

FPCJ Press Briefing

Economic Recovery and Decarbonization: Can Japan Set an Example?



May 26, 2021

Japan Climate Initiative Representative

Takejiro Sueyoshi

What I Will Discuss Today

Two issues Japan is facing:

- ① Making a foundation for decarbonization which can become a source for growth for Japanese companies**
- ② Transitioning the industrial structure and economic model to work on that foundation**

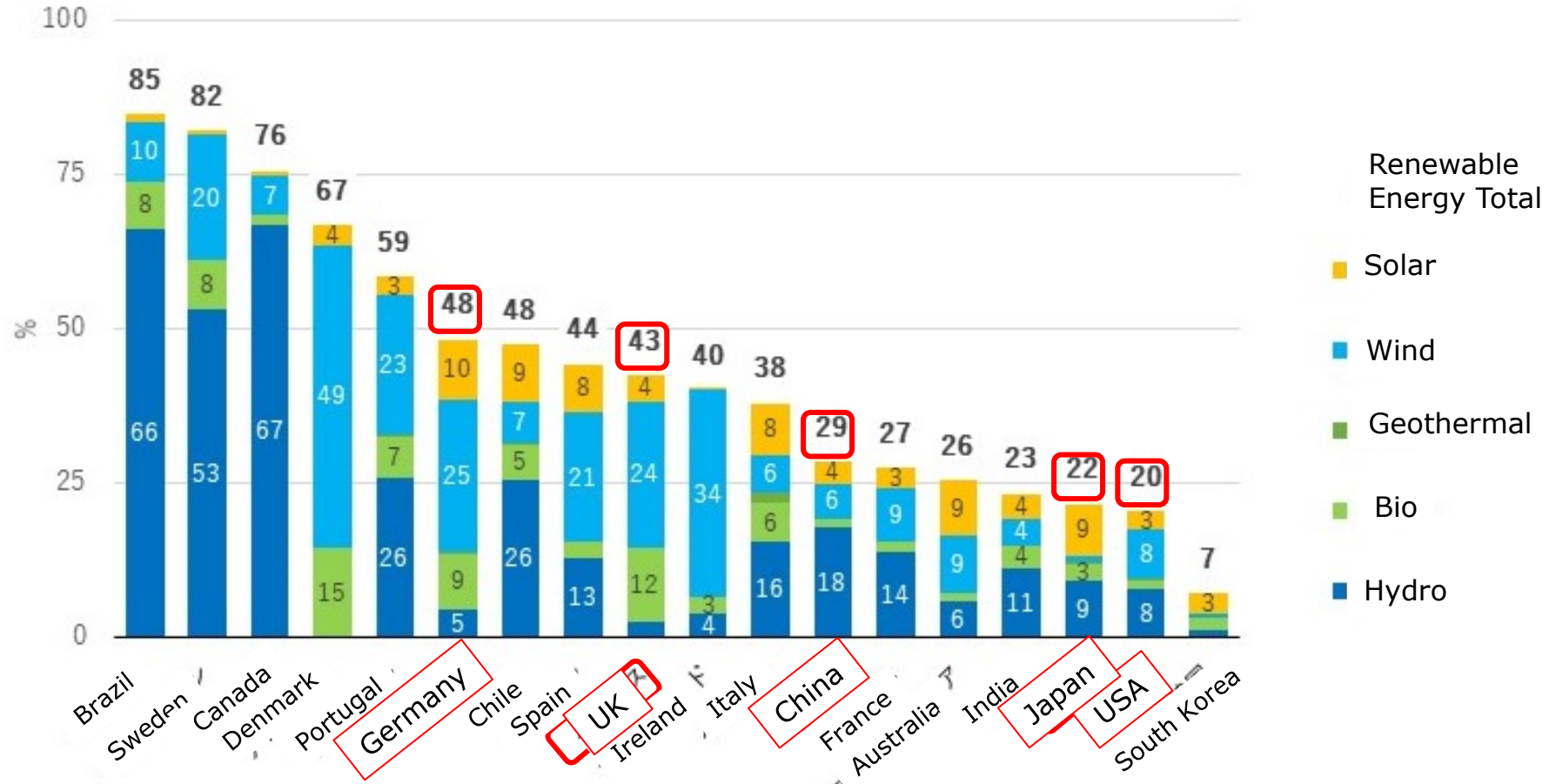
The Reality in Japan

2030 Reduction Target: Managed to Save Face

Country/R egion	Reduction Target (As of the end of April 2021)
EU	2030: 55% reduction (from 1990 levels) 2050: Carbon neutral
UK	2030: 68% reduction (from 1990 levels) 2050: Carbon neutral
USA	2030: 50~52% reduction (from 2005 levels) 2050: Carbon neutral
China	2030: Peak out (switch from growth to reduction) 2060: Carbon neutral
Japan	FY2030: 46% reduction (from 2013 levels) 2050: Carbon neutral
Russia	2030: 30% reduction (from 1990 levels)
India	2030: 33% reduction (from 2005 levels)

