

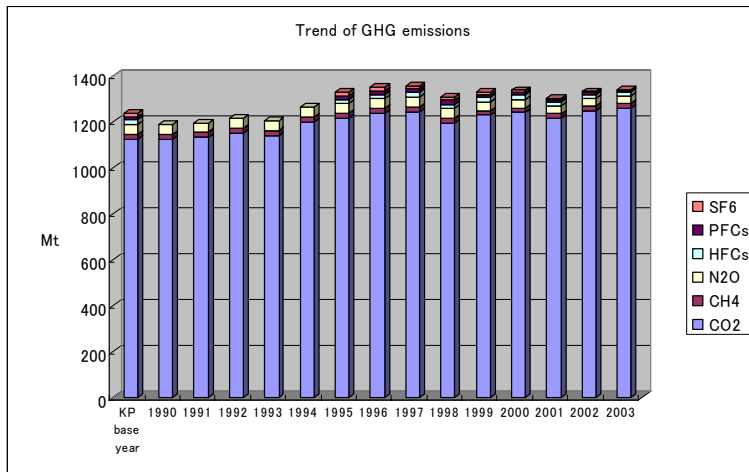
What are the implications of the German Experience in the Introduction of Emissions Trading System for Japan?

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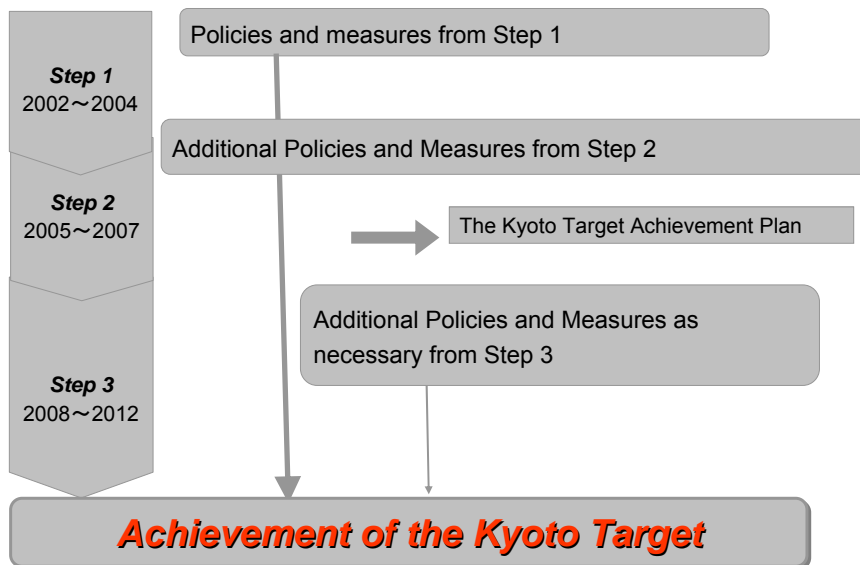
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GHGs emissions trend in Japan



JP Climate Policy-the First Review in 2004



KP Target Achievement Plan-Target

Reductions from 2003 for temporary shutdown of nuclear power plants	-1.6
Policies and Measures	-6.5
CO2	-4.8
Methane, N2O	-0.4
HFCs, SFCs, SF6	-1.3
Sinks	-3.9
Kyoto Mechanisms	-1.6

Industry	△15
Commercial and Household	△31
household	
Business & other	
Transportation	△9
Energy conversion	△4

Discussions on additional PaMs during the first review

- Environmental tax,
- the mandatory GHG reporting,
- Emissions trading
→ Voluntary one
- Amendment of ALRUE
- Voluntary Action Pla
- Further Promotion of Utilization of KM

Emissions Trading in Japan –JVETS1

Still voluntary scheme with small number of participants and discuss whether to introduce mandatory one or not.

