Country engagement strategy: Japan

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# PART A: STRATEGIC CONSIDERATIONS

1 Background

Japan is the 3rd economic power, a member of the Organisation for Economic Cooperation and Development (OECD) and the G7/G20 but also the 5th largest greenhouse gas emitter globally. Japan's climate policy saw an increase in ambition in 2020-21 with the adoption of a climate neutrality objective for 2050 and a new emission reduction target of 46% for 2030 (compared to 2013 level, up from 26% in the previous NDC). The government also aims to implement measures to reach -50% in FY 2030 in order to achieve the 2050 net-zero target.

Japan’s defining structural difficulties include, among others, a resource-poor geography, a powerful and traditionally conservative business sector, limited civil society engagement and a competitive geopolitical environment. Domestically, climate action and decarbonisation are not central elements of the political agenda or discourse, which remain largely focused on economic/fiscal challenges, trade issues or national security threats. There are no major differences in the positions of the main political parties. Further, split in policy responsibility hinders decision-making as the relatively progressive but weak Ministry of Environment (MoE) on one side and the powerful Ministry of Economy, Trade and Industry (METI) strongly linked to incumbent industrial and energy interests. Ministry of Foreign Affairs (MoFA) is increasingly vocal on climate change/renewables related and involved whenever there are international impacts.

The country’s energy policy had seen a significant change in 2011 when it closed several of its nuclear plants after the Great East Japan Earthquake of March 2011. This event consequently increased the country’s coal production amid energy shortages, resulting in the peak of emissions of 1.408 billion metric tonnes of CO2e by 2013 (1.149 billion metric tonnes of CO2e in 2020). The consequent years with gradual relaunch of nuclear plants, broader utilisation of renewable energy sources and reduction of primary energy use have gradually reduced Japan’s energy intensity particularly due to decreasing energy demand by the aging population and modernisation of industries, yet the country’s emissions still account for 3% of global GHGs emissions. Japan’s CO2 emissions have declined for seven consecutive years since 2014, by 18% from 2013 levels, affected heavily by the COVID-19 pandemic. In the medium-term, Japan seeks to increase the ratio of renewable energy in total power generation in FY2030 to 36%-38%, up from 22%-24%. The country – reluctantly – announced to stop overseas finance of new coal plants in the G7 summit in June 2021, but has remained quiet on the domestic phase-out of coal and abstained from similar supporting statements at COP26.

At policy-making level, Japan is developing implementation of its short-term strategy, whilst long-term planning remains ambiguous. The 6th Strategic Energy Plan approved before COP26 [lists](https://www.enecho.meti.go.jp/en/category/others/basic_plan/pdf/6th_outline.pdf) thermal power generation, increased use of RE, nuclear energy, hydrogen, ammonia, and carbon storage based on CCUS and carbon recycling, synthetic methane and synthetic fuels as means of decarbonisation of the energy sector by 2050. In power generation, proportion of nuclear would increase by 2030 from 6% to 20-22%; renewables to 36-38%; hydrogen/ammoniac to 1%; LGN/Natural gas reduce from 37% to 20%, coal from 32% to 19%; oil from 7% to 2% by 2030. An update of the Strategic Energy Plan is expected for 2023. A new Global Warming Countermeasures Plan outlines how different sectors have to contribute to the achievement of the new 2030 GHG emission reduction target of 46%, which has been approved by the government and released for public consultation. Emissions reductions will focus mainly in the energy sector – the main contributor – but also the JCM (Joint Crediting Mechanism) - Japan’s offsetting mechanism, is foreseen to contribute to the efforts. A target is also set for methane emissions – reduction of 11% from 2013 levels (Japan signed the Global Methane Pledge in 2021).

A 1.5°C compatible pathway requires broader utilisation of renewable energy, specifically off-shore wind, and faster decarbonisation of the transport sector. Emissions from the energy sector consist of 87% of the total emissions with primary energy demand almost entirely satisfied by imported fossil fuels (93%), and 72% of its electricity is generated from fossil fuels in 2020. The Japanese economy will remain dependent on fossil fuels through the 2020s with its current energy policy.

In April 2023, the Ministry of Economy, Trade and Industry unveiled plans to revised Japan’s Basic Hydrogen Strategy, with a view to boost annual supply to 12 million tonnes by 2040. The government is considering introducing a JPY 15tn investment plan over the next 15 years and is also seeking to develop a hydrogen value chain via Australia, the Middle East and Asia.[[1]](#footnote-1)

Despite a decade of commitments to the contrary, Japan remains 2nd on the list of G7 countries providing subsidies to fossil fuels, to the tune of about 12bn USD/year. Nonetheless, Japan remains as major regional power and investor in clean energy transition in the Asia-Pacific region where it plans to provide USD 10 billion support for energy projects and 2 trillion YEN (USD 17 billion) fund for technology deployment via Asia Energy Transition Initiative (AETI) over the five years. At COP26, Japan also introduced a commitment of an additional USD 10 billion in addition to the already announced USD 60 billion in climate finance over the period of 5 years (2021-2025) making Japan one of the biggest climate finance donors.