Renewable Energy: Japan Has Fallen Behind

< 2020年 >



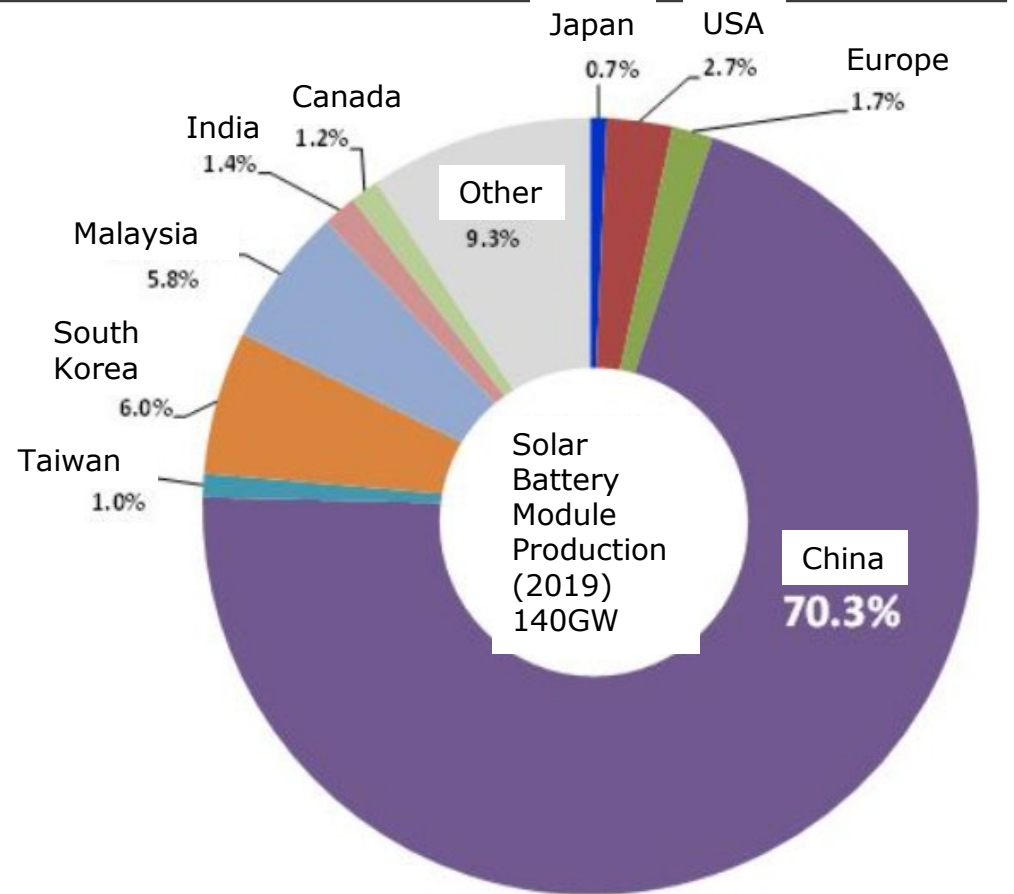
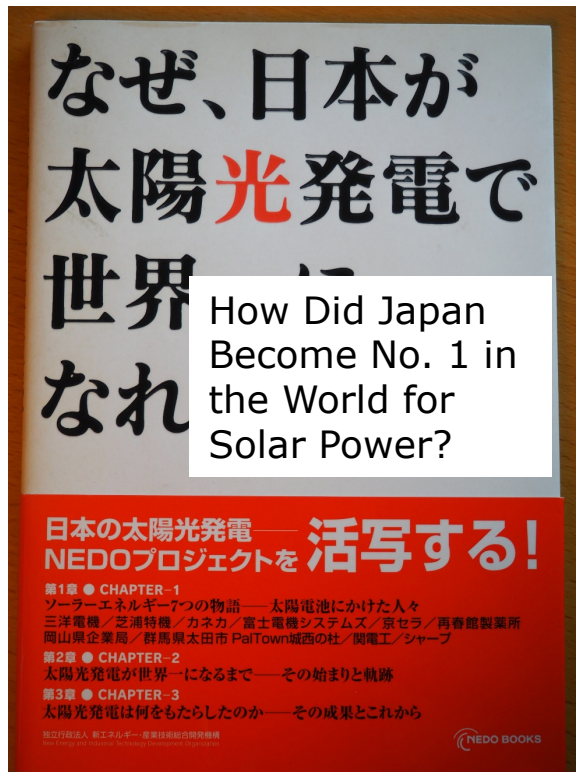
***Ratio of domestic consumption, excluding import/export**

