



**METI**

*Ministry of Economy, Trade and Industry*

*Workshop on integrating carbon pricing with energy policies*

# **Carbon Taxes with energy policies**

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**Shinichi KIHARA**

*Director, International Affairs Division*

*Agency for Natural Resources and Energy (ANRE)*

*Ministry of Economy, Trade and Industry (METI) of Japan*

# Tax for Measures against Global Warming

- ◆ With the objectives of drastically enhancing the measures for controlling energy-origin CO<sub>2</sub> emissions (for energy saving, popularization of renewable energy, and other purposes), which make up of about 90% of the greenhouse effect gas in Japan, and having the users of fossil fuel equally share the financial burden, the petroleum and coal tax on each fuel will be increased according to the CO<sub>2</sub> emissions from that fuel to cover taxation for measures against global warming.
  - ◆ The tax revenue will be used for truly effective measures for controlling energy-origin CO<sub>2</sub> emissions under the special account for energy measures (energy supply-demand account).
  - ◆ In light of the current difficult economic climate, the tax will be increased starting in October 2012 in three phases.
- \*The petroleum and coal tax is intended to ask all users of petroleum and other fossil fuels to share the funds required for energy measures under the beneficiary payment principle.
- For clarification of the relation between the benefits and financial burden, the expenditures from this taxation will be separately reported as the special account for energy measures (energy supply-demand account).

## [Main uses of the tax revenue]

### 1. Maximized introduction of renewable energy

- Technological development, demonstration, and other activities toward more efficient wind power generation
- R&D and other activities for higher-performance solar batteries
- Development and promotion of geothermal resources
- Promotion of technological development for ocean and biomass energies
- Identification of the problems associated with the system for introduction and promotion of small hydroelectric generation and demonstration of it

Offshore wind power generation

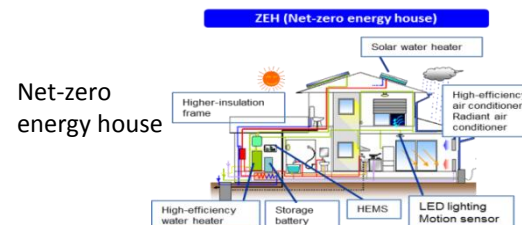


Drilling rig for geothermal power generation



### 2. Maximized promotion of energy saving

- Acceleration of measures for energy and power saving at businesses by, e.g., supporting the introduction of **energy saving** equipment
- Promotion of **energy saving** houses and buildings
- More efficient use of renewable and used energy, heat, etc.
- Acceleration of popularization of the next-generation vehicles
- Upgrading of hydrogen feeding equipment, etc. toward the introduction of fuel-cell vehicles into market



Net-zero energy house

Fuel-cell vehicle

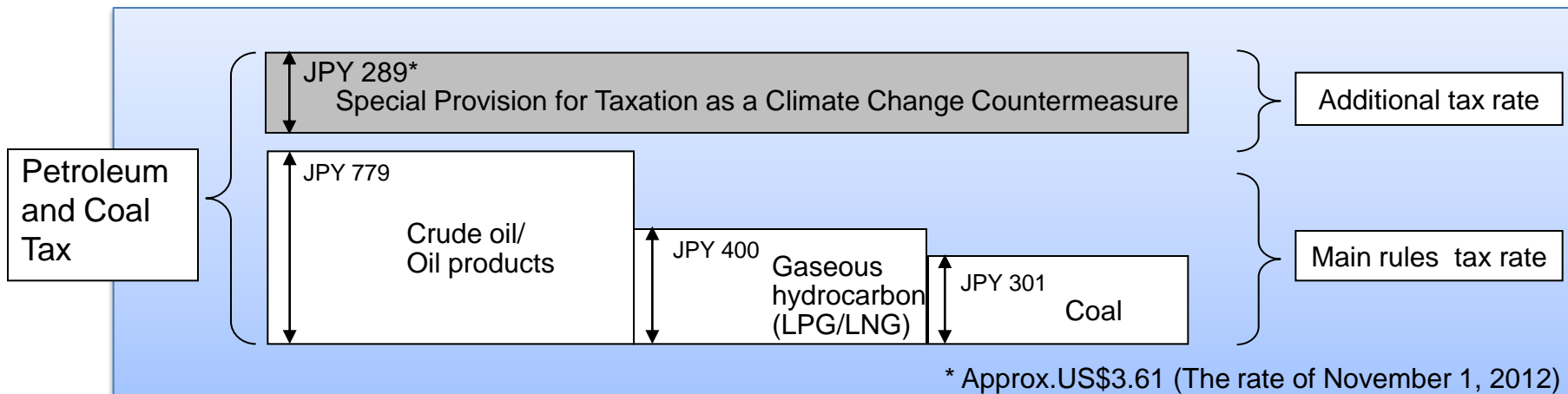


# Tax Measures for Global Warming

- Tax rate corresponding to the amount of CO2 emissions for all fossil fuels (JPY 289/t-CO2)
- Enforced from Oct. 2012 and increases in the tax rate gradually over 3 and a half years
- All the tax revenue will be allocated for curbing energy-oriented CO2 emissions

## Tax Rate

## Tax Rate of CO2 Emissions per Ton



## Enforcement Stage

Object of Taxation	Main rules Tax Rate	From Oct. 1, 2012	From Apr. 1, 2014	From Apr. 1, 2016
Crude oil/Oil products [per kl]	JPY 2,040	+ JPY 250 (JPY 2,290)	+ JPY 250 (JPY 2,540)	+ JPY 260 (JPY 2,800)
Gaseous hydrocarbon [per t]	JPY 1,080	+ JPY 260 (JPY 1,340)	+ JPY 260 (JPY 1,600)	+ JPY 260 (JPY 1,860)
Coal [per t]	JPY 700	+ JPY 220 (JPY 920)	+ JPY 220 (JPY 1,140)	+ JPY 230 (JPY 1,370)

## Tax Revenue

[1<sup>st</sup> year] **JPY 39.1 billion** ; [Normal year] **JPY 262.3 billion** (about US\$3.27 billion)



To be used for introduction of renewable energy and enhancement of energy-saving measures, etc.