

Consideration of Emissions Trading Scheme in Japan

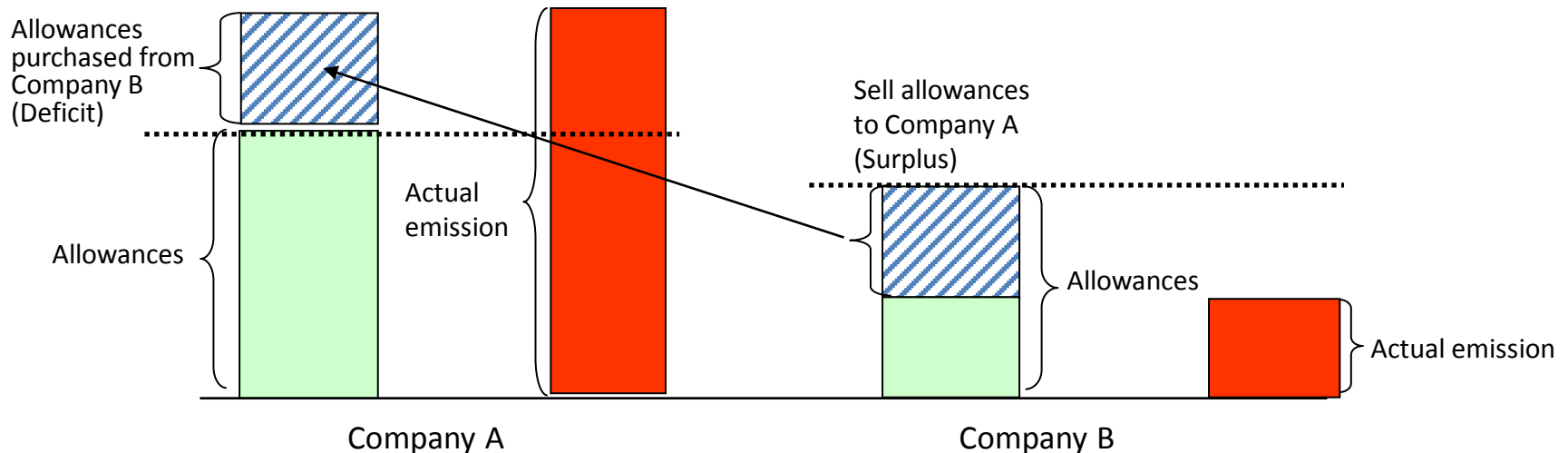
March 11, 2011

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Domestic Emissions Trading Scheme in Japan

- It ensures efforts of covered entities to reduce emission by setting the upper limit on GHG emissions (caps) under fair and transparent rules.
 - It ensures steady implementation of emission reduction by setting an emission allowance (a limit on the total amount of GHG emissions: a cap) for each entity.
 - It formulates fair and transparent rules that reward those who make efforts to reduce their emission in the mid- and long-term.
- It enables flexible fulfillment of obligations for covered entities by allowing them to trade emission allowances.
 - It increases variety and flexibility of compliance by allowing covered entities to trade emission allowances as a means of compliance, as well as reducing their own emission with any appropriate methods.
 - Trade of emission allowances enables covered entities to react to changes in activity levels reflecting economic trends and/or other factors.
- It accelerates cost-effective emission reduction by pricing carbon
 - It induces efficient selections of lower cost reduction efforts, which leads efficient emissions reduction in society as a whole.
 - It Increases demand for more efficient technologies to reduce emissions and for low-carbon products, which stimulates development of low-carbon technologies and products.

● Image of setting and trading allowances



Consideration of Emissions Trading Scheme in Japan

<2005->

Japan Voluntary Emission Trading Scheme (JVETS) by Ministry of the Environment (Apr 2005-)

- Aims at the accumulation of knowledge and experience in Cap and Trade and voluntary GHG reduction.
- Currently operating phases 4-6. So far 359 companies participated with reduction targets.



<2008->

Advisory Committee on the Emissions Trading Scheme, MOE (Jan 2008-)

- Published an interim report in May 2008, with discussion points and four scheme options for cap and trade.

Experimental Introduction of an Integrated Domestic Market for Emissions Trading, GOJ (Oct 2008-)

- Started by the previous government to achieve the Kyoto Target, without intention to introduce a mandatory system.
- Continued by the current government with necessary changes, though it will not form the basis of mandatory system.

Offset credits (J-VER), MOE (Nov 2008-)

- Verify emission reduction and removal by SMEs, agriculture and forestry as reliable credits for market transaction.



<2010->

Bill for the Basic Act on Global Warming Countermeasures (Cabinet decision 12 Mar 2010, Passed the Lower House 18 May)

- Introduce a cap and trade, by producing draft legislative instrument within one year of the enactment of Basic Act.
- Consider absolute targets basically, and also consider intensity targets.

Domestic Emission Trading Subcommittee, Central Environment Council (Apr-Dec 2010)

- Based on the Bill for the Basic Act, contribute to the scheme design by analyzing various discussion points.

Three Major Policies to Counter Global Warming (Ministerial Committee on the GW Issue, 28 Dec 2010)

- Requests careful consideration on emissions trading, focusing on several concerns of this scheme.

ETS Provision in the Bill for the Basic Law on Climate Change Countermeasures (Article 13)

- 1 In order that the reduction of the emission of greenhouse gases be implemented steadily, **the Government shall establish a domestic emission trading scheme** (a scheme to set limits to the emission of greenhouse gases by emitters in a certain period, and to allow trading of emission amount with other emitters and other means for complying with the limits). The Government shall investigate legislative measures necessary for this, concurrently with the investigation on the tax for the global warming countermeasures stipulated in the next article, clause 2, and produce an agreed draft within one year after the enactment of this act as a milestone.
- 2 The investigation referred to in the previous clause shall include the investigation into the coverage of emitters, methods to set limits of greenhouse gas emission of the emitters within the coverage in a certain period, a scheme to disclose the situation of greenhouse gas emission of these emitters, and other matters that are needed for the appropriate implementation of the domestic emission trading scheme.
- 3 With regard to the methods to set limits of greenhouse gas emission in a certain period referred to in the previous clause, investigation shall be made basically into the method to set the limits as those to the total amount of greenhouse gas emission in a certain period, while also investigating into the method to set the limits as those to the amount of emission per a unit of activity such as production volume.