Source: Renewable Energy Institute
(Based on International Energy Agency data)

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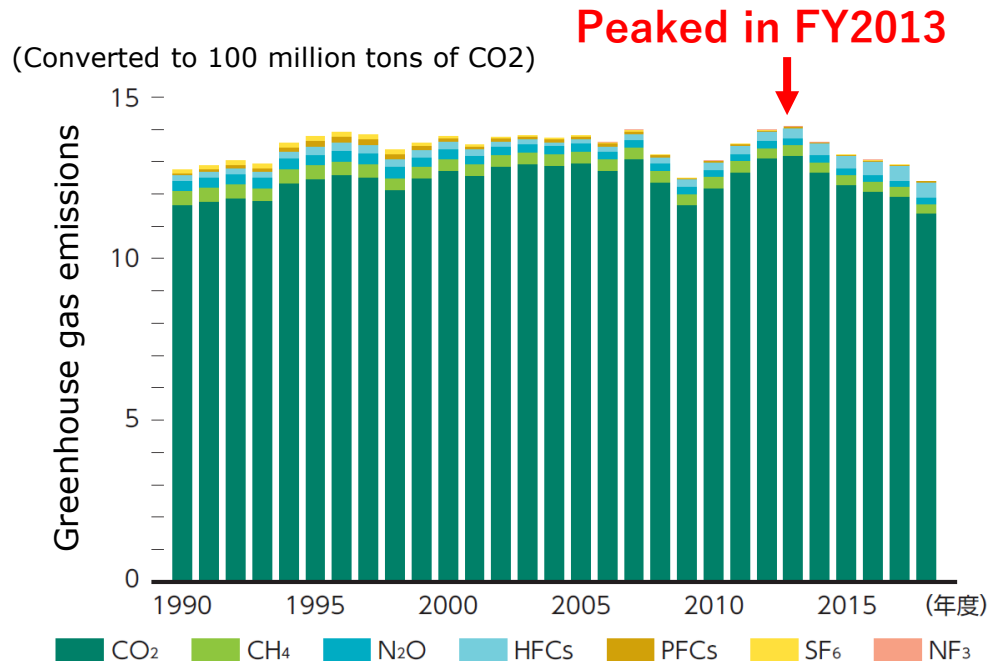
Japan's Fall from No. 1 in the World for Solar Power