- Pilot programmes (2003-)
- Voluntary Emissions Trading Scheme (JVETS) (2005-)
 - Commit CO₂ emissions reduction targets for 2006 as a return of subsidies (maximum of 200 million yen).
 - Get and transact allowances (the difference between the average emissions from 2002 to 2004 and estimated reductions)
 - Surrender the allowances or CERs corresponding to the actual emissions in FY 2006 verified in April/May 2007.
 - Return the subsidy to MoE and publish names in the case of non-compliance.

Emissions Trading in Japan –JVETS2

■ Budget

2.6 billion yen, 24 million dollars

■ Participants

34 companies; 1,311,241t CO₂ emissions in the base year

cf. Around 2% of the whole industry sector

Companies participating in Keidanren Voluntary Action Plan:
only a couple of chemical companies and electric
manufactures

■ Reductions from projects

276,380tCO₂/year, 3,750,311 tCO₂ in total

cf. 1.84% of 15 Mt (the reduction target for the industry sector in
FY 2010 to achieve JP 6% target)

0.34% of 82Mt (the reduction targets for PaMs)

Merits and demerits of ET

Merits of ET

- Control emissions with the amount set in advance
- Stimulate KM market (through linking directive)
- Optimize mitigation costs
- Give incentives to diffusion/development of mitigation technologies

Demerits of ET

- Decide detailed allocation methods, etc
- Adjust with the existing policies and measures

Eg. Voluntary Agreement

- Target setting
 - Voluntary pledge→Allocation
 - Target for the whole companies
→Target for individual companies
- Target achievement
Voluntary→Mandatory
- In case that the target cannot be achieved at its own installation, must purchase allowances or pay for penalties

Mitigation policies in the industry and energy sector in Germany and Japan- Similarities and differences

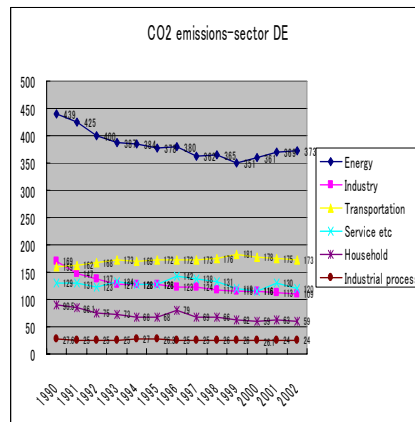
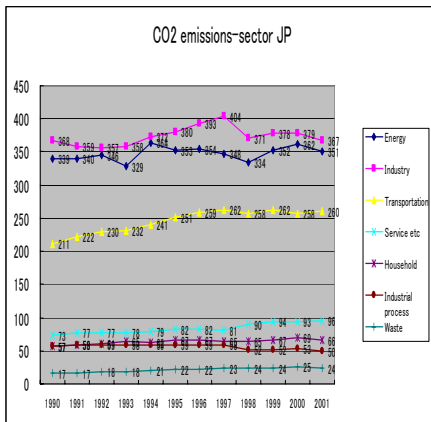
Japan-Keidanren Voluntary Action Plan (1997)

- Cover around 76 % of CO2 from the industry and energy sector
- Stabilize CO2 emissions from the covered sectors at 1990 level by 2010
- Set the targets for sectors
- Government endorses Voluntary Action Plan as one of policy instrument by mentioning in the governmental programme
- Conduct Follow ups every year at industrial structure Council etc
- July 2002: Third parties assessment was introduced.

Germany-BDI (1995)

- Cover more than 80% of CO2 emissions from the industry and energy sector
- Reduce CO2 emissions from the covered sectors by 20% until 2005 relative to 1990 level
- Set the targets for sectors
- Government refrains from introducing additional mitigation measures, such as energy/CO2 tax and waste heat ordinance and energy management ordinance
- Monitoring by the third organization
- November 2000: revision