Progress of the Domestic Emissions Trading Subcommittee, Global Environment Committee, Central Environment Council (1/2)

○April 23 (1st Subcommittee)

- Discussion on the current situation over emissions trading scheme in Japan

○May 13 - July 1 (2nd - 5th)

- Public hearings with parties concerned

(2nd mtg. on May 13, 2010)

Kiko Network, Greenhouse Gas Assurance Association of Japan, Kochi Prefecture

(3rd mtg. on May 21, 2010)

Japan Iron and Steel Federation, Japan Automobile Manufacturers Association, Inc. , Liaison group of Japanese electrical and electronics industries for global warming prevention (consisting of 8 electrical and electronics business groups) , KEIZAI DOYUKAI (Japan Association of Corporate Executives), JTUC-RENGO (Japanese Trade Union Confederation), WWF Japan

(4th mtg. on May 25, 2010)

Japan Cement Association, Japan Paper Association, The Real Estate Companies Association, Federation of Electric Power Companies, Japan Climate Leaders' Partnership, Nippon Keidanren

(5th mtg. on July 1, 2010)

Japan Chemical Industry Association, Petroleum Association of Japan, The Japan Gas Association, The Japan Chamber of Commerce and Industry, National Federation of Regional Women's Organizations, Tokyo Metropolitan Government

MOE conducted public comments and hearings

April 26 – May 26

Public comment on individual issues in designing the scheme

May 18 – June 23

Public hearings on global warming countermeasures in Tokyo and other 7 cities across the country

Progress of the Domestic Emissions Trading Subcommittee, Global Environment Committee, Central Environment Council (2/2)

○June 8 (6th)

- Results of the hearings and public comments

○June 14 (7th)

- Presentations and discussion with EU and USA officials in charge of climate change policy

○June 25 - July 23 (8th - 10th)

- Discussion on individual issues in designing the emissions trading scheme, in light of hearings and public comments

○August 31, September 10 (11th, 12th)

- Discussion on scheme options for the scheme

○October 18 - November 16 (13th -16th)

- Evaluation of each scheme option and detailed discussion on individual issues

○November 29 - December 6 (17th - 18th)

- Wrap up (Compilation of the Interim Report)

Reported the progress to Global Environment Committee, Central Environment Council

August 3

- Classification of individual issues in designing the scheme

December 22

- The Interim Report compiled by the Subcommittee

Key Features of Domestic Emissions Trading Scheme in Japan (Interim Report)

(Compiled by the Domestic Emissions Trading Subcommittee, Global Environment Committee, Central Environment Council, December, 2010)

(Note) Although subcommittee members have not reached consensus on all items below, the subcommittee compiled them for the purpose of further discussion.

1. Scheme Period

- Toward national mid-term reduction target in 2020, initial scheme period will be a three-fiscal-year period and a five-fiscal-year period thereafter, provided that the scheme starts in FY2013.

2. Covered Gases

- The scheme should cover CO₂ initially. Further consideration is necessary regarding coverage of non-energy use CO₂ in the view of accuracy control of monitoring.

3. Entities Covered by the Scheme

- The scheme should cover legal entities that own one or more large emitting facilities (considering threshold as annual emissions at or above 10,000tCO₂/year).
- It needs further consideration in the light of its advantages and competition policies whether to allow entities to comply jointly with their emissions caps.

4. Cap Setting & Treatment of CO2 emission from electricity

<Method of Cap Setting>

- Each entity's cap should be set flexibly, based on Emission Reduction Potential, meaning the achievable level of emission reduction taking into account its reduction efforts in the past and the applicable technologies in the future.
- Method of cap setting and the treatment of CO2 emission from electricity should be based on "Indirect emission from electricity consumption + absolute emission cap setting for free) + intensity target for electricity suppliers," also considering possibilities to mix the advantages of other methods.

【Indirect emission from electricity consumption】 Covers electricity users by counting indirect CO2 emissions from electricity consumption. (By contrast, Direct CO2 emission covers electricity suppliers by counting direct CO2 emissions from electricity generation stations.)

【Absolute emission cap by free setting】 Combines Benchmarking and Grandfathering. Benchmarking sets absolute emissions caps based on CO2 emissions per unit of production (Benchmark) multiplied by activity levels. Grandfathering sets absolute emissions caps based on past emissions multiplied by reduction rate.

【Intensity target for electricity】 Requires electricity suppliers to improve their emission intensities (CO2 emissions per electricity).

(Other Methods)

【Intensity target】 Only Limits CO2 emissions per unit of production (emission intensity) and does not set absolute emission caps.

【Absolute emission cap set by auction】 Each entity acquires emission allowances by auction.

<Estimated total allowance volume>

- The total allowance volume should be estimated by accumulating the reduction of applicable technologies in Japan. It should be used as an indicator of whether additional measures among sectors not covered by the scheme are necessary in order to achieve the mid- and long-term emission reduction target.

5. Compliance Procedure

- Each entity shall account its actual emission annually and ensure it does not exceed its emission cap in each compliance period*. An entity may trade allowances for compliance.

* Other than one-year compliance period, a multi-year compliance period will also be considered.

6. Cost Containment Measures

- The scheme should include banking (carrying over unused allowances to the next compliance period or future scheme period) and borrowing in effect (use of allowances for the next compliance period, issued before retirement).
- An entity may use external credits (foreign credits and credits from domestic reductions) shall be allowed under qualitative and quantitative conditions.
- In cap-setting, the products contributing to emission reductions and effects on international competitiveness should be considered.

7. Coordination between national statute and local ordinances

- National statute should specify the relation between the scheme under national statutes and local ordinances, in order to ensure such consistency as to avoid excessive burden on or confusion to covered entities, and to avoid hampering early actions under the existing local government ordinances.

8. Others (Registry System, Market Infrastructure)

- Technical consideration is necessary for registry system that manages emissions allowances, and for market infrastructure rules.