First printing: March 30, 2007

Data Source: RTS Corporation

Significant Resolve and Effort Will Be Necessary



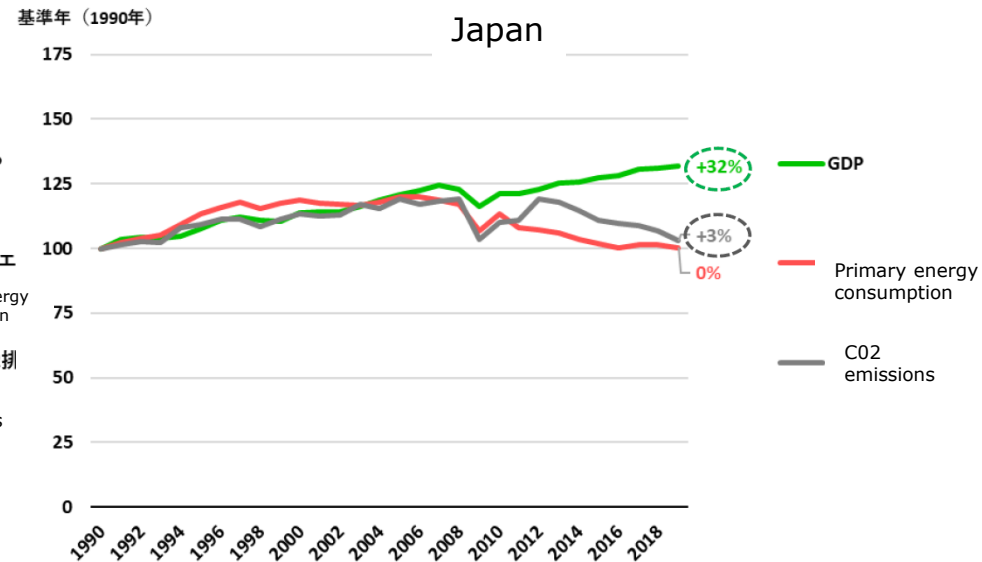
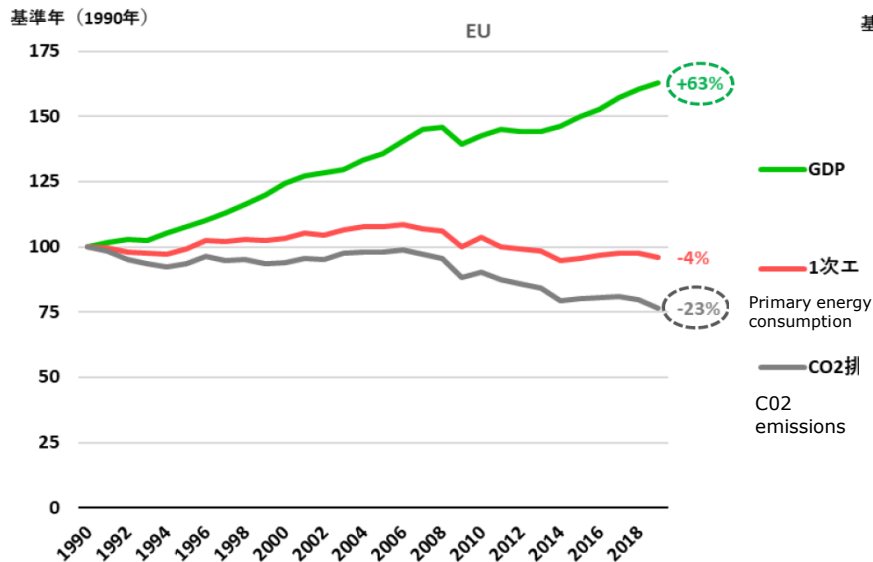
FY2013: 1.41 billion tons

FY2019: 1.21 billion tons
14% reduction
(Just over 2% annually)

FY2030: 760 million tons
46% reduction
(reduction must double to 4% annually)

Source: Ministry of the Environment

Grave Issue in Japan: Lost 30 Years Lack of Progress on Decoupling Economic Growth and CO₂ Emissions



Source: Renewable Energy Institute
(Based on data from the World Bank, etc.)

This Will Cause a Loss of Economic Growth

The Grave Issue of Being Slow to Decouple:

Japan has not left behind high-carbon industry/high-carbon economy.



In other words, Japanese companies lack the credentials to compete internationally in the 21st century (decarbonization), and Japan **will not be able to recover its ability for economic growth**. (Lack of external demand and reliance on domestic demand, lack of investment from overseas, Japanese businesses leaving the Japan, etc.)



To improve this situation:

- **Create a foundation for decarbonization (transition to decarbonized energy)**

- On that foundation, a comprehensive reform based on transitioning business and the structure of industry is crucial.

Traits of Japan's Greenhouse Gas Emissions

① **84.9% of greenhouse gas (GHG) emissions are CO₂ from energy**

84.9% = 1.029 billion tons from energy / 1.213 billion tons of GHG

② **31.8% of GHG emissions are from energy for industry (factories, etc.)**

(31.8% = 386 million tons / 1.213 billion tons)

17.0%: **Transportation (automobiles, etc.)**

15.8%: Operations (Commercial services, etc.)

13.1%: Households (Note: 2019 Data from Ministry of the Environment)

③ **Ratio of CO₂ emissions by segment**

**Power: 37%, Industry: 25%, Transportation: 17%,
Operations 10%, Other: 11%** Ministry of Economy, Trade and Industry

The Japanese Government's Green Growth Strategy

Green Growth Strategy

Transition from old ideas to create a virtuous cycle between the economy and the environment.

