EXECUTIVE MEMBERS

JCLP: Cross-Sectoral Coalition of 200+ Businesses Committed to Urgent Climate Action (Total Sales 1.2 Trillion USD)

SUPPORTING MEMBERS
JCLP’s Activities: Overview

Near-term targets:
1. 1.5°C-aligned NDC
2. 50% RE in Energy Mix by 2030
3. Carbon Pricing
Japan’s Current Carbon Pricing Policy

- At present, there is limited carbon pricing policy in place:
  - The 2012 Tax for Climate Change Mitigation covers the import and extraction of fossil fuels.
  - This tax is set at US$2.80/tCO2, with no plans for further rise.

Source: Inevitable Policy Response
The government to first focus on development of a domestic voluntary carbon credit market.
- METI aims to start a credit market in FY 2022-23.

Discussions on carbon tax and ETS to be continued.
- The introduction of a carbon tax was not included in the tax reform package for FY 2022.

Excerpt from Basic Policy on Economic and Fiscal Management and Reform

With regard to carbon credit trading, we will review the existing systems for Non-fossil Fuel Energy Certificates and J-Credits and promote voluntary and market-based carbon pricing in response to growing corporate demand for credits. In terms of carbon taxes and emissions trading systems, we will proceed with specialized and technical discussions on whether it is possible to design a system that will promote investment and contribute to growth in terms of both price signaling and revenue generation, while taking into account the added cost borne by companies. With regard to carbon border adjustment measures, we will respond strategically after clarifying our country’s basic thinking.
Background

1. The 1.5°C target must be achieved in order to protect the social infrastructure essential to our lives and business activities.

2. Meeting the 2030 GHG emissions reduction target is crucial for the achievement of the 1.5°C target. Swift, society-wide behavior change is required toward 2030.

3. Emissions reduction needs to be done efficiently to minimize the cost borne by society.

4. An effective way to bring about society-wide behavior change and minimize the overall cost of emissions reduction is to introduce an explicit carbon price through a carbon tax mechanism and an emissions trading scheme (ETS).

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5. **Voluntary carbon credits and internal carbon pricing alone will not bring about society-wide behavior change or minimize the overall cost of emission reductions.**

- Carbon credits are practiced only by a small group of companies that are actively working to reduce emissions and willing to pay for additional costs.
- They also fall short of ensuring fairness in terms of allocation of responsibility for social cost caused by climate change.
- Voluntary credits also make it difficult to compare the cost of emissions and the cost of emissions reduction, reducing the overall cost-efficiency of mitigation efforts.

6. **An appropriately-designed carbon tax and ETS will lead to economic growth.**

7. **A delay in introducing an effective carbon pricing scheme may threaten the global competitiveness of Japanese companies and reduce the attractiveness of Japan as an industrial location.**
Proposals

1. We call for specific discussions on the design and timeframe for a carbon tax and ETS. We request that ministries work together to present a framework for carbon tax by the end of the year.

2. Discussions on carbon pricing need to consider “just transition”. How carbon pricing can be designed to reduce the burden on SMEs and low-income groups should actively be discussed.

3. We call on the government to ensure the public has access to clear and comprehensive information on the purpose and benefits of carbon pricing.

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The proposals were delivered to the relevant ministries and committees members