A Set of Procedures of Domestic Emissions Trading Scheme

From “Domestic Emissions Trading Scheme in Japan (Interim Report)”

- Each entity’s allowance should be set flexibly, based on their emission reduction potential and with consideration of economic effects.
- Covered entities are able to fulfill their obligations flexibly by trading allowances, utilizing external credits, borrowing allowances and so on, in case of deficit of allowances despite their own reduction efforts.

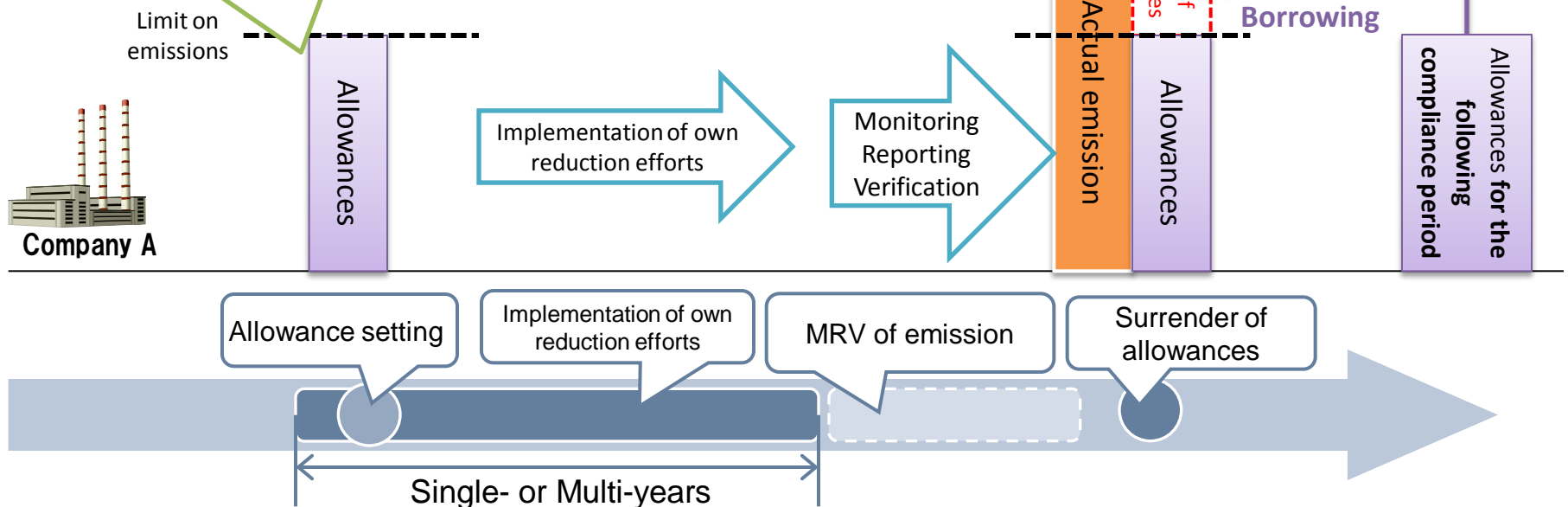
【Allowance Setting】

Allowances are set based on emission reduction potential of each entity and with the following considerations;

<Considerations>

- for production of products which contribute to emission reduction in Japan and abroad (evaluated based on life cycle assessment: LCA)
- for international competitiveness and carbon leakage

※ Selling and/or banking surplus allowances shall be allowed in case amount of actual emission is less than assigned allowances.



Three Major Policies to Counter Global Warming (extract)

(Ministerial Committee on the Global Warming Issue, 28 December 2010)

- Solving Global Warming Issues through Green Innovation-

In order to work on international negotiations with gaining trust of international community, it is necessary to forcefully advance domestic countermeasures for global warming. This can be achieved by establishing a world-leading model to tackle the global warming issues at an ambitious level as gaining understanding and support domestically.

Key solutions to achieve this goal are to enhance our world-leading environmental and energy technologies and to accelerate green innovation with rebuilding the related policies flexibly and strategically, in response to changes in domestic and international situation. In particular, technological innovation brings “a win-win solution for issues of environment, energy and economic growth.” With this basic understanding, GOJ will develop global warming countermeasures including Three Major Policies as follows;

○Introduction of Tax for Global Warming Countermeasures (extract)

In order to reduce CO₂ emissions from energy consumption across a wide range of economic activities, GOJ will establish “Special Provisions of the Taxation for Global Warming Countermeasures” which add extra tax ratio to existing Petroleum and Coal Tax on all kinds of fossil fuel proportionately with their CO₂ emissions.

These new provisions increase the tax rates by ¥760 per kilolitre of crude oil and petroleum products, ¥780 per ton of gaseous hydrocarbons and ¥670 per ton of coal.

○Expantion of a Feed-in Tariff for Renewable Energy (extract)

GOJ will advance consideration on the introduction of this scheme from FY2012, based on dialogues with all levels of Japanese society. This scheme is be reviewed flexibly even after its introduction.

○Domestic Emissions Trading Scheme (extract)

GOJ will consider carefully about this scheme, with evaluating burden on Japanese industry, associated impacts on employment, developments and effects of emissions trading schemes in other countries, and global warming countermeasures which are already implemented in Japan (e.g. voluntary actions by industry) as well as an outcome of fair and effective international framework with participation of major economies.

○Integrated Strategy for Accelerating Green Innovation to Address Global Warming Issues (extract)

(Collaboration with various policies on global warming)

(Promotion of proactive actions by each entity)

(Establishment of integrated green innovation strategy)

(Policy measures on forest carbon sink)

Emissions Trading Schemes by Local Governments

1. In Implementation Phase

[Tokyo MG] “Mandatory CO₂ Reduction and Emissions Trading Program (the Tokyo-ETS)”, which requires mandatory reduction of absolute CO₂ emission, was developed from “Tokyo CO₂ Emissions Reduction Program” by amending the Tokyo Metropolitan Environmental Security Ordinance. The Tokyo-ETS has started from April 2010.