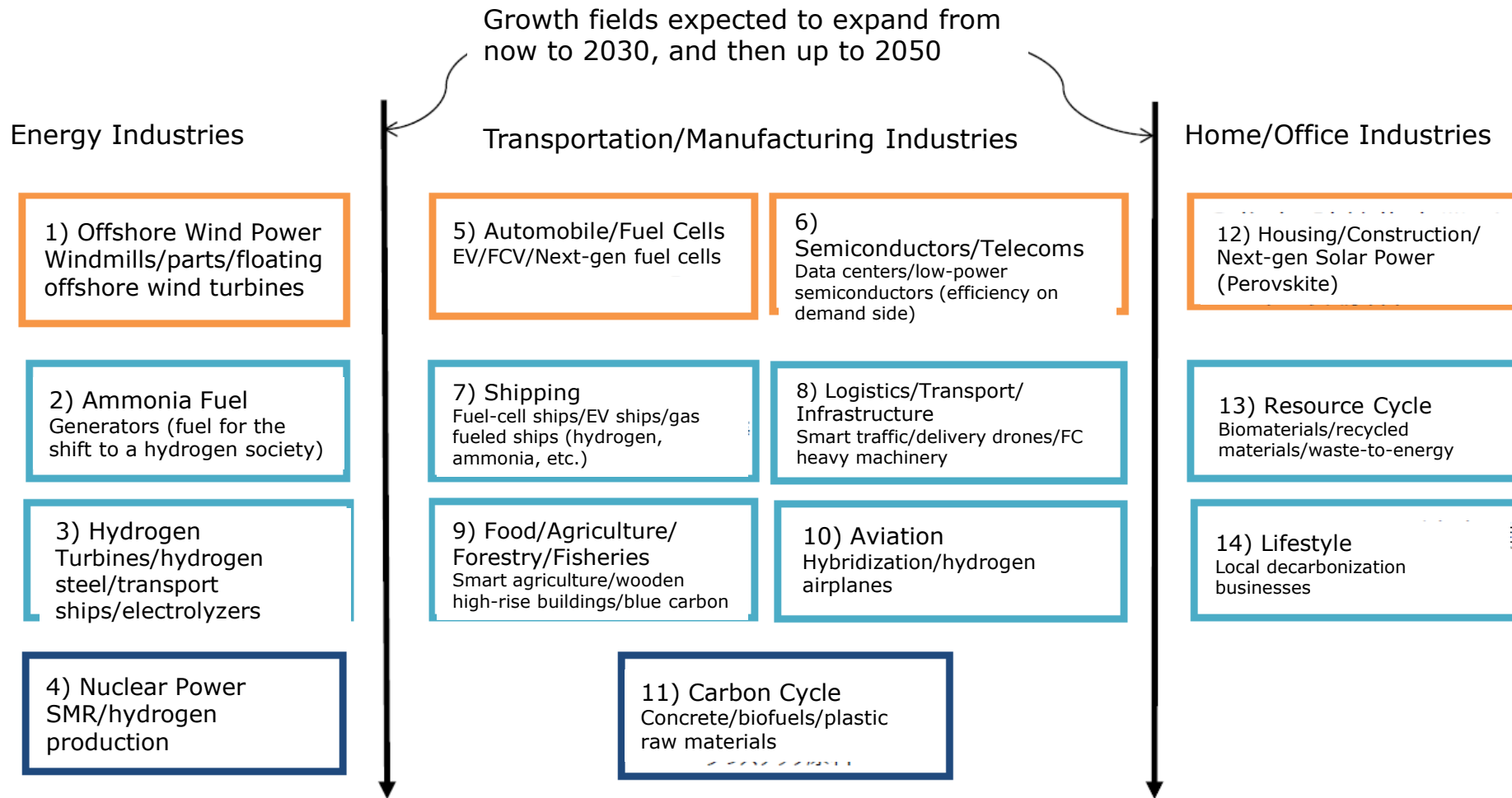
Easy to say, but not so easy to put into practice

Industry: Must fundamentally change existing business models and strategies

Government: Set high targets in **14 fields**, give full support to efforts by the private sector

(Ministry of Economy, Trade and Industry)

Industries in 14 Fields Hoped to Grow



Source: Ministry of Economy, Trade and Industry

Point of Interest:

The Beginning of Net-Zero in Business Portfolios Worldwide

Trend toward net-zero established in society as a whole



Net-zero in business portfolios



Net-zero in the investment portfolios of the finance industry supporting/leading them (the Net-Zero Banking Alliance, etc.)

Destruction and creation of industry structure/business models

Concerns with **Government Picking Specific Fields**

The government should use the creation of a foundation for decarbonization, vital as a source of growth for Japanese business, as leverage to support business transitions in individual industries and businesses



The failure of the Lost 30 Years was in doing nothing more than extending the lives of individual high-carbon industries.



Choosing 14 fields is a repeat of past mistakes and will lead to Another Lost 30 Years.

Building a Foundation for Decarbonization

The Government's Jobs:

① Building a foundation to stably provide renewable energy in large volumes at low cost

② Support for transition by old industries with major CO₂ emissions (heavy industry, etc.)

