Sectoral Approach in Japanese context

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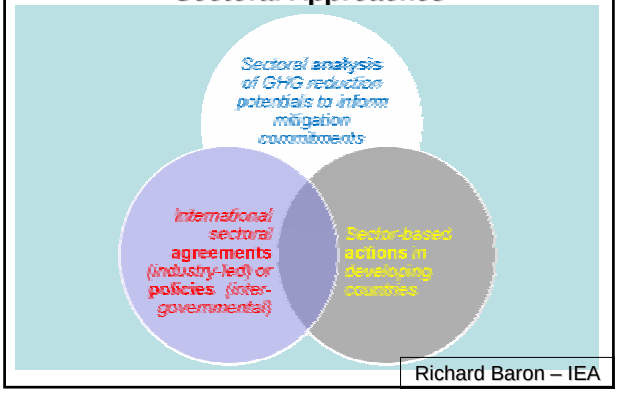
Points

1. What is Sectoral Approach?
2. Japanese background
3. What is the Japanese proposal of "Sectoral Approach"?
4. Word changes through international pressure
5. What needs to be clarified.

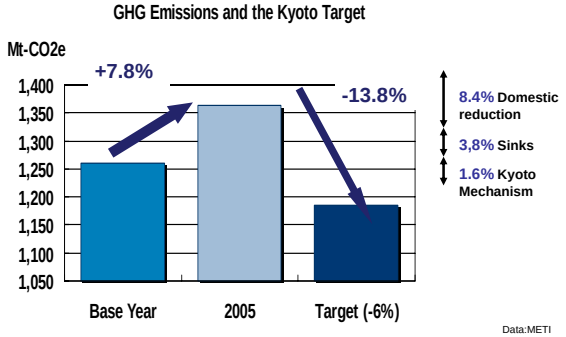
1. What is meant by "Sectoral Approaches"



Richard Baron – IEA

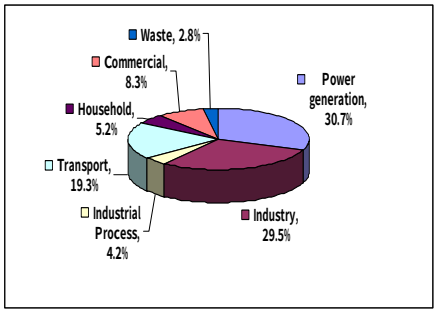
2. Japanese background

Japanese GHG Emissions
2005: 1,364Mt-CO2e (fourth largest of the world)



Direct Emission by sector 2005 Japan

(national inventory office)



60% emission comes from industry sector.

Companies are responsible for climate change

Japanese main climate change policies "Kyoto Protocol Target Achievement Plan"

Regulatory policies
◆ Energy Conservation Law (incl. 'Top Runner Program')
◆ Mandatory GHG Emissions Accounting, Reporting, and Disclosure System (all large&medium sized facilities)
◆ More Nuclear Power (by 2010, 2 new NPP in addition to the current 55)
◆ Renewable Portfolio Standard (2010Target: 1.35% of Total Electricity Supply, revised to 1.6% by 2014, Jan.29, 07)
Voluntary Actions
◆ Keidanren's Voluntary Actions (Covers 40% of Japan's Total Emissions. Mostly carbon intensity target)
◆ Green Logistics Partnership (Transport)
◆ Home Energy Management System, Building Energy Management System (ESCO)
Market based policies (still all voluntary actions)
◆ Small and medium sized facilities subsidiary system (Domestic CDM)
◆ Japan Voluntary Emission Trading Scheme (led by MOE only)

Japanese situation

Industries' power is big and their voices are reflected mostly by Japanese policies and measures.

- Industries claim that the Kyoto Protocol targets are unfair to Japan, because Japan is No.1 energy efficient country.
- Reflects the industries' strong request of depending on voluntary action, such as Pledge & Review, and not mandatory framework.
- Influenced by the concern to international competitiveness among energy intensive industries, such as steel.
- The opinions are divided among Ministry of Environment and Ministry of Economy, Trade and Industries. That's why Japanese proposal shifts back and forth between the two different views.

3. Sectoral Approach proposal in Japanese context.

2005 July	Asia Pacific Partnership Australia, Canada, China, India, Japan, Republic of Korea, and the United States
2005 Oct.	METI's future framework committee As a means to include China and India
2007 Dec.	Bali Action Plan
2008 Jan.	Fukuda's speech at Davos
2008 Mar.	AWG LCA submission

PM Fukuda speech at Davos (2008 Jan.)

"Cool Earth Promotion Programme",
based on "Cool Earth 50", proposed by former PM Abe.

