

Proposals for economic measures to facilitate a “V-shaped Recovery” from the Coronavirus crisis

Japan Climate Leaders’ Partnership (JCLP) is committed to continuing action to prevent another crisis, the climate crisis.

We call on the government, in responding to the Coronavirus Crisis and as an investment for the future, to pursue economic policies that will expedite the shift to a zero-carbon society.

The Coronavirus has taken many lives, negatively impacted the economy, and severely affected our society. JCLP would like to express our condolences to the loved-ones of those who have died and to wish all who are ill a speedy recovery. We also acknowledge, with deep gratitude, everyone working tirelessly for others in this extremely difficult time.

Japan is making every effort to overcome the Coronavirus crisis and, JCLP is committed to doing everything possible to assist.

However, it is important at this time to draw lessons from the current crisis and not to neglect another fundamental threat that of climate change. Across the spectrum, from businesses to government, tackling the climate crisis is essential in order to build a more resilient and secure society.

Lessons from the coronavirus crisis must address the greater crisis of climate change

The Coronavirus crisis demonstrates how our behavior today determines the number of people infected in two weeks’ time, and the death toll one month later. It is also evident that it takes a period of several months to bring the infection under control and even then it requires the adoption of measures that necessarily have a devastating impact on the economy.

Climate change is similar in that our actions today result in rises in temperature years and decades later, destroying ecosystems and disrupting socioeconomic stability. The social and economic damage caused by a worsening of climate change is predicted to be far greater than that of the Coronavirus,¹ and we do not know if it will be possible to reverse such damage.

The Coronavirus crisis also shows us the importance of properly understanding and preparing for risks based on scientific knowledge. For the past decade, public health experts had repeatedly warned of the risk of a global pandemic and the vulnerability of our current systems,² yet preparation was hardly adequate.

Similarly in the case of climate change, scientists are warning we need to achieve net zero emissions by 2050 globally, in order to avoid the most devastating impacts.³ Countries around the world are strengthening their efforts in response to these warnings, but Japan unfortunately is still financing and

¹ Hepburn et al., 2020.

² World Economic Forum and Harvard Global Health Institute, 2019.; WHO, 2019.; Friedman, 2020.

³ IPCC, 2018

building new coal-fired plants both at home and abroad, while maintaining insufficient emissions reduction targets. As a consequence, Japan has faced significant international criticism.⁴

A new course of action is urgently needed for us to avoid a catastrophic climate change. The Coronavirus crisis has demonstrated that even if the impacts of a full-scale crisis are not felt immediately, actions must be taken now to avoid it. We must not forget the lessons from this crisis and move to a zero-carbon society as rapidly as possible.

Three policies to harness the "V-shaped recovery phase" as an opportunity to shift to a zero-carbon society

Governments around the world are currently developing mid- to long-term economic recovery plans while simultaneously implementing emergency response measures. In Japan, post-Coronavirus "V-shaped recovery phase" discussions are also underway.^{5,6}

Many of these economic recovery measures are unprecedented in scale and expected to profoundly influence the social and economic fabric of each country. Given this, leaders in various fields, including the United Nations Secretary-General and a number of CEOs of global companies, are urging nations to "build back better". In doing so, the economy and society we rebuild after the crisis must be more resilient and more environmentally sustainable, rather than going back to the status quo.

To this end, the experts argue, economic recovery measures should be leveraged to accelerate the shift to a zero-carbon society.^{7,8,9} Likewise in Japan, the private-sector members of the Council on Economic and Fiscal Policy have proposed to the government that funds should invest in the future, by flowing to digitalization, greening and sustainability projects.¹⁰

To join our voice with these leaders urging their communities to build back better, we, JCLP, call on the Japanese government to make Japan's recovery package consistent with a zero-carbon transition. If we are to "build a resilient economic structure" - one of the core objectives set out for the "V-shaped recovery phase" policy - we must focus on mitigation of the climate crisis. More specifically, we propose the following measures to be included in the package:

- **Mainstreaming of new lifestyles and ways of business operation conducive to decarbonization:**

The Coronavirus crisis has brought about drastic changes to our lifestyles and ways of doing business. Some of these changes, such as digitalization and remote work, present significant emissions reduction potential if mainstreamed and sustained well.