Compliance period	1 st compliance period: from FY2010 to FY2014 (every 5 years afterward)
Coverage	<ul style="list-style-type: none"> • Owner of large facilities (office buildings and factories) whose consumption of fuels, heat and electricity in the previous FY is 1,500kl or larger (crude oil equivalent) • Number of covered facilities: 1,332, as of the end of March 2010 • Percentage of covered facilities: about 40% of commercial and industrial sectors' emission in Tokyo MG (about 20% of total emissions in Tokyo MG)
Absolute emission reduction obligation/ Allowance allocation (w/ penalty clauses)	<ul style="list-style-type: none"> • Base year emission (average emission of consecutive 3 years between FY2002 and FY2007) x Compliance factor (6% or 8%) x Compliance period • Grandfathering with free allocation
Emissions trading (Tradable allowances)	<ul style="list-style-type: none"> • Reduction surplus certified by Tokyo MG (Emissions reduction exceeding the yearly obligation by covered facilities) • Emissions reduction credits from small and midsize facilities in Tokyo MG (Emissions reduction by energy-saving measures) • Emissions reduction credits outside Tokyo MG • Others

2. In Preparatory Phase

[Saitama Pref.] “Target-Setting Emissions Trading Program”, in which the prefecture sets reduction targets of covered facilities and allows them to trade allowances, was established in accordance with Saitama Prefecture Global Warming Strategy Promoting Ordinance. The new program will start from April 2011.

Compliance period	1 st compliance period: from FY2011 to FY2014 (every 5 years afterward)
Coverage	<ul style="list-style-type: none"> • Owner of large facilities (office buildings and factories) whose consumption of fuels, heat and electricity in the previous FY is 1,500kl or larger (crude oil equivalent) • Number of covered facilities: about 600 in Saitama Pref.
Absolute emission reduction obligation/ Allowance allocation (w/o penalty clauses)	<ul style="list-style-type: none"> • Base year emission (average emission of consecutive 3 years between FY2002 and FY2007) x Compliance factor (6% or 8%) x Compliance period • Grandfathering with free allocation
Emissions trading (Tradable allowances)	<ul style="list-style-type: none"> • Reduction surplus certified by Pref. (Emissions reduction exceeding the yearly obligation by covered facilities) • Emissions reduction credits from small and midsize facilities in Saitama (Emissions reduction by energy-saving measures) • Forest sink credits (equivalent to amount of CO₂ reduction by forest sink) • Others

※Tokyo MG and Saitama Pref. signed the agreement to link their ETS on September 17, 2010, which includes;

- 1) Coordination and cooperation on scheme designs and operations, such as enabling mutual transactions of credits between them
- 2) Enhanced collaborative actions for expansion of the ETS toward the national capital region
- 3) Promotion for early realization of nationwide introduction of an effective scheme

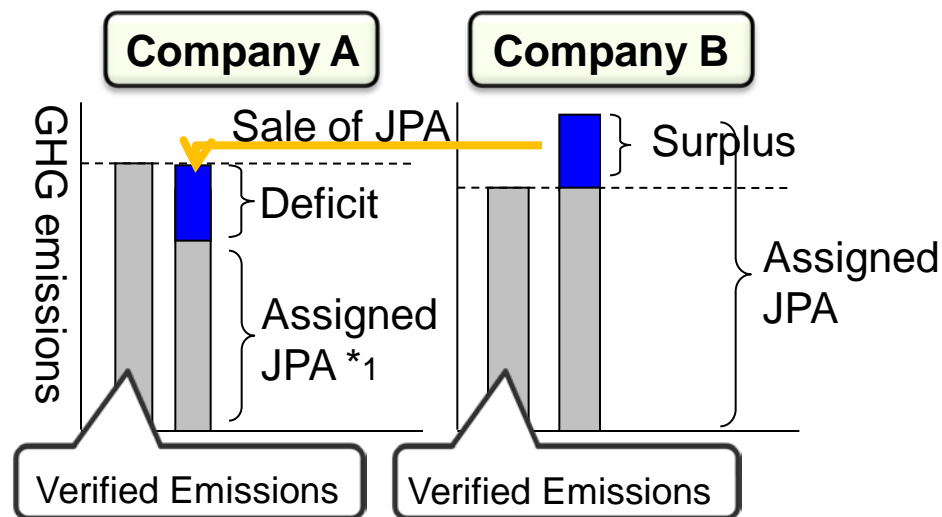
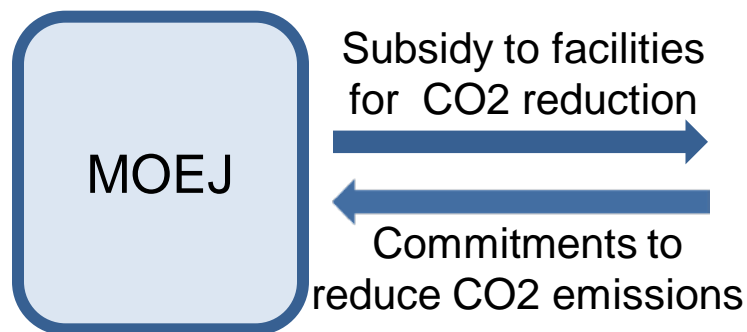
3. Other related schemes

Over 30 local governments (prefectures and major cities) have their own mandatory schemes/programs which require businesses to formulate their own GHG reduction plans and periodically report them to the governors /mayors.

Japan's Voluntary Emissions Trading Scheme (JVETS)

(1) Scheme outline

- Launched by MOEJ in 2005
- Supports voluntary CO2 reduction activities by business operators to ensure their emission reduction targets in a cost-effective way with subsidy and emissions trading
- Participants of JVETS constitute a part of Experimental Integrated ETS (2008~).



