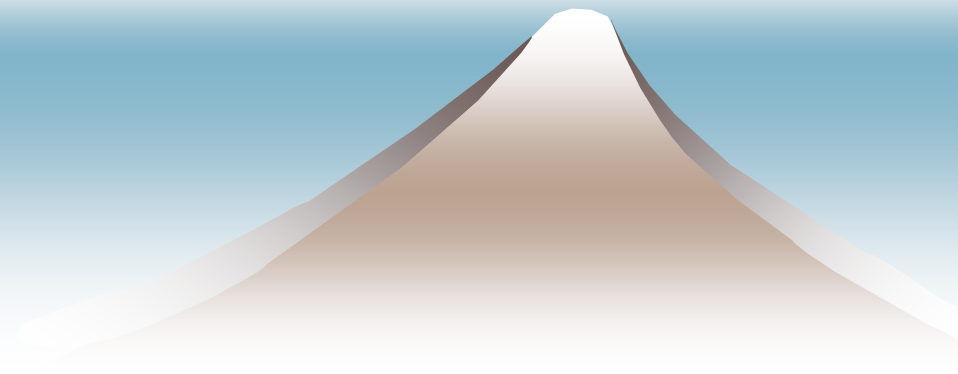


Japan's Emission Reduction Scheme – Emission Trading

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Outline

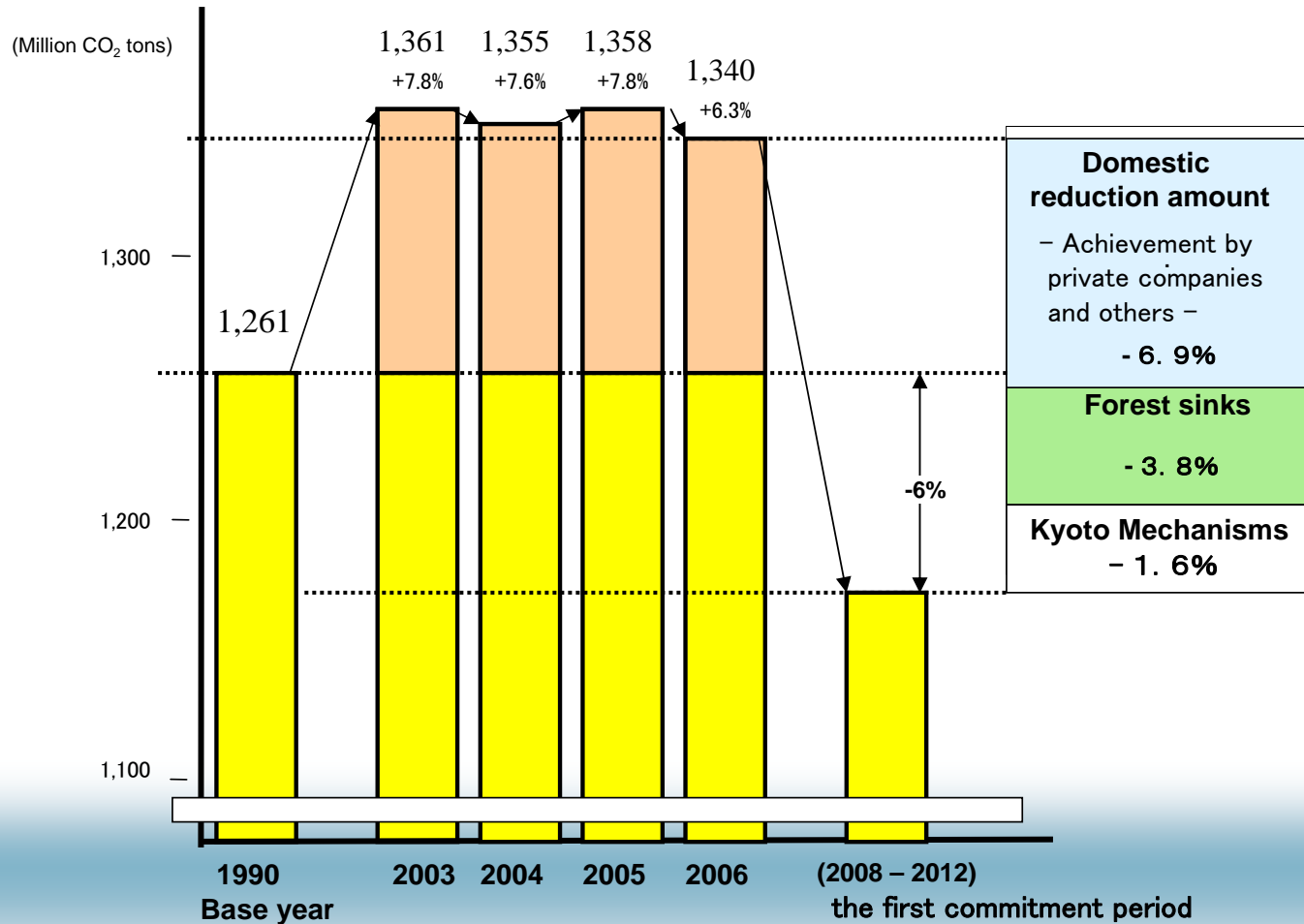
- ◆ Kyoto Target and Plan
- ◆ Carbon Markets in Japan
- ◆ Trial Integrated Carbon Market



