



Proposals for the Review of Japan's Long-Term Energy Demand (Energy Mix)

We call on the government of Japan to set an ambitious goal of 50% renewable power by 2030 to achieve net-zero GHG emissions by 2050

We seek political leadership for averting climate crisis and strengthening Japan's competitiveness

Oct. 26, 2020
Japan Climate Leaders' Partnership (JCLP)

Summary

JCLP would like to propose the following as Japan begins the review of its 2030 energy mix, an important milestone to achieve net-zero greenhouse gas emissions by 2050.

JCLP welcomes the very important announcement made today by the Japanese government setting the target of 2050 net zero emissions. We would like to take this opportunity to propose the following as the 2030 energy mix, which is currently under review and has an impact on more than 80% of Japan's greenhouse gas emissions, is a critical milestone to achieve the 2050 target.

Background

1. Climate risks are increasingly materializing. They are threatening our lives and assets, and greatly impacting the economy.

Climate change is triggering more extreme weather events, destabilizing food supply and demand, damaging health, and affecting business activities and the overall economy. There is no doubt climate change threatens our lives and assets, and damage the economy.

2. Climate change is at the center of change taking place in the market. Delays in adopting decarbonization policy are increasingly reducing the competitiveness of Japanese businesses and investor confidence.

● **Changes are occurring in the market as more decarbonization policies are put in place:**

Europe used to be at the center of markets for decarbonization but they are rapidly growing and expanding to the U.S. and China as seen in recent examples such as the new sales ban on gasoline cars in California and China's 2060 net zero announcement. Products made with a large amount of CO2 emissions are losing ground to those contributing to decarbonization as investors review allocation of their funds. Conventional market rules are being overridden as changes are being made in policy, consumer behaviors and finance. Decarbonization is an important aspect of management and part of competition.

● **There are increasing risks for Japanese companies to be removed from global supply chains :**

Global giant companies are increasingly demanding their suppliers to comply with their net zero emissions policy and source their electricity from 100% renewables. There will be risks that suppliers failing to comply with these demands will be removed from their supply chains. Against this background, Japan's high cost to decarbonize – such as switching to renewables – poses concerns for businesses about their competitiveness.

● **There are also increasing risks for Japan to lose competitiveness to host businesses:**

These trends are forcing some companies to review whether they should remain based in Japan or not as there are uncertainties about sourcing renewable energy in ways that make economic sense.

- 3. Japan's energy mix, which has an impact on 80% of domestic greenhouse gas emissions, will dictate the progress on decarbonization and business competitiveness.**
- 4. We need strong political leadership to create visions for the future and build an overall energy policy framework :**

The Japanese government has been implementing measures to expand the use of renewables, while putting in place other policies that actually hinder the expansion of renewable energy. **This is like stepping on the accelerator and the breaks at the same time.**

We need clear visions on energy policy in line with the 1.5C target under the Paris Agreement, and an overall policy framework to ensure coherency of measures. It will be difficult to achieve them with two separate ministries in charge of the environment and energy and sectionalized departments handling each different types of energy separately. It is absolutely necessary for political leadership to step in.

Proposals

- 1. We call on the government to set the target of 50% renewable by 2030 in the power mix¹.**

We strongly urge the government to increase the share of renewables in the 2030 power mix to 50%, a level that aligns the 1.5C target, taking into consideration figures by the intergovernmental Panel on Climate Change (IPCC) and others. This target is important as it coheres with the purpose of "preventing global warming" described in the Basic Act on Energy Policy, will lead to a great expansion of renewable energy and an increase in price competitiveness. It could also help avert penalties of carbon border adjustment measures that may be introduced in the future.

- 2. We urge the government to carry through the phase-out inefficient coal-fired power plants and halt the construction of new coal-fired power stations.**

We strongly respect and support the phase-out policy for inefficient coal power plants announced by Minister of Economy, Trade and Industry Kajiyama. In addition to this, we urge that the new energy mix to be developed without factoring in new coal power capacity.

- 3. We seek the following changes to the way the energy mix is being considered.**

- Change the basic principle to "2S (Safety & Sustainability)" from the current "S + 3E"**

The current energy mix is based on the principle of "Safety, Energy Security, Efficiency, and Environment (S+3E)". However, in light of climate crisis, the environment is not of equal rank, but has more significance, than economic efficiency. We thus urge the basic principle will be consisted of "Safety" as well as "Sustainability" which encompasses averting climate crisis, improving energy security, and the stable development of economy.

¹ In Japanese energy policy, "energy policy" is used synonymously with "power mix".

- **Change the emissions reduction target² to “a reduction target that aligns with the 1.5C target” from “a reduction target matching those levels of the European countries and the US”.**
- **Break down silos and build an integrated policy-making process for energy and climate change policies. Appoint climate scientists, renewable energy user companies, and younger generations to related government committees.**

- **Resolve the gridlock that is preventing renewable energy expansion and its cost reduction.**

The Japanese government sets a cap on the “national burden (electricity cost)” which includes surcharges for feed-in tariff and costs to manage the grid stability. This cap is virtually acting as a ceiling on the share of renewables, and preventing their further expansions.

In order to reduce renewable energy cost, we need an economy of scale. But this cap on the “national burden” is preventing that from happening. Spending in renewable energy produces assets (Stock) with various benefits while fossil fuel cost represents outflows of national wealth (Flow). Tallying up those two different types of spending and labeling them as “national burden” would block Japan’s asset building. Investing in renewables should be considered an investment into the future and we urge the government to review the concept of national burden.

4. We propose the introduction of the policies below as key measures to achieve the 50% renewables by 2030 target.

- **Prepare an environment that enables power users to take part in off-site corporate power purchase agreement (PPA) so they can directly source renewables which will in turn invigorate the renewable energy market.**

Corporate PPAs will serve as a measure to improve the cost competitiveness of renewable energy and help its independence from the feed-in tariff and feed-in premium schemes and further integration to the market.

- **Strengthening Japan’s grid for renewables should be part of the country’s economic recovery package in response to Covid-19.**

As part of post-Covid 19 economic measures, Japan should make bold investments in decarbonization, especially in infrastructure needed for the expansions of renewables and in energy saving measures that would help reduce the “national burden.

To achieve net-zero greenhouse gas emissions by 2050, JCLP will resolutely continue our efforts to decarbonize our own corporate activities, advocate for better policies and raise public awareness, in order to help accelerate the zero-carbon transition in Japan.

END

² This emissions reduction target is a target for the power sector, and not the same as the national emissions reduction target outlined in NDC.



Japan Climate Leaders' Partnership (JCLP) is a coalition of companies (153 as of October 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>

For inquiries: Japan Climate Leaders' Partnership (JCLP) Secretariat

Tel: 046-855-3814 Email: info-jclp@iges.or.jp