To enable this, we call for an accelerated roll-out of energy-saving digital infrastructure in every sector, coupled with measures to decarbonize the electricity used for digital infrastructure. For instance, the digitalization assistance scheme for SMEs that has recently been proposed by the government could be implemented in tandem with on-site renewable energy facility installation assistance, to ensure that digitization and decarbonization progress in parallel.

⁴ Tabuchi, 2020.

⁵ The Government of Japan's "Emergency Economic Measures for COVID-19" states that the measures will be divided into an "emergency support phase" and a "V-shaped recovery phase."

⁶ Active discussions are taking place

⁷ United Nations, 2020.

⁸ The IEA Secretary-General says it is a "historical opportunity" to support the move to clean energy. IEA, 2020.

⁹ More than 150 companies have proposed that "Net Zero Recovery" and "better reconstruction" are necessary. Rathi and Seal, 2020.

¹⁰ Takemori et al. 2020.

- **Creating a transmission and distribution network to enable a large-scale expansion and cost-reduction of renewable energy and incentives for corporate renewable sourcing:**

The transition to a zero-carbon society requires a drastic expansion of renewable energy, and JCLP has proposed Japan sets a 50% renewable energy target for the power grid by 2030. To enable such expansion, the capacity and inter-area connections of the transmission and distribution network need large-scale reinforcement, so that the grid be made more widely accessible for both power generators and consumers. To this end, we call on the government to direct a flow of investment to the transmission and distribution network at a scale compatible with the target of 50% renewable energy by 2030, ensuring a fair and equitable cost for all citizens.

In addition, given the rapid growth of corporate demand for renewable energy, we propose the government further stimulates corporate investment in renewable energy, for example by enabling Corporate PPAs.¹¹ With the right framework in place, corporate renewable sourcing will play a crucial role in stimulating the Japanese economy, providing private funds for more renewable energy projects, whilst delivering high-quality jobs.

The afore-mentioned proposal by the private-sector members of the Council on Economic and Fiscal Policy also recommends a wave of investments in renewable electricity generation as well as the transmission and distribution network. JCLP expresses strong support for their recommendation.

- **Timely introduction of carbon pricing:**

Carbon pricing, which enables the most cost-effective reduction of carbon dioxide throughout the entire economy, is a measure that contributes to a smooth transition to a zero-carbon society,¹² and is key to “building a resilient economic structure” equipped to deal with climate risks. Moreover, conditions are uniquely favorable to introducing carbon pricing at this time, as the burden of the carbon price felt by households and businesses is minimized with fossil fuel energy prices at the lowest levels to-date.

If carbon pricing is introduced, the revenues from the price on carbon are likely to increase with the re-expansion of the economy, which could in turn be utilized to improve the government’s fiscal health or as an addition financial resource for economic recovery measures.¹³ While the details of the scheme needs to be devised on the basis of thorough examinations of the economic and financial trends, this should not necessarily impede the introduction of carbon pricing. We thus call on the government to proceed with the policy-making process toward its introduction.¹⁴

Learning from crisis, JCLP is determined to further strengthen its steps to decarbonization

Based on the lessons from the Coronavirus crisis, JCLP reaffirm our commitment to a zero-carbon transition and resolve to further strengthen our decarbonization corporate activities through initiatives such as RE100, EV100, EP100, and RE Action in cooperation with the relevant stakeholders. We are assuming shared responsibility in this crisis and are fully prepared to work with the government, citizens and other businesses to “build back better” to a more resilient and sustainable society.

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¹¹ RE100 Members Group hosted by JCLP has also called for policies to facilitate corporate PPAs last year. See JCLP, 2019.

¹² MoE, 2018.

¹³ The Nihon Keizan Shimbum, 2020.

¹⁴ Both

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Japan Climate Leaders' Partnership (JCLP) is a coalition of companies (144 as of June 2020) that aims to create a zero-carbon society, built on the idea that decarbonization is essential to economic development. It was set up in 2009 to encourage the business sector to develop a sense of urgency on climate action. The members share a common goal and proactively communicate with policy makers, business peers and the civil society. The coalition has a unique focus on policy engagement to accelerate decarbonization in the country. Since April 2017, JCLP has been The Climate Group's regional delivery partner on RE100, EP100 and EV100 initiatives in Japan. URL: <https://japan-clp.jp/en>

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