequent and intensive typhoons, tornados, and heavy rainfall events around the world. Each time we witness the various impacts of these extreme events, we cannot help but sense that we are living in an important era that will determine the future path of society.

The 5th Assessment Report of the Inter-governmental Panel on Climate Change (IPCC AR5) drew a correlation between temperature increases and cumulative CO₂ emissions, and indicated the necessity of setting upper limits for cumulative emissions. This is a very important message which indicates that, if the current level of emissions continues, we will exceed the upper limit for emissions within 30 years. To avoid this, it will be necessary for global emissions to reach net zero by the end of this century.

If we turn our eyes to trends in the international community, we can see there has been progress by some countries towards reaching a consensus on an international framework at COP21, to be held in Paris in December 2015. However, looking at Japan, we can see that detailed discussions on post 2020 reduction targets for GHG emissions have just begun.

The Japan Climate Leaders' Partnership (Japan-CLP) is a network of companies that aims to create a low-carbon society, seizing on the idea that low-carbon development is a prerequisite for economic activity. We believe that it is necessary to ground the creation of a low-carbon society in not only the needs and benefits of the current generation, but future generations as well. Today, businesses are being called on to demonstrate new strategies for realising their responsibilities for the future.

Japan-CLP has developed the following recommendations based on its recognition that we have entered a critical period which will influence the state of society, and of the importance of developing completely new business opportunities that do not involve the emissions of CO₂ in the long-term.

These recommendations contain proposals on ideal targets and policies. To be as impactful as possible, the roles and responsibilities for these targets and policies should be shared with all businesses and citizens throughout Japan. We hope that this recommendation will also be useful to support policymakers in Japan.

BACKGROUND

■ Important scientific findings from IPCC AR5

The IPCC AR5 stated that global warming is unequivocal, and highlighted the substantially proportional relationship between cumulative CO₂ emissions and average global temperatures. The report also stated that, in order to control temperature increases to less than 2°C, the upper limit for cumulative emissions is 3.700 trillion tonnes (one trillion tonnes (carbon equivalent)). The report scientifically showed that we will eventually need emissions to approach or dip below zero in order to ensure temperature increases does not exceed 2 °C. The report predicts we will exceed the upper limit for emissions in 30 years at the current level of emissions.

The report outlines emission reduction research by country and region, from the perspective of responsibility, capacity, and equity. It cites a number of studies that indicate the role developed countries have in reducing emissions. Emissions will need to be cut by about 50% in 2030, and 80% to 95% in 2050 (both compared to levels in 2010), in order to keep temperature increases below 2°C.

■ Incidences of damages that have already occurred

Damages caused by various natural disasters, which could be attributed to climate change, are already evident in many parts of the world. For example, according to “Natural Catastrophes and Man-made Disasters” (Swiss Re), the economic loss from floods caused by torrential rains in Eastern Europe in May to June 2013 was USD 16.5 billion; the economic loss from hail in Europe in July was USD 4.8 billion, and the economic loss from a typhoon in the Philippines in November was USD 12.5 billion.

If temperatures continue to rise in the future there will be increased risk for weather hazards, reduced food production, and adverse effects on people’s health and biodiversity. The damage wrought by these phenomena will be enormous. For example, the cost of climate change mitigation measures is generally considered to have a negative impact on economic activity. However, if mitigation policies in place are not adequate the risks and impacts of climate change will be significant resulting in enormous economic loss and adaptation costs.

■ CO₂ emissions in Japan and 2050 targets

In 2013, GHG emissions in Japan increased by 10.6% compared to 1990 levels. In addition, although Japan has been referred to as a “leading energy-efficient country”, when looking at primary energy supply per GDP since 1990, the difference in improvement is small, and Japan is now on par with other major countries. There has been no improvement in CO₂ emissions per capita since the second half of the 1980s. Japan now lags behind other countries that are continuing to improve, including the UK, Germany, and France. Action is needed, especially for the remarkable increase of emissions from the residential sector.

In the 4th Basic Environment Plan, Japan set a target for an 80% reduction in GHG emissions by 2050. However, in view of the IPCC AR5 findings, this target is the minimum amount of reduction needed in order to keep temperature increases below 2°C.

■ Targets of other countries

The EU has formally agreed to a 40% reduction in GHG emissions by 2030 compared to 1990 levels. The US and China announced a joint statement in November 2014 which included a commitment by the US to an emission reduction target of 26%-28% by 2025 compared to 2005 levels. China will level out its CO₂ emissions as early as possible before 2030 (peak cut), and will increase its ratio of non-fossil fuels in primary energy to around 20%. By releasing this joint statement, both China and the US seek to encourage other countries to take more ambitious action on reducing emissions.

At COP20, held in Peru in December 2014, the meeting confirmed that it would adopt a new international framework on climate change at COP21 to be held in December 2015 in France, and thus specific actions in countries around the world will conceivably reach their peak.

■ Need for Japan to take initiative

As a developed country, and as a result of the country's economic growth, Japan shares a responsibility for the current level of GHG emissions. Japan remains the fifth largest emitter of GHG emissions in the world with per capita emissions approximately 1.4 times that of China, and six times that of India.