No progress will be made if individual industries and businesses are left to adapt themselves

Political/Policy leadership is crucial.

Expanded transition finance is also vital

Notes for Expanding Renewable Energy

① Reversal of loading order

**Traditional energy > Renewable →
Traditional < Renewable**

② Loosening restrictions

Site procurement, etc.

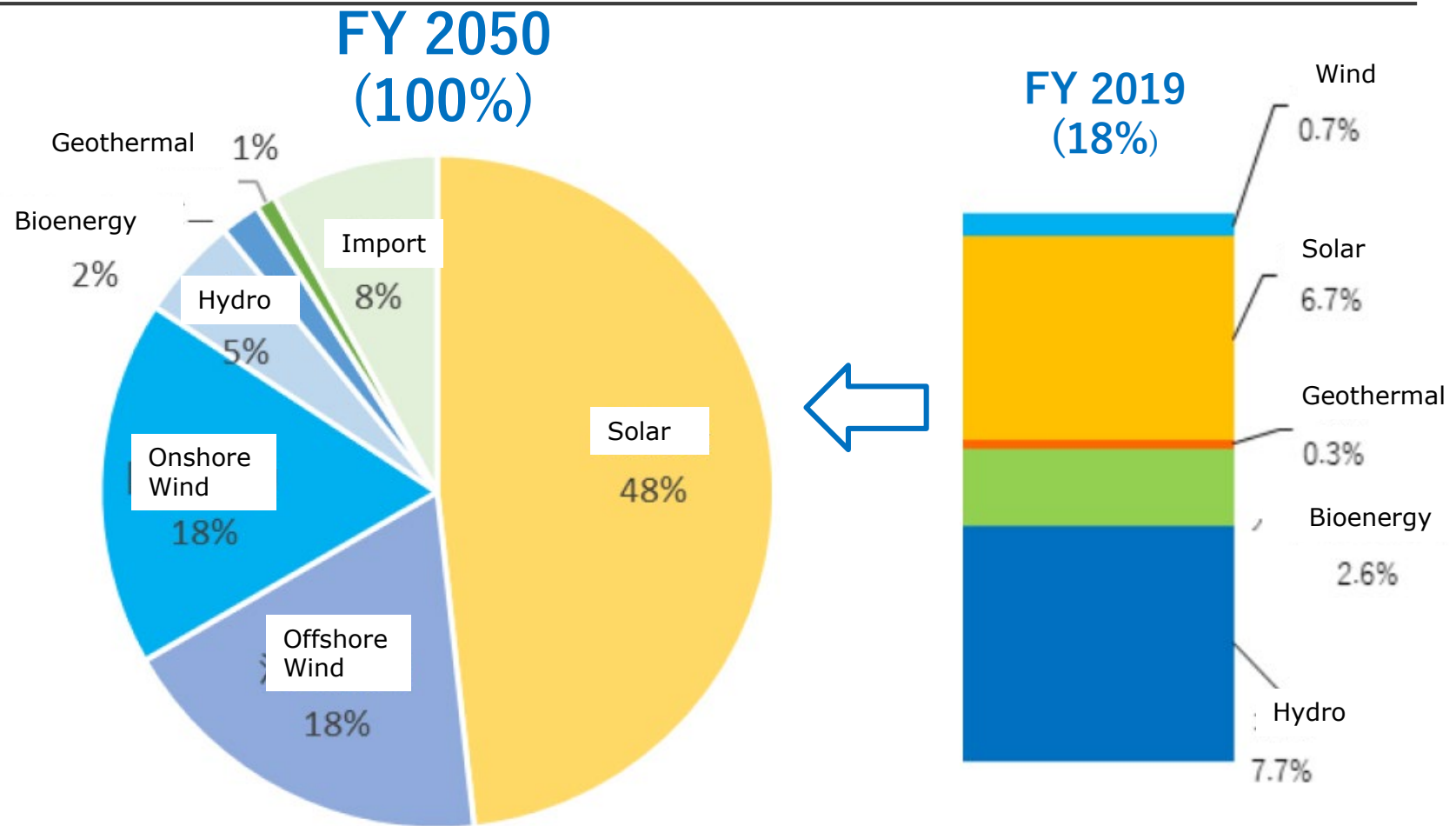
③ Systems for carbon pricing, etc.

Major Companies Requesting Regulation Reform for Renewable Energy

Japan is lagging behind on the shift to renewable energy as its main power source

Source: NHK

100% Renewable Energy Is Possible in Japan Too



Sources: Renewable Energy Institute, etc.