(2) Achievements

- Total participants: 357 companies

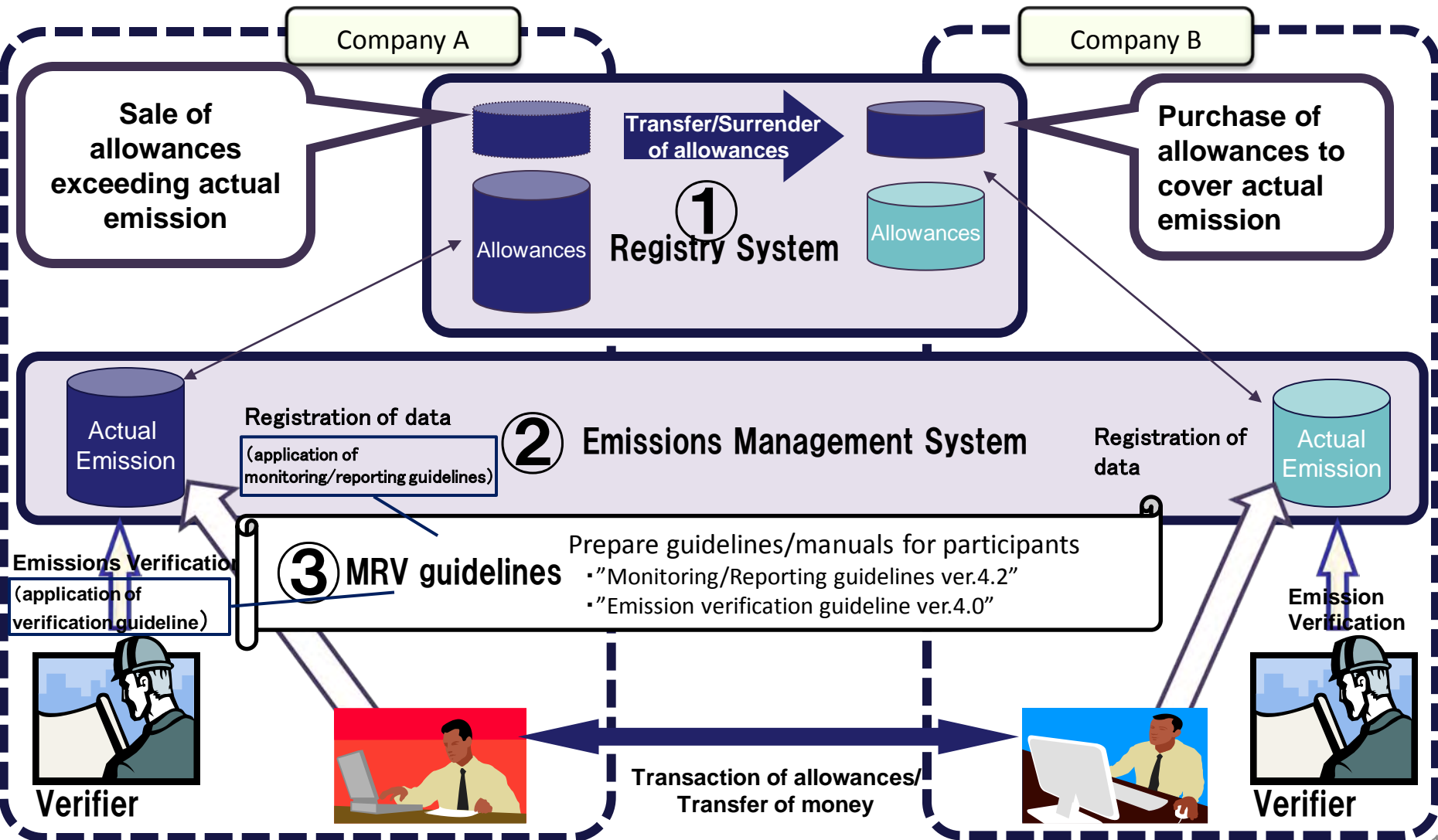
Commitment Period	FY2006	FY2007	FY2008	FY2009
Achieved Reduction(kt-CO2)	377(29%)	280(25%)	383(23%)	948(28%)
Committed Reduction(kt-CO2)	273(21%)	217(19%)	136(8%)	345(10%)
Number of transactions	24	51	23	24
Average JPA price (JPY/t-CO2)	JPY1,200	JPY1,250	JPY800	JPY750

*1: Assigned JPA = (Base year emissions (An average for the past 3 years)) – (Committed reduction)

- Development of infrastructure: Monitoring, reporting and verification guidelines, third-party verification, the emissions management system and the registry for allowance.

JVETS Operation Infrastructure

- Basic infrastructure, such as monitoring, reporting and verification (MRV) guidelines, registry system for allowances and emission management system are vital.
- Through the operation of JVETS, basic infrastructure was established and a similar operational system as the EU-ETS was developed.



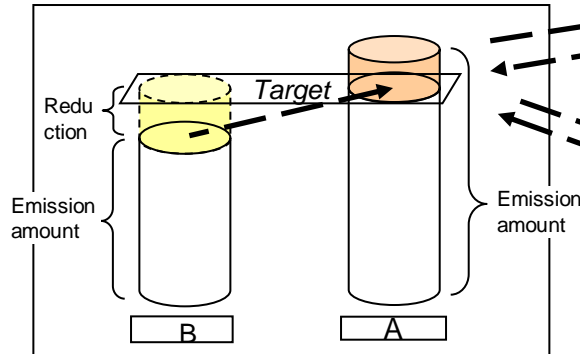
Experimental Introduction of an Integrated Domestic Market for Emissions Trading

Integrated Domestic Market

Experimental emissions trading scheme

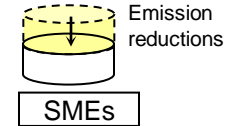
- Participating corporations set their own emission reduction targets (absolute- or intensity-based).
- Allowances and specified credits can be used to achieve the targets.
- Target is set consistently with VAPs. Government examines each target's validity. Necessary MRVs of emissions are required.

JVETS is incorporated into this scheme as one of the participating options.



Domestic Credits

Joint reduction projects by large corporations and small- and medium-scale enterprises (SMEs)



Financial, Tech. Resources

Domestic credits

Kyoto Mechanism Credits

GHG reduction from projects abroad

- Achievement of targets is to be reflected in the "voluntary action plan" and contribute to achieving the 6% reduction target.
- Continued by the current government with necessary changes, though it will not form the basis of mandatory cap and trade system.