- **Post Kyoto Framework**
  - A framework in which all major emitters participate. Japan will set a quantified national target with other major emitters.
  - Setting fair and equitable emission target, based on a bottom-up approach by compiling on sectoral basis energy efficiency as a scientific and transparent measurement, and reduction volume based on technology to be in use in subsequent years.
  - The base year should be reviewed from the standpoint of equity.
- **International Environment Cooperation**
  - Cool Earth Partnership (US $10 billion)

Japanese submission to AWG LCA

Setting Mid-term targets

- Major emitting country calculates the sectoral reduction volume, based on emission reduction potential with indicators given to each sector.
- Aggregated sectoral reduction amounts (bottom up approach) is used for setting national targets.
- Possible sectors：power generation, energy intensive industries, commercial and household , transportation , agriculture, LULUCF, wastes
- This approach enables countries to set equitable national targets.

Cooperative sectoral approach

- Effective measures for deciding MRV mitigation actions not only by developing countries, but also mitigation commitments or actions by developed country Parties.
- Establish a system that major emitting countries make efforts with ambitious targets.
- Promote tech transfer to developing countries on the business basis.

Flow chart of Japanese AWGLCA submission

Questions to Japan's sectoral approach

North-south perspective

→ Same indicator for industrialized countries and developing countries ?
- Where does "common but differentiated responsibilities go?
- Able to avoid ambitious target forJapan?

→ Really equity ?
- No consideration to per capita emissions?
  Japan:10t, USA:24t, China:5t, India:1t
- No consideration to other equity indicator such as capability?

Compatibility with science

→ Does it meet the reduction range of what science requires **?**
- The bottom up approach that aggregate industries' voluntary commitments cannot reach the required amount, which is 25-40% reduction by 2020.

→ time frame?
- It takes too much time to identify indicators which might differ according to each national circumstances.
  We face the danger of missing the chance to peak and decline within 10 to 15 years.

"Outlook for Long-Term Energy Supply and Demand"
March 19 2008 by METI

Vision of 2020 with Maximum Introduction of Technology

- Much higher energy efficiency compared with European region is to be retained. (improvement of energy efficiency by about 30 %)
- This leads to GHG emission's reduction, of which level is comparable with the EU target.
- Energy efficiency 0.11 (2005) → 0.08 (2020)
  (EU) 0.20 (2005) → 0.13 (2020)

* Total primary energy supply/GDP (million ton oil equivalent/US$1,000)

Total GHG emissions 1,214 million t-CO2

(-11% from the 2005 level, -4 % from the 1990 level)

International pressure to Japanese sectoral approach

- G20 at Chiba
  Back ground paper: Difference between METI and MOE ministers speech
- Banghok AWG meeting
- Kobe Environment Minister's meeting

As a result・・・

Wording change through international pressure

1. **Does not substitute national absolute reduction targets.**
2. **Useful tools for setting national reduction targets.**
3. **Respects the principle of "common but differentiated responsibilities.**
4. **A gap between reduction potentials based on a bottom-up approach and required emission reduction levels calculated by a top-down approach must be bridged to ensure environmental integrity.**

Willing to receive comments from the world, as Japan's intention is to improve the Japanese proposal of providing scientific and objective knowledge that contribute to the formulation of an effective future regime…. (METI officials)

Japanese Industry
No, no, no!!!

- No need of mandatory target.
  Strong favor with voluntary commitment.
  "To get US and developing countries on board, we need to extend voluntary actions…"
- No national quantified target. No high target.
  "Kyoto is not fair to Japan, which is number one energy efficient country. "
- No inclusion to national target.
  "Energy intensive sectors should be opt-out from quantified national target, because setting national targets harms the sector's international competitiveness."

NIPPON KEIDANREN
"Basic Standpoint on Climate Change Negotiations at the G8 Hokkaido Toyako Summit"
March 19, 2008

1. It is vital that all major emitters, including the United States, China, and India, participate.
2. National reduction targets should be the compilation of the reduction potential in individual sectors based on actual energy efficiency.
3. Means and mechanisms for achieving national emissions targets include the following:(1)voluntary action plans, (2) various emissions trading systems, (3)tax and financial incentives….Discussions of emissions trading schemes, which is simply a means, should not be put ahead of envisioning the post-2012 international framework.

NIPPON KEIDANREN
"Response to international post-Kyoto framework negotiation at the G8 Hokkaido Toyako Summit"
April 15, 2008

1. All major emitters, including India and China should participate.
2. G8 toyako summit should establish the fair method for setting national reduction targets by compilation of the reduction potential in individual sectors based on energy efficiency.
3. Sectors means power sector, industry, transport and household. Indicators could be energy intensity×production for industry sector, and energy consumption×population for household.
4. For some sectors, if agreed internationally, could be opt–out from national reduction target.
5. Private sectors are the ones who actually try to reduce emissions, therefore G8 summit / UNFCCC should value industry sector's opinions.

Points what Japan needs to act for clarification

1. Ensure the domestic reduction by domestic policy and measures, such as Emission trading scheme / carbon tax / ambitious renewable energy targets / etc
2. Set the Japanese mid-term target within the range of 25 to 40% compared to 1990 level. (Long term targets only are not sufficient, because it does not ensure the urgent action needed)
3. Show the actual mechanism proposal how to enhance technology transfer to developing countries through the support of developed countries within UN framework.