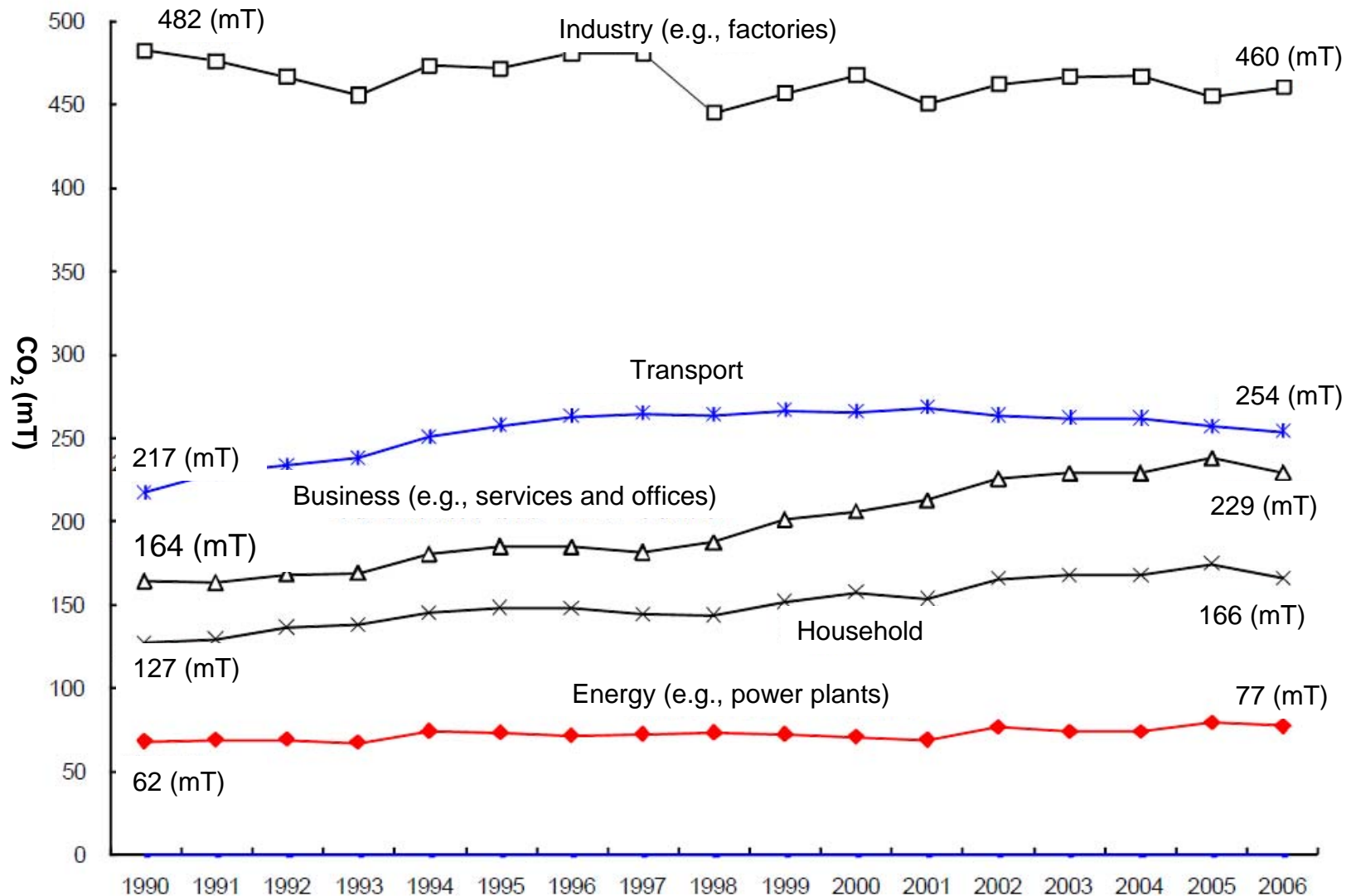
Kyoto Target and Plan



Kyoto Protocol Target Achievement Plan

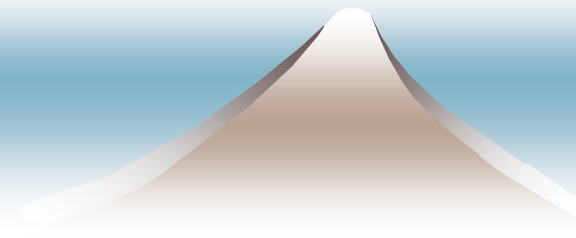


Trends in Emissions by Sectors

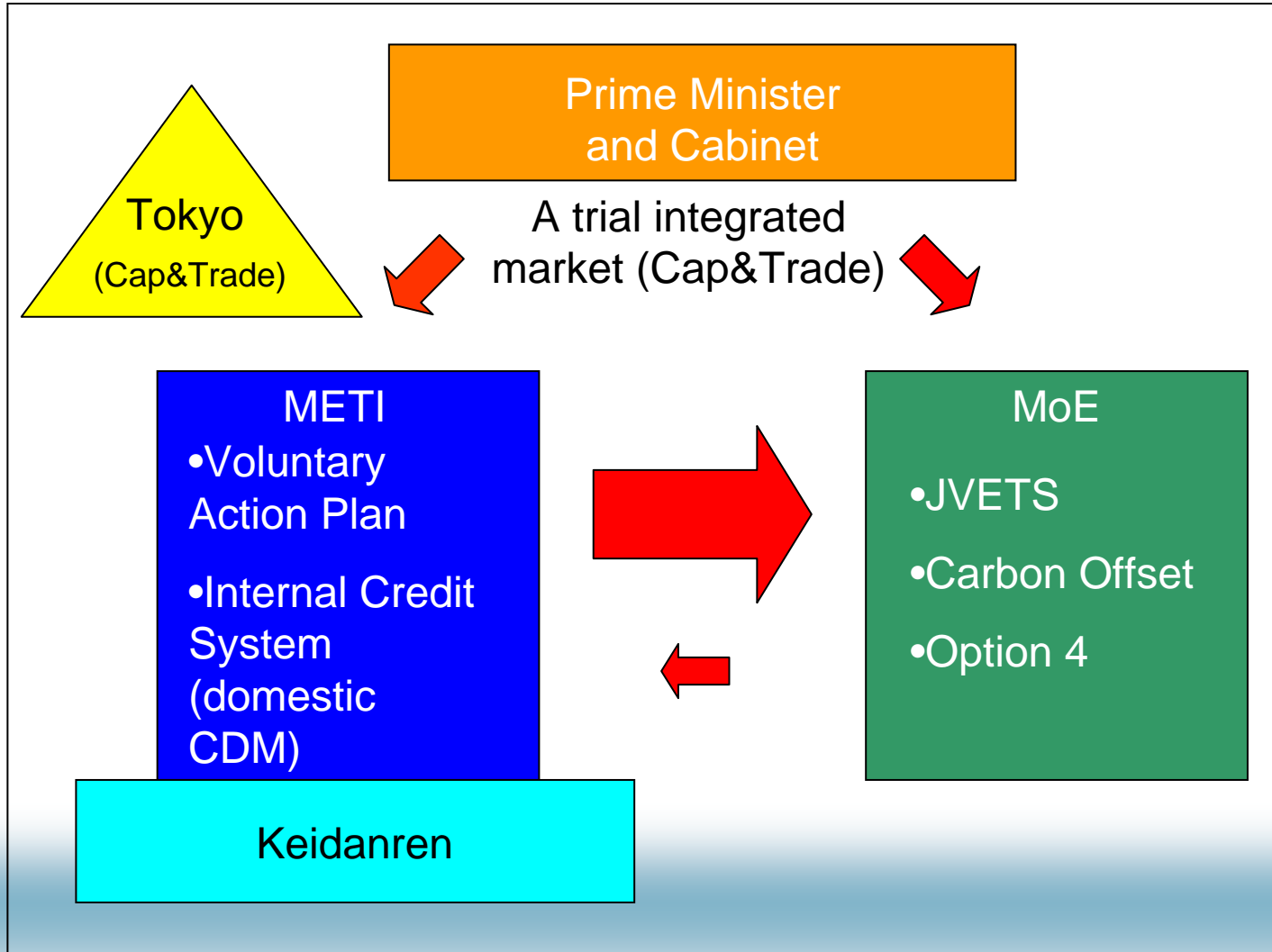


Fukuda Vision

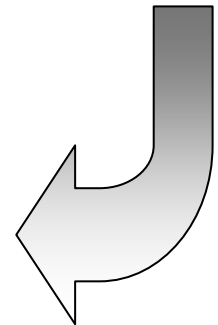
- ◆ Announced on June 9th.
- ◆ A long term goal of 50% emission reduction by 2050.
- ◆ Development and promotion of innovative technologies
- ◆ Trial for Emission Trading



Actors for market mechanisms in Japan



International Carbon Market (e.g., CDM)

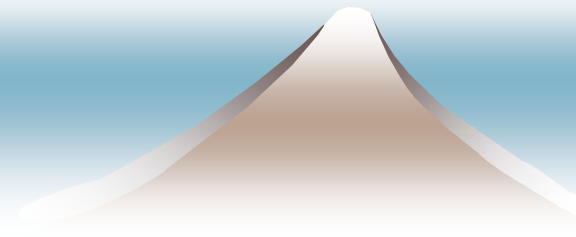