Results of Experimental Emissions Trading Scheme in FY2009

- Of 60 participants who cleared their emission reduction targets, 9 participants retired 320,000t-CO2 of allowances borrowed in FY2008. 55 participants banked 21 million t-CO2 of allowance surplus.
- Of 30 participants who failed to clear their targets, 5 participants retired 80,000t-CO2 of allowances banked in FY2008. 12 participants retired external credits (300 t-CO2 of domestic credits by 2 participants, 52.28 million t-CO2 of Kyoto Credits by 10 participants). 22 participants borrowed 10.24 million t-CO2 of allowances. As a result, all participants complied their targets in FY 2009.

Cleared_(emission-based) 60 (21.45 million t-CO2)

How to Use Allowance Surplus	Num	Amount (thou t-CO2)
Sold	0	0
Retired Borrowed Allowances ^{※1}	9	320
Banking	55	21, 130
Banked All of Surplus in FY2009	51	20, 970
Banked Surplus of Allowances Remained After Retiring Allowances Borrowed in FY2008	4	16

※1: 5 participants borrowed 140,000t-CO2 of allowances again, which were borrowed in FY 2008.

Failed 30 (62.60 million t-CO2)

How to Offset Deficits	Num	Amount (thou t-CO2)
Allowances Borrowed in FY2008 ^{※2}	5	80
Purchased Allowances	0	0
Domestic Credits	2	0. 3
Kyoto Credits	10	52, 280
Borrowing ^{※3}	22	10, 240
Borrowed All of Deficits in FY2009	13	620
Borrowed Deficits Remained after Retiring External Credits	9	9, 620

※2: 5 participants banked 240,000t-CO2 of remained allowances.

※3: 17 participants borrowed allowances both in FY2008 and FY2009, 29.58Mt-CO2 in total.

Total of FY2008 and FY2009

Banking (Total)	60	21.37 Mt-CO2
Borrowing (Total)	27	39.96 Mt-CO2

Note: Of 67 JVETS participants who cleared their targets, 9 participants sold 23,000t-CO2. 40 participants banked 487,000t-CO2. 23 participants cancelled 121,000t-CO2. 14 participants who failed to clear their targets purchased 15,000t-CO2 of allowances, As a result, every participants complied their targets.

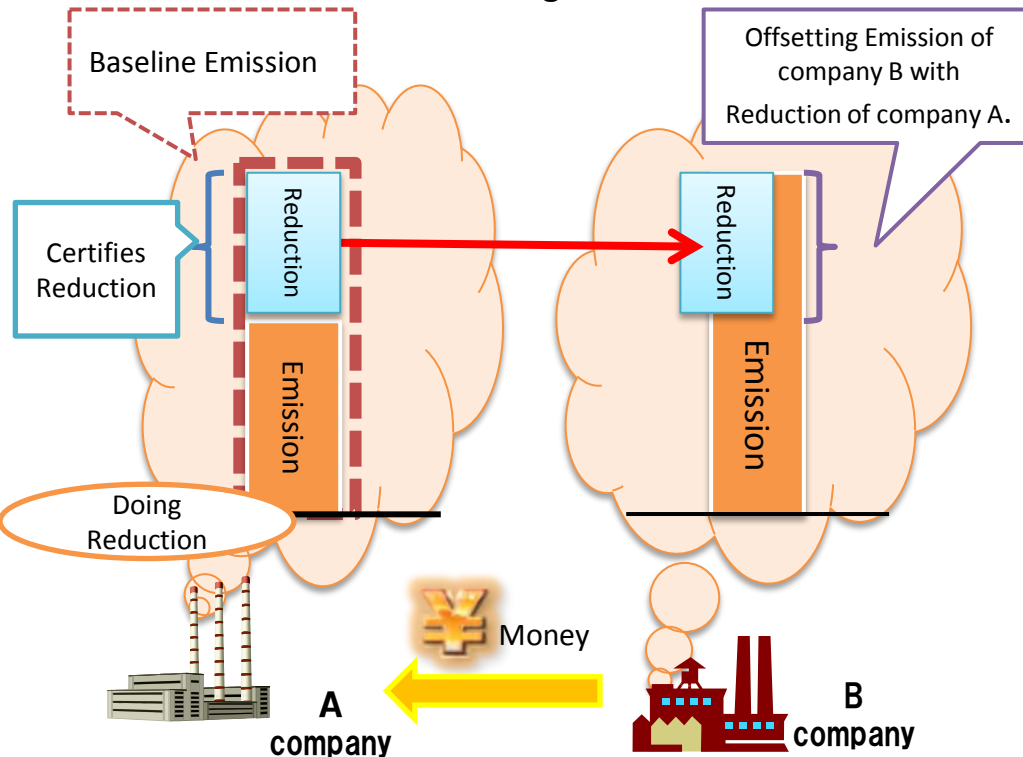
Offset Credit (J-VER) Scheme

■ J-VER Scheme, established by MOEJ in November 2008, is a verification scheme for credits generated through the reduction/removal by sinks of greenhouse gases carried out via domestic projects.
(「J-VER」＝「Japan-Verified emission reduction」)

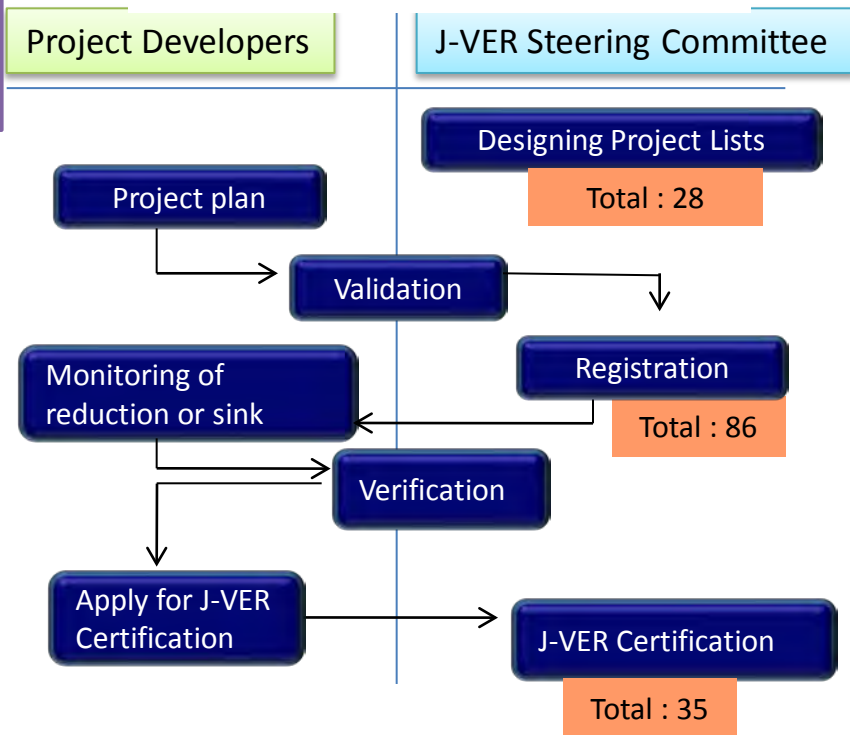
■ In February 2011, **86 projects are registered** in the J-VER scheme. From these projects, **35 projects receive certification of Offset Credit(J-VER).The amount of total certified credit is 41,502t-CO2.**