Issues with “Blue Hydrogen”

Issues:

- Not true decarbonization as it is made from fossil fuels and uses carbon capture/storage (CCS).
- Must use “green hydrogen” made from renewable energy.
- Even for green hydrogen, a supplemental solution is necessary for the part that cannot be electrolyzed

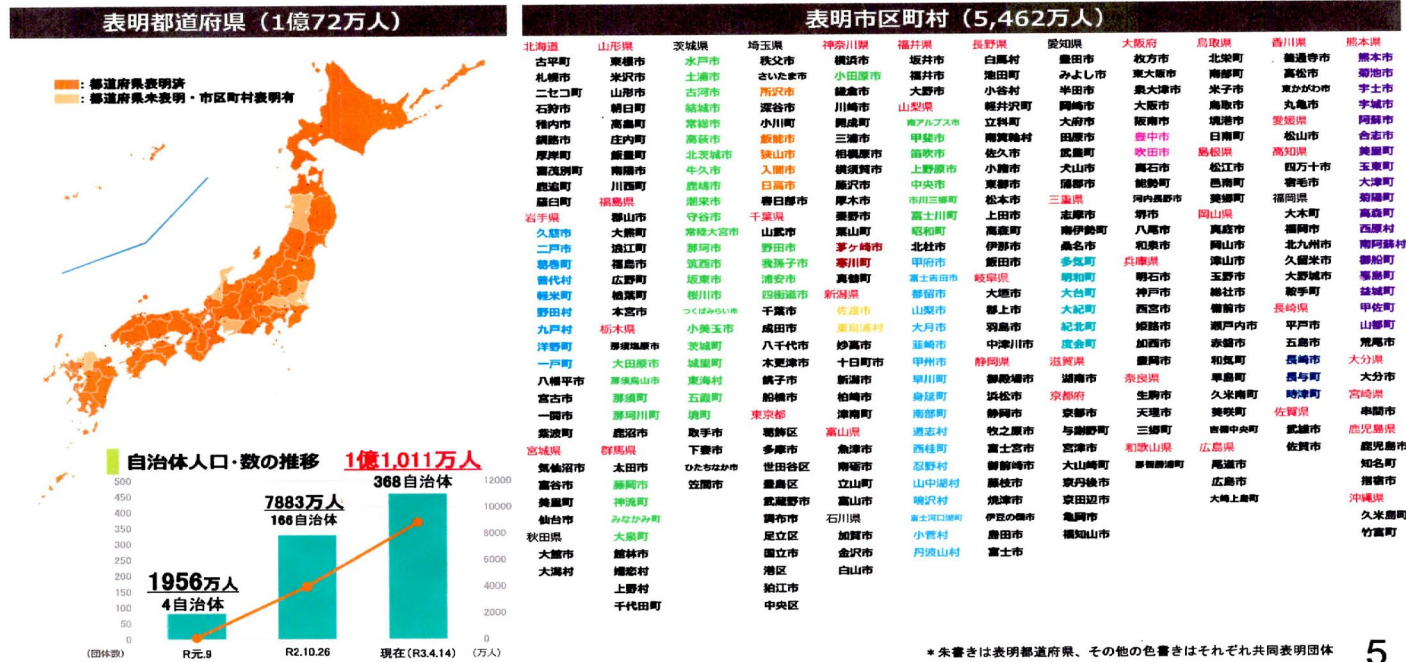
Japan Is Changing

Net-Zero Spreading Across the Country

Local Governments Declaring Net-Zero Emissions by 2050 (as of April 14, 2021)



368 local governments (40 prefectures, 214 cities, 6 wards, 89 towns, and 19 villages) including Tokyo, Kyoto, and Yokohama have declared they will target net-zero CO2 emissions by 2050. The population of local governments which have made these declarations totals 110.11 million.



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54 Japanese Companies Joined the RE100

(as of April 30, 2021)

Target	Company
2019	Johanan Shinkin Bank
2023	Dai-ichi Life Insurance, Seiko Epson
2025	Tokyu Land, Hulic, Rakuten
2030	Askul, Marui Group, Envipro Holdings, Sekisui Chemical, Tokyu Construction
2038	Asahi Kasei Homes
2040	Sekisui House, Daiwa House, Watami, Sony, Co-Op Sapporo, Daito Trust Construction, Sumitomo Forestry, Kirin Holdings, Ichigo, Toto
2050	Ricoh, Aeon, Fujitsu, Fuyo General Lease, Toda Corporation, Konica Minolta, Nomura Research Institute, Fujifilm Holdings, Asset Management One, Panasonic, Takashimaya, Fujikura, Tokyu Railways, Lixil, Hazama Ando, Mitsubishi Estate, Mitsui Fudosan, Ono Pharmaceutical, Nihon Unisys, Ajinomoto, Advantest, Asics, J. Front Retailing, Asahi Group Holdings, Diamond Electric Holdings, Seven & I Holdings, Noritz, Murata Manufacturing, Kumagai Gumi, Nikon, Nissin Food Holdings, Shimadzu

310 member companies worldwide

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What Is the Japan Climate Initiative?

