Japan's policies of the Kyoto Mechanisms

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The Kyoto Protocol and the New Kyoto Target Achievement Plan

June, 2002  Ratification of the Kyoto Protocol
  ➢ Goal of reducing GHG emissions to 6% below 1990 levels

April, 2005  The Kyoto Target Achievement Plan
Kyoto Mechanism : 1.6%
(Total 100 million tons of Credits)

Kyoto credits Acquisition Programme by the Japanese Government (from FY2006)
Japan’s GHG emissions
(Basic Figures)

Total GHG emissions in the base year

<table>
<thead>
<tr>
<th>GHGs</th>
<th>Emissions [million tons CO2]</th>
<th>Base Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>CO2</td>
<td>1,144</td>
<td>90.7%</td>
</tr>
<tr>
<td>CH4</td>
<td>33</td>
<td>2.6%</td>
</tr>
<tr>
<td>N2O</td>
<td>33</td>
<td>2.6%</td>
</tr>
<tr>
<td>HFCs</td>
<td>20</td>
<td>1.6%</td>
</tr>
<tr>
<td>PFCs</td>
<td>14</td>
<td>1.1%</td>
</tr>
<tr>
<td>SF6</td>
<td>17</td>
<td>1.3%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,261</strong></td>
<td><strong>100.0%</strong></td>
</tr>
</tbody>
</table>

* Data from “Report on Japan’s Assigned Amount”, August 2006.

More than 90% is CO₂

Japan’s assigned amount

1,261 million tons CO₂ * 0.94 = 1,186 million tons CO₂
(5,929 million t CO₂ in five years)
Targets setting of the Plan
The Kyoto Target Achievement Plan

* One percent of the base year emissions is equivalent to 12.6 million ton-CO2

(2004) +7.4%

Past actual emissions

Projected level by the current plan:
+6.0% over the base year

6.5% reduction by additional domestic measures

Removal by sinks (3.9%)

Kyoto Mechanism (1.6%)

12.0%

* 3 GHGs (CO2, CH4 and N2)
Utilization of the Kyoto Mechanisms

CDM, JI and GIS under the Kyoto Protocol provides both host countries and its partner(s) (Annex I countries) with opportunities for significant GHG emissions reduction as well as for sustainable development, by facilitating transfer of advanced clean technologies from developed countries to host countries.

Clean Developed Mechanism
Joint Implementation
Green Investment Scheme

Achievement of KP commitment

Finance/Technology

GHG emissions reduction projects
- Energy efficiency, Renewable energy, Biomass power generation, and HFC decomposition, etc.

Japan

host countries

Carbon credits

Contribution to Sustainable Development in the host country
Under Japan’s “Kyoto Protocol Target Achievement Plan”, Japan needs total of 100 million tons of Credits (through CDM, JI and GIS)
※1.26 billion tons × 1.6% × 5 years = 100 million tons

Kyoto credits Acquisition Programme by the Japanese Government starts from FY2006

Budget for FY2006: US$100million.

Implementation: NEDO (New Energy and Industrial Technology Development Organization)
About NEDO

- **NEDO** is a publicly funded, independent administrative agency, located in Tokyo. ([http://www.nedo.go.jp/english/index.html](http://www.nedo.go.jp/english/index.html))

- **Activities:**
  
  - Coordination of the research, development and dissemination of Japanese new energy, energy conservation and industrial technologies and so forth
  
  - Implementation of Kyoto credit acquisition commissioned by the Japanese Government (Added by the amendment to the Law on NEDO which passed the Diet in April, 2006.)
Japanese Government Begins Kyoto Credit Acquisition Plan in FY2006

- Ministry of Economy, Trade and Industry (METI) and Ministry of the Environment (MOE) have commissioned NEDO to carry out credit acquisition.
- NEDO aims to acquire credits cost-effectively from FY2006.
- NEDO started this Plan on July 21, 2006
Overview of Credit Acquisition Plan
- Establishment of System for Effective Credit Acquisition through Multiple Instruments -

- Credit acquisition strategy: important to acquire necessary credits effectively through more than one instrument

- NEDO undertakes plan to acquire the credits:
  1. Acquire credits directly as a project participant
     - In case of CDM, Participate in projects and secure credit transfer directly from UN CDM EB -
  2. Credit acquisition contracts with project implementers and others
     - Acquire credits generated by a project from project implementers and others -
  3. Acquire credits on open market
     - Acquire credits from credit holders -
Overview of Credit Acquisition Plan

1. Direct Acquisition as a Project Implementer
   - UN CDM Executive Board (EB)
   - Credits
   - Issuance

2. Purchasing Contract with Project Implementers
   - NEDO
     - Requests for proposals
     - Proposals
     - Credits
     - Project Implementers and others

3. Acquisition of Open Market Credits
   - NEDO
     - Payments
     - Spot Credit Holders
Framework and Basic Operational Concept

- **Flexible framework and efficient operation**
  
  Difficult to foresee changes in emission reduction credit trading systems in the future (Supply and demand trends, state of the credit market, price trends)

  - Flexible framework to respond promptly and efficiently to changing situations
  - Selecting appropriate acquisition instrument as conditions dictate

- **Existing program and cooperation:**
  - Integrate existing program (FS, capacity building and others) and credit acquisition project
  - Contribute, through sustainable development and countermeasures, to global warming prevention
  - Acquire credits cost-effectively
Appendix I: Improving the CDM

- Explore New Areas
  - Energy Efficiency & Renewable Energy
    - Methodology development
    - “Future CDM” Initiative
  - Small Scale CDM
    - Bring up the thresholds
  - Carbon Capture & Storage (CCS)
    - World-wide potential

- Eliminate Risks
  - Forest (Sinks)
    - Elimination of the risk of replacement

Side Event at COP/MOP2 in Nairobi
Appendix II: JKAP: Comprehensive Supporting Schemes