■ In addition, over 100 projects are expected to be registered and to receive certification of J-VER within FY2010.

<Carbon Offsetting Scheme>



<Flow Chart of J-VER Scheme>



Target Project Types for the J-VER Scheme

The J-VER Certification and Steering Committee (MOEJ) identifies project types that should be promoted under the scheme. These projects which would not be implemented without this scheme are added to a list of target project types for the J-VER scheme.

<Emission Reduction>

※As of January 31, 2011

E001	Fuel switch from fossil fuels to woody biomass fuels for a boiler	E009	Reduction of fuel consumption by monitoring vehicles, utilizing IT technology	E018	Fuel switching from fossil fuels to waste based biogas for supply of heat and electricity
E002	Fuel switch from fossil fuels to woody pellet fuels for a boiler	E010	Renewal of lighting facilities	E019	Introduction of heat pump
E003	Fuel switch from fossil fuels using woody pellet heater stoves	E011	Renewal of boilers	E020	Production and use of Refuse Paper & plastic Fuels (RPF)
E004	Fuel switch from fossil fuels to biodiesel fuels (waste cooking oil base) used in vehicles and others	E012	Renewal of compressor in air conditioning facilities	E021	Conversion and utilization of waste plastic to oil or gas as fuels by thermal decomposition
E005	Fuel switch from fossil fuels to solid biomass fuels (sewage sludge based)	E013	Energy efficiency improvement of air conditioning by introducing free-cooling and introducing fresh air	E022	Recovery and utilization of waste heat for waste treatment facilities
E006	Recovery and utilization of waste heat	E014	Renewal of iron equipment	E023	Transportation Energy Efficiency Activities by installing digital tachograph systems for commercial vehicles
E007	Fuel switch from fossil fuels to woody biomass (firewood) for a firewood stove	E015	Substitution of grid electricity for small hydroelectric power generation	E024	Substitution of grid electricity for solar power generation
E008	Reduction of fuel consumption by improving transport efficiency, utilizing IT technology	E016	Introduction of co-generation equipment	L001	Abatement of N2O emission from pig excreta disposal by utilizing low-protein feed
		E017	Renewal of fan and pump or introduction of inverter and controlling equipment		

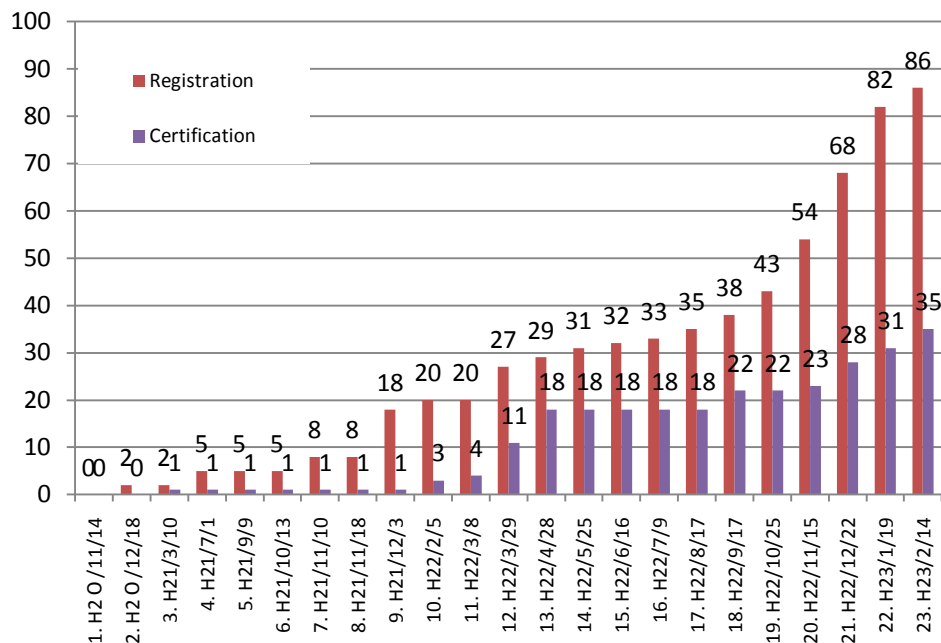
<Forest Sink>

R001	Forest Management Project (Thinning)
R002	Forest Management Project (Sustainable Forest Management)
R003	Afforestation Project

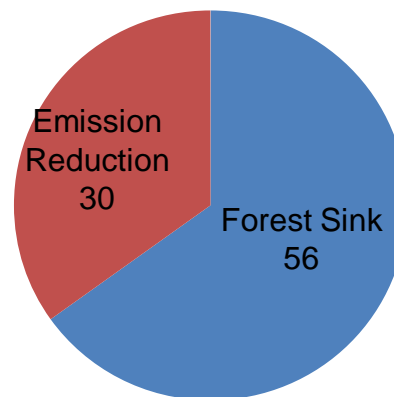
Offset Credit(J-VER) Scheme Certification and Registration

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- In addition, over 100 projects are expected to be registered and to receive certification of J-VER within FY2010.