Japan Climate Initiative (JCI)

A network to exchange information and improve cooperation between Japanese non-state actors who are playing active roles in addressing climate change to bring about a decarbonized society. JCI members include companies, local governments, NGOs, and more.

105 member organizations (as of launch on July 6, 2018)

655 member organizations (as of May 14, 2021)

Companies: 479 (Finance/investment: 39), local governments: 37, other: 139 (Universities/research institutions: 9, trade associations: 3, consumer associations: 12, cultural/religious organizations: 4, NPOs/NGOs, etc.: 111)

Representative



Takejiro SUEYOSHI
Special Advisor to United Nations Environment Programme Finance Initiative
in the Asia Pacific region

Steering Committee

Secretariat Orgs



Partner Orgs



The **Frontier Network**
Innovation for sustainable business



Reasons for Establishment

1. To respond to the growing role of non-state actors in meeting the targets of the Paris Agreement

Japanese non-state actors should join the international trend toward decarbonization, and cooperate with each other even if the Japanese government provides no guidelines

2. Create a level playing field for Japanese non-state actors

Ambitious efforts by pioneering Japanese companies and local governments should be fairly recognized in Japan and overseas

3. Bringing non-state actors' voices to the Japanese government

Japan should stand at the forefront in bringing about the decarbonized society targeted by the Paris Agreement

JCI's Statement Calling for an Ambitious 2030 Target

Calling for an Ambitious 2030 Target for Japan to Realize the Paris Agreement Goal

- Strengthen the emission reduction target from the current 26% to a minimum of 45%, an ambitious level that better represents Japan's responsibility as a leading economy and is more aligned with the European Union target of 55% and the United States target of 50%.
 - Expand renewable power to 40-50% by 2030 and reduce dependence on fossil fuels, such as coal generation, to successfully meet these targets.
- Submitted to Japan's Prime Minister, Foreign Minister, Minister of Economy, Trade and Industry, and Minister of the Environment on April 19, 2021
 - Endorsed by 291 organizations (208 companies, 22 local governments, 61 NGOs and various other stakeholders) participating in JCI
 - Also sent a letter from Takejiro Sueyoshi, JCI representative, in which he said "I urge the Government of Japan to go beyond 45% and aim for an emission reduction of 50%."

The whole statement and letter, and the names of the endorsers:

<https://japanclimate.org/english/news-topics/call-for-ambitious-2030-target/>

Comment on Japan's New GHG Target for 2030

Excerpts from JCI comment (released April 22, 2021)

- The decision shows political leadership toward the realization of a decarbonized society, following the 2050 carbon neutral deceleration in October last year. It has overcome the conventional stacking method of accumulating emission reductions at the ministry and agency level.
- However, 46% is just 1% above the minimum level of 45% that 291 members of the JCI asked for in a message on April 19, which also asked to raise the target to “an ambitious level that better represents Japan's responsibility as a leading economy and is more aligned with the European Union's target of 55% and 50% for the United States.” We expect the government to increase the target to 50% without delay, as Prime Minister Suga said.
- At the same time, what is needed for Japan now is to urgently take concrete measures for emission reduction such as expanding renewable energy and phasing out coal generation in order to successfully meet the new target of 46% reduction. With those efforts, Japan must make it possible to pursue a higher reduction target.

Full text of comment: <https://japanclimate.org/english/news-topics/comment-on-japans-new-2030-target/>

Hopes for Japan

My Thoughts on Japan's “Weaknesses”

- A weak global perspective.
- Insufficient discussion about fundamentals or substance.
- No interest in making principles or rules.
- No place for open and free debate.
- Inconsistent policies.

Talk Is Cheap. Put Words Into Action

Speech by Prime Minister Suga (January 2021, ordinary Diet session)

Bringing solutions to Japan's longstanding challenges

(Realizing a green society)

Environmental measures are no longer constraints on economic growth.

Instead, they are the keys to **transforming the industrial structure** and producing robust growth by **dramatically changing our economy and society**, promoting investments, and enhancing productivity.

Japan will realize a decarbonized society ahead of the rest of the world.