CO2 emissions by sector in DE and JP



Questions

- Why did Germany succeed in introducing ET (or adopting the EUETS directive)?
- How could the interests of industry sector be adjusted?
- Conduct interviews to stakeholders (more than 25 German as well as EU stakeholders, including parties, BMWA, BMU, Kanzleramt, major industry sector organizations, industries, NGOs, relevant DGs, EU sector organizations, EU NGOs)

German position at the EU level discussions

	EU	German Position
2000.3.8	Submit a Green paper	Do not submit any comments on a Green paper (September 2000)
2001.10.23	Submit a official draft by the Commission	Voluntary participation
2002.10.10	Amendment by the EP (the first reading)	Sector-based optout by German MEPs
2002.12.9	Common position by the Council (first reading)	Sector-based optout and mandatory pooling
2003.7.2	Amendment by the EP (second reading)	
2003.7.23	Amendment by the Council (second reading)	
2003.10.13	Sign by the EP and the Council of the European Union	

German positions at the EU level discussions and German internal stakeholders' positions

German position at the EU level discussions

- At first could not form a unified position
- Submit various proposals to continuously utilize VA even after the introduction of ET
 - Voluntary participation
 - Sector-based opt-out
 - Pooling

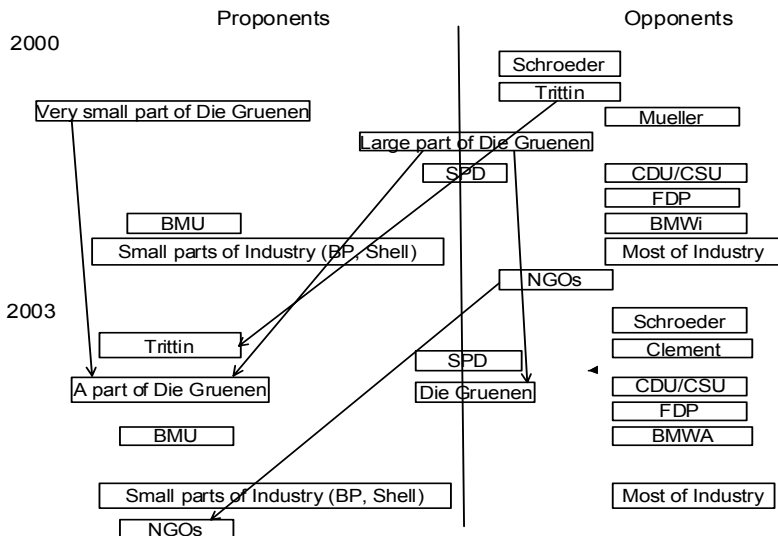
Discussions within Germany

- Industries with some governmental stakeholders aimed at continuously utilizing VA after the introduction of ET.

Cf. BDI, sector organizations, Minister Clement continuously published Position Papers and Press releases

- BMU, Minister Trittin, The Greens were in favor of ET.

German internal stakeholders' positions



Results

The process was not smooth even in Germany.

- Industries as well as governmental stakeholders who supported industries; seek for continuously utilizing VA after the introduction of ET.
- Due to the EU level politics and pressures, Germany agreed on the adoption of EUETS directive. (All stakeholders said “No,” when being asked “Whether Germany introduced the ET without EU level discussions?”)

Lessons for Japan

- External Driving Force
Japan: lack of regional pressures for introducing ET.
→The introduction of ET in EU, Norway, Switzerland and Canada could work as a pressure?
- Early formation of a unified position
→ Early formation of a unified position is effective to take an initiative on emissions trading markets.
- Start discussions from multi-stakeholder dialogue?
Emissions trading Working Group
Established in 2000, chaired by BMU
Not effective to change stakeholders' position but useful for information exchange and knowledge building.



Thank you!

A full paper is on the IGES web

(http://www.iges.or.jp/en/cp/output_all/presentation/phase3/P09_WP006.pdfwww.iges.or.jp).

A Report on “Option Survey for Japan to acquire credits from abroad” commissioned by MoE Japan, is also on the web (<http://www.iges.or.jp/en/cp/report11.html>).

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