

## **Policy Statement for the G7 Sapporo Ministers' Meeting on Climate, Energy and Environment and the Hiroshima Summit**

This year's G7 Sapporo Ministers' Meeting and Hiroshima Summit, with Japan as the Presidency, presents an opportunity for Japan to demonstrate its leadership in addressing climate change and energy crises. Japan can showcase its commitment to achieving the 1.5°C target, which will not only increase its presence in the international community but also create business and investment opportunities. To seize this opportunity, we call upon the Japanese government to make the following commitments.

### **1. Decarbonization of the power sector by 2035**

In order to achieve the 1.5°C target, G7 countries other than Japan have set the goal of decarbonizing the power sector by 2035, or have a prospect of achieving it<sup>1,2</sup>. Moreover, the escalating urgency among private sector entities to decarbonize their operations and supply chains in line with the 1.5°C target is already exerting a substantial influence on commerce and financing, underscoring the imperative for power sector decarbonization as a pressing priority from a competitiveness standpoint. By committing to "decarbonize the power sector by 2035"<sup>3</sup>, Japan would signal its alignment with the G7 and the global endeavor to meet the 1.5°C target, thereby reinforcing its competitiveness in the long term.

### **2. Give top priority to the swift expansion of renewable energy, while progressively diminishing reliance on fossil fuels**

The rapid expansion of renewable energy is not only essential for achieving the 1.5°C target but also serves as a key means to reduce dependence on fossil fuels that is posing a threat to energy security<sup>4</sup>. Furthermore, as the trend towards decarbonization gains momentum, investors and business partners are increasingly pressuring companies to shift towards renewable energy. Renewable energy has become the preferred choice for demand-side companies, leading us to seek investment opportunities through mechanisms such as Power Purchase Agreements (PPAs) to secure our supply of renewable energy. Seizing the opportunity presented by the G7, Japan should demonstrate its commitment to the swift adoption of renewable energy and reduction of its dependence on fossil fuels, both domestically and internationally. This would serve as a signal to attract investment, which is essential for maintaining Japan's competitiveness.

### **3. Early phase-out of unabated coal-fired power generation**

In order to achieve the goal of decarbonizing the power sector by 2035 and aligning with the 1.5°C target, it is imperative that coal-fired power generation that does not meet these standards be phased out without delay<sup>5</sup>. The decarbonization technologies that Japan promotes, such as ammonia and coal co-firing, must undergo rigorous verification of their emission reduction potential, costs, and implementation timelines. Comprehensive disclosure of information regarding the rationale and risks of deploying these technologies is essential, and any necessary measures and corrective actions must be taken accordingly<sup>6</sup>.

### **4. Introduction of carbon pricing to facilitate rapid expansion of cost-effective decarbonization technologies**

Given the emissions reduction target for 2030, the goal of achieving decarbonization of the power sector by 2035, and the aforementioned concerns about competitiveness, it is crucial to introduce an

effective carbon pricing mechanism that promotes the rapid expansion of cost-efficient decarbonization technologies<sup>7</sup>. Mechanisms that are voluntary and involve a restricted number of participants, as well as carbon prices that fail to meet a specific threshold, may prove inadequate in achieving the desired results<sup>8</sup>. The G7 is an opportunity for countries to align and take steps toward the implementation of effective carbon pricing.

**5. 100% ZEVs in new passenger car sales by 2035, with an ambitious target for heavy-duty vehicles**

The electric vehicle conversion target set by the Japanese government falls short of aligning with both science-based 1.5°C pathways and international trends. This is mainly because of the inclusion of hybrid vehicles, which fail to meet the criteria for being classified as zero-emission vehicles (ZEVs) and do not ensure emissions reduction in a manner consistent with the global 1.5°C target. To promote the development of zero-emission vehicles (ZEVs) and ensure the continued competitiveness of the Japanese auto industry, we strongly urge the Japanese government to capitalize on the opportunity presented by the G7 and establish a target that focuses exclusively on ZEVs, without any inclusion of hybrids. Furthermore, we call for the prompt establishment of an ambitious target for the sales ratios of new heavy-duty vehicles (weighing 8 tons or more).

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## References

- 1 [The International Energy Agency's \(IEA\) Net Zero Scenario](#) indicates that OECD countries need to achieve decarbonization of the electricity sector by 2035.
- 2 [The U.S.](#), [U.K.](#), and [Canada](#) have committed to decarbonizing their power sectors by 2035. Germany has [legislated](#) 80% renewable energy by 2030 and the government [has proposed](#) 100% renewable energy by 2035. [Italy](#) has also set a target of 70% renewable energy by 2030. [France's](#) power source is already 80% decarbonized.
- 3 The U.S. Lawrence Berkeley National Laboratory [reports](#) that it is both technically and economically viable to achieve a 90% clean power system in Japan by 2035.
- 4 The U.S. Lawrence Berkeley National Laboratory [states](#) that a rapid expansion of renewable energy to achieve a 90% cleaner power system in Japan by 2035 would bring about improvements in power system reliability, reduced power costs, and increased energy self-sufficiency.
- 5 IEA, [Net Zero by 2050 A Roadmap for the Global Energy Sector](#)
- 6 There have been concerns raised that the emission reduction potential and the pace of adoption may not be enough and could result in elevated electricity costs.
  - TransitionZero, [The role of advanced coal technologies in decarbonising Japan's electricity sector](#)
  - Stocks et al., [Global emissions implications from co-combusting ammonia in coal fired power stations: An analysis of the Japan-Australia supply chain](#)
  - BloombergNEF, [Japan's Costly Ammonia Coal Co-Firing Strategy](#)
- 7 It is [It has been analyzed](#) that Japan has greater potential to deploy cost-effective methods of reducing emissions compared to the EU. Therefore, it is crucial to implement explicit carbon pricing to facilitate the swift deployment of these methods.
- 8 [The IEA's 1.5°C-aligned Net-Zero Scenario](#) assumes the introduction and gradual increase of a carbon price in line with the economic level of each country, with the carbon price in the power generation, industry, and fuel production sectors of OECD member countries reaching \$75/t-CO<sub>2</sub> in 2025 and \$130/t-CO<sub>2</sub> in 2030.