Japan has also established its position as a major economic power. This was made possible by contributions to both its own economic development and global economic development, with the country's comparative advantages including factors such as its high functionality, high quality, high reliability, fair price, and high environmental performance, especially in the manufacturing sector. As a result of these contributions, Japan has been the focus of great expectations from developing countries and newly emerging economies, in particular, to offer support for the development of a low-carbon society.

Enhancing climate change mitigation measures will sustain, and also lead to the strengthening of, Japan's structural competitiveness. In the past, Japan took the lead globally as a result of the country's excellent manufacturing prowess. However, the multiple factors, including the current deterioration of trade conditions from the long-term effects of soaring prices for resources, are having adverse effects on its competitiveness. The development of an energy- and resource-saving economic structure will thus help improve factors that can impact Japan's competitiveness. The development and expansion of markets for low-carbon goods and services will be bolstered by enhancing climate change measures. Companies with a competitive edge in low-carbon development will have an advantageous position in this new low-carbon market.

An important strategy for Japan will be to remain one step ahead of the world, by taking action on climate change to gain a competitive edge in the low-carbon sector, and attain a good position in the international community.

RECOMMENDATIONS

Early setting of mid- and long-term post 2020 emission targets is necessary.

It is important for Japan to take on a leadership role in the international community. Japan should set leading, meaningful targets and introduce policies to turn these targets into reality, rather than place excessive emphasis on equity and waiting for other countries to catch up. The following points will be important when reviewing and setting targets.

1. Japan's targets should refer to the emission cap, as indicated by IPCC AR5, in order to ensure temperature increases remain below 2°C*, and avoid serious damage caused by climate change.
2. The long-term targets of an 80% reduction in emissions by 2050, as approved by the Cabinet, should be regarded as the minimum targets necessary to keep temperature increases below 2°C.
3. In view of the global situation, Japan should set 2030 mid-term targets quickly with at least the aim of 80% reductions by 2050. Japan should also review targets for 2020.
4. Japan should begin promoting reductions as soon as possible to ensure necessary CO₂ emissions reduction targets are reached by 2050.

*The target of controlling temperature increases to below 2°C has been agreed upon internationally after much consultation and deliberation. This target is necessary when considering the future potential for damage and the impact on companies and the lives of people. This target should be respected also in view of the fact that the international community has carried out repeated, sincere consultations on this target.

Policies that will enhance transition to green economy need to be promoted.

1. Japan should promote the transition to a green economy with rewards offered to companies and individuals that make an effort to reduce GHG emissions.
2. In order to transition to a green economy, Japan should promote policies that will “put costs on emissions and offer incentives (value) for reductions (pricing of carbon)”.
3. Specifically, Japan should consider measures, such as carbon taxes and an emissions trading system, and promote the pricing of carbon in order to achieve large-scale GHG emission reductions.
4. Japan should consider conditions surrounding the country, industrial sectors that will be affected, international competitiveness, and policy costs when designing systems. For example, if Japan introduces an emissions trading system, it should learn from the EU-ETS experience and ensure that problems such as the market turmoil due to weak carbon pricing do not occur. In addition, if introducing a carbon tax, Japan should not carry out global warming measures by using subsidies generated from the tax revenue, such as is currently being done. A carbon tax should be something that will promote independent actions by companies and citizens.
5. In addition to the pricing of carbon, Japan should promote the expansion of a substantial green market by policy responses (i.e., significant improvement of energy-saving standards in houses), in combination with information dissemination and forward looking regulations. As renewable energy is an important driver behind the development of a low-carbon society, Japan should promote an increase in the introduction of

renewable energy by quickly introducing renewable energy targets, promoting system enhancements, streamlining regulations, and developing technologies that will achieve cost reductions.

Businesses have a role and responsibility as a driving force behind the development of a low-carbon society.

Looking at Japan's CO₂ emissions by sector, 80% of total emissions can be attributed to the industrial and public sectors in a broad sense. When looking at household goods and services, businesses contribute nearly 90% of total emissions. Thus, it is business that must become the driving force behind the proactive development of a low-carbon society.

1. **Companies should further strengthen the development of energy efficient and resource efficient business activity across the entire supply chain.** There are many cases where business activity is conducted in only one part of a supply chain. It is possible to reduce in-country emissions through the external and overseas transfer of part of business activities. However, from the perspective of profit and competitiveness, many companies will not transfer main functions outside of the company only for the sole purpose of reducing emissions. Instead, companies need to reduce GHG emissions across the entire supply chain.
2. As a provider of goods and services, **companies should recognize that they are responsible for supporting CO₂ emission reductions by customers and consumers, and should further improve the development and provision of energy efficient and resource efficient goods and services.**
3. **Companies must be actively involved in the development of new social infrastructure, in cooperation with the government and different types of industries, in order to create a low-carbon society.** New social infrastructure will be needed in the development of a low carbon society. Leading companies must anticipate changes in the market and industrial structure through this involvement, and aim to quickly improve competitiveness to respond to these changes.
4. **Companies need to actively advocate for necessary public policies.** Policy environments need to be improved so that proactive actions of companies will effectively contribute to the creation of a low-carbon society and business opportunities.