Carbon Markets in Japan



Carbon Markets in Japan

- ◆ JVETS (since 2005)
- ◆ Internal Credit System (domestic CDM)
- ◆ Carbon offsets
- ◆ Clean Development Mechanism (CDM)
- ◆ Tokyo metropolitan C&T



Basic Scheme

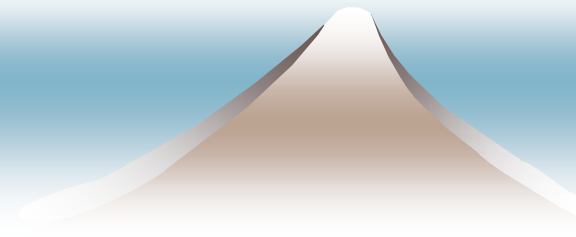
Scheme	Allocation	Support	Timing	Phase	Target
JVETS	Voluntary C&T	MOE	Since 2005	1 year	Emission Amount
Option4* (MoE)	Mandatory C&T	MOE	From this October	TBA	Intensity / Emission Amount
Internal Credit System	Credits and trading	METI	From this October	Until 2012	CO2 Intensity
Tokyo	Mandatory C&T	Tokyo	From 2010	5 years	Emission Amount

JVETS

- ◆ Voluntary emission trading scheme in Japan since 2005 by MOE.
- ◆ Rapidly growing since the beginning of 2008 with over 200 participants (e.g., steel, paper & pulp, ceramics).
- ◆ The “monitoring, reporting and verification system” under JVETS can be a basis for a mandatory C&T in the future.

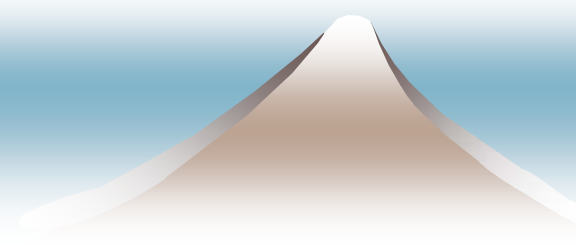
JVETS – Term 2006

- ◆ 61 companies participated
- ◆ 55k ton of CO₂ emission amount was traded.
- ◆ The average price was 1250 yen (\$12)/ton.
- ◆ Total CO₂ emission reduction was 280k ton.