<Trend of projects registered and certified >



<Registered Projects by Type>



<Registered Projects by region>

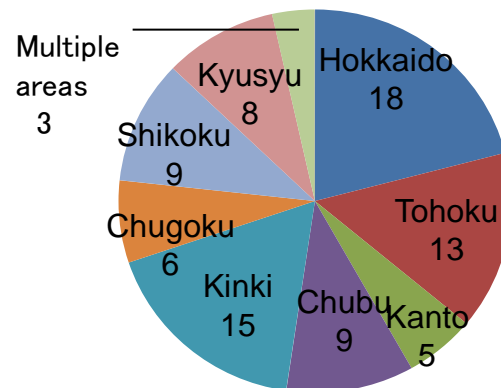


Image of a bilateral mechanism

GHG reduction activities in each sector in developing countries - implemented by provision of advanced technologies and/or products from developed countries **with a bilateral agreement** - are evaluated and certified as emission reduction credits to offset the emission from developed countries.

<Requirement>

Be internationally acceptable.

- GHG reductions with environmental integrity and quantifiable evaluation
- conduct appropriate MRV

<Aim>

Establish 'win-win' relations between developed and developing countries through promotion of technology transfer and emission credits

Developed country - - - - **Agreement** - - - - Developing countries

Support for planning, technological cooperation

Funds for ... climate change measures

- ODA (loans, grants)
- OOF (eg., JBIC investment)
- Other public funds
- Private funds

Advanced low-carbon tech., products, systems

Tech. products, systems

Funds

Emission reduction projects in...

- Power sector
- Transportation sector
- Industrial sector
- Agricultural sector
- Environment & health sector

MRV of GHG reduction

Used to help achieve Japan's target

Feasibility Studies on New Flexibility Mechanisms (Conducted in FY2010)

(59.9 million yen in 807.2 million yen, FY2010 Budget)

- Ministry of the Environment(MOE) has implemented 183 feasibility studies of CDM/JI since FY1999. 11 projects have been registered by CDM/EB.
- Since August 2010, MOE started Feasibility Studies on New Mechanisms.

On-going Feasibility Studies in FY2010

NAMA Feasibility Study on wastes and wastewater management divisions in Thailand

NAMA Feasibility Study on transportation in Laos

NAMA Feasibility Study on peat management in Indonesia



- Establishes “**Expert Task Forces**” for each FS, in order to secure smooth implementation by collecting technical advices.
 - Expert Task Forces consist of professors, researchers and consultants who have expertise on policy areas related to each FS.
- Establishes “**Host Nation’s Committee**” for each FS, which has government officials and other experts from each host nation, in order for a Japanese FS implementer to directly collect national perspectives on the new mechanisms.
 - Host Nation’s Committees are to be held in the host nation.
 - Host Nation’s Committee members are invited to MOEJ by FS implementers. .
- In FY2011, **MOE plans to implement more than 30 FSs** for the new mechanisms.
 - The results of these FSs will be shared among stakeholders in Japan by MOE/GEC’s public symposiums in Tokyo and Osaka.

New International Crediting Mechanism for Emission Reductions/Carbon Sinks

(3.04 billion yen in FY2011 Budget)

- ✓ Creating an international mechanism for properly valuing Japan's GHG emission mitigation efforts not only in Japan but also overseas (i.e., international crediting mechanism for emission reductions/carbon sinks) is critical to achieving its mid-term reduction target.
- ✓ In doing so, it is important to propose rules and requirements that should be incorporated into a new mechanism and seek the understanding and support from the international community, while steadily implementing specific emission mitigation projects in a way to benefit developing countries.

Projects

Institutional infrastructure and support for Japanese businesses

[Study and feasibility demonstration]

- Designing institutions for a new crediting mechanism and studying ways to reform the existing Kyoto Mechanisms
- Model demonstration of specific reduction projects

[Preparation for developing credit registry]

- Seek to find appropriate registry format for credit management, etc.

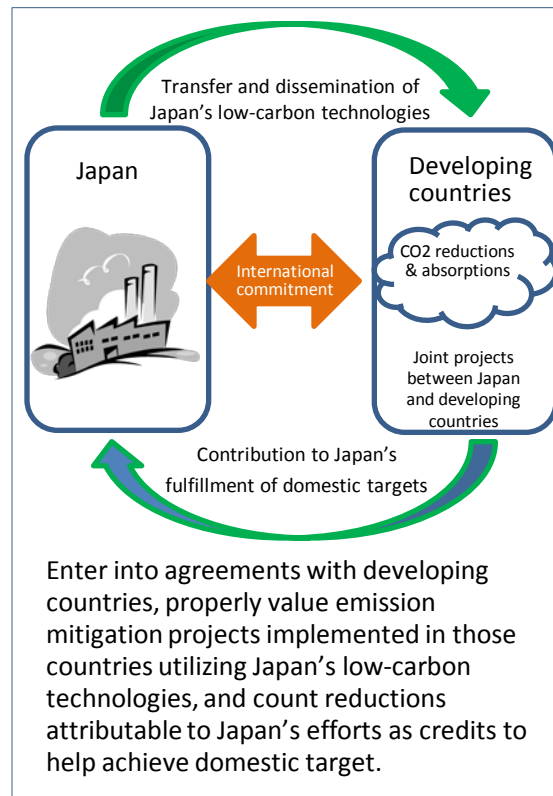
[Collection and dissemination of information; Consultation and support]

- Collection of latest information, provision of a broad range of information to the general public, and the offering of consultation and support to domestic businesses

[Feasibility study]

- Feasibility study of specific emission mitigation projects in developing countries, etc.

New international crediting mechanism for emission reductions and carbon sinks



Support for developing country governments and businesses

[Capacity Building support for project development]

- Organizing workshops in host countries

[Support the development of validation and MRV mechanisms]

- Developing, in cooperation with developing countries, methodologies for valuing Japan's contributions to emission mitigation, for instance, through the provision of technologies
- Dispatching experts to developing countries to help with the validation of specific projects and inviting personnel of developing countries to training programs in Japan

*MRV: **M**onitoring, **R**eporting and **V**erification of GHG emission reductions and carbon sinks