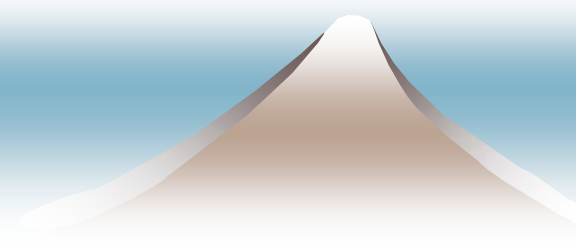
Carbon Offsets in Japan

- ◆ Carbon offset allows flexible emission reduction in Japan for individuals, events, etc.
- ◆ Two types credits “Verified Emission Reductions (c-VERs, v-VERs)” have been considered in MOE.
- ◆ c-VERs can be used for the trial market.

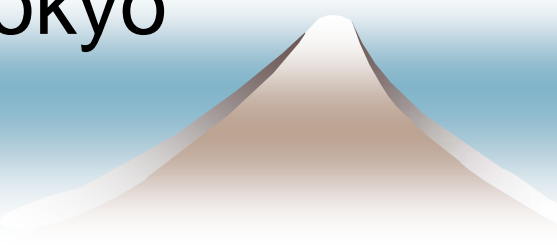


Internal Credit (CDM) System

- ◆ Beginning from October
- ◆ Domestic CDM system
- ◆ Large cooperates help small-medium cooperate's efforts for mitigation, and obtain credits for their reduction.
- ◆ Similar to Clean Development Mechanisms but domestic version.



Tokyo's Initiative

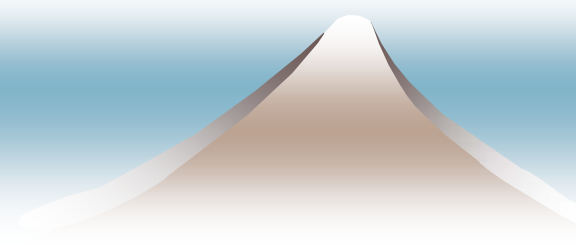
- ◆ Mandatory cap & trade system beginning from FY2010
 - ◆ Gas covered: CO₂
 - ◆ Cap setting: Base year emission × 5(years) × Compliance factor (e.g., 0.9)
 - ◆ Penalty: Financial penalty
 - ◆ Several local governments (e.g., Saitama, Ishikawa, Shimane) may join Tokyo
- 

Trial Integrated Carbon Market



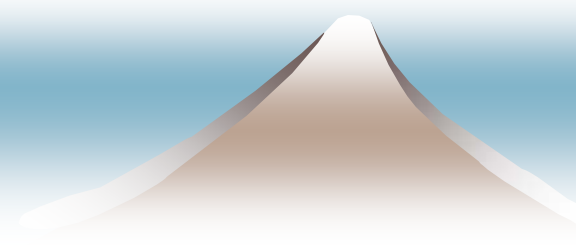
Trial Integrated Market

- ◆ Beginning from October
- ◆ Cap & Trade
- ◆ Voluntary participation and target setting
- ◆ No penalty
- ◆ Allow use of various kinds of credits existing in Japan (e.g., CERs, jCERs, VERs)



The Trial Scheme Consideration by MoE

- ◆ Mandate absolute emission caps
- ◆ Use the mechanism of **JVETS** as a basis for the trial
- ◆ Allow the use of additional reduction through forest biomass and small-medium enterprise efforts as credits



Option 4: Downstream Allocation (Responsibility Sharing)

Fossil fuels	Allocated to enterprises		Allocated to enterprises (vehicle service operators of a certain size)
Electricity	Allocated to enterprises at a fixed electricity emissions intensity		Allocated to enterprises (vehicle service operators of a certain size) at a fixed electricity emissions intensity
An emissions intensity target is set for power companies with a fixed electricity amount (baseline and credit)			
	Large-size energy users	Small-size energy users	Transportation

- ◆ Built upon “Keidanren Voluntary Action Plan”.
- ◆ Amount of emissions = intensity × activity level

Consideration by METI

- ◆ Based on Voluntary Action Plan (sector targets)
- ◆ GHG emission or intensity unit
- ◆ Voluntary target setting (GHG emission or intensity unit).
- ◆ Credits: 1. CERs, 2. credits from “**Internal Credit (CDM) System**”, 3. credits generated from voluntary energy intensity targets, 4. credits from JVETS

Thank you for your attention!

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A decorative graphic at the bottom right of the slide, featuring a stylized mountain peak or cone shape. The peak is light brown and tapers to a point, set against a blue gradient background that transitions from light blue at the top to a darker blue at the bottom.