In February 2023, the government adopted the Green Transformation (GX) Basic Policy, a set of initiatives that aims to generate approximately JPY150 tn (approx. USD 1 tn) of public-private investment over the next 10 years. The strategy seeks to ramp up decarbonisation efforts in key industrial sectors through the GX League, a voluntary group of industries who individually set their own decarbonisation targets to be in line with the national reduction targets and participate in an emissions trading scheme to achieve them (i.e. 46% emissions reduction in 2030 below 2013 levels and achieving carbon neutrality by 2050). As of January 2023, 679 companies which collectively account for 40% of CO2 emissions (including indirect emissions from electricity use in households) have joined the group.[[2]](#footnote-2) In April 2023 the emissions trading scheme was launched among the GX league companies on a voluntary basis allowing companies to set their own caps. A full introduction of a mandatory ETS is planned for 2033.

As for recent climate change-induced natural phenomena, Japan is increasingly exposed to heavy rain and snowfall, typhoons and extreme heat. Climate change undermines from a qualitative and quantitative standpoint agriculture, fisheries and forestry in conjunction with damage to the ecosystem. Extreme weather increases the vulnerability of infrastructure, including disruption of transportation networks, power generation and water sanitation systems. **Japan’s Adaptation Plan, approved in October 2021, sets out general policy direction**, including targets, strategies and criteria for evaluation of progress on adaptation. It also includes detailed measures for seven sectors, including agriculture and fisheries industries, water environment and resources, ecosystems, natural disasters, health etc. It also assesses the impacts of climate change on agriculture and coastal areas. Japan’s [Adaptation Communication](https://unfccc.int/sites/default/files/resource/JAPAN_adaptation_communication.pdf) to the UNFCCC identifies the legal framework of Climate Change Adaptation Act (adopted in 2018), establishment of local climate change adaptation plans and a Local Climate Change Adaptation Centre, and increase efforts against heat illnesses, combat weather-related disasters and increase of international co-operation on adaptation issues.

Cities and prefectures have a significant role to play in the transition to net-zero, including as far as energy in concerned, as they concentrate the majority of Japan’s population, GDP and emissions. This concentration goes hand-in-hand with the realities of the changing demographics and declining rural areas in Japan. The Regional Revitalisation Act emphasizes sustainable growth, meaning many revitalisation-related projects also dovetail with local and regional decarbonisation. The national government has begun emphasising the importance of municipalities and its commitment to supporting local areas in their own transitions. The Ministry of Environment (MoE) plays an important role in promoting GHG reductions by local governments. In addition to flagship programmes including the Eco-Cities, Future Cities, and SDGs Future Cities programmes, the national government has developed a roadmap for regional decarbonisation (adopted on June 9, 2021) and has stepped up at the ministry-level in terms of providing more abundant and dynamic funding for local decarbonisation projects.

The road map includes a target of reducing greenhouse gas emissions to virtually zero in some 100 model areas by fiscal 2030, ahead of the 2050 goal for achieving such carbon neutrality (net zero GHG) across the country. The government plans to select model areas for the fiscal 2030 carbon neutrality target from a variety of locations including urban cities, rural villages and remote islands. In model areas, the use of local renewable energy sources is expected to be promoted, as well as the installation of rooftop solar panels and the use of electric vehicles for batteries.

As of the end of August 2021, the number of municipalities in Japan that have declared zero carbon dioxide emissions in 2050 was 444. The residents of these municipalities account for about 88% of Japan’s total population. Municipalities and prefectures are moving forward with their own strategies, including support for green start-ups and businesses, innovative initiatives from city governments to expand the local decarbonisation in Japan usage of renewable energy, and resident-centred coalition-building and awareness-raising. While there are many advantages, there are also challenges to a locally tailored approach to decarbonisation, including resident concerns about the dangers of renewable energy development, lack of qualified personnel, digital tools, and limited funding for transformational municipal projects.

Japan shares the EU’s interest in sustainable finance, as the number of countries developing policies in this field is increasing. Japan has recently seen an increased interest by investors and stakeholders on topics related to the sustainability of financial flows and on climate-related risks. Japan joined the International Platform for Sustainable Finance (IPSF) in 2020 and had been an active member working closely with EU in particular on issues such as transition finance and ESG disclosure. In Japan, Basic Guidelines on Transition Finance were published in May 2021.

2 Priorities arising from the bilateral climate policy dialogue

Bilateral co-operation with Japan on climate change has further intensified in the last five years with [EU-Japan Economic Partnership Agreement](http://trade.ec.europa.eu/doclib/press/index.cfm?id=1684) (EPA) and the [Strategic Partnership Agreement](https://eur-lex.europa.eu/resource.html?uri=cellar:00ee5ec3-49ff-11e8-be1d-01aa75ed71a1.0001.02/DOC_2&format=PDF) (SPA), which offer avenues and potential additional impetus for our cooperation. The EPA is the biggest trade agreement ever negotiated by the EU and it has created an open trade zone covering over 600 million people or approximately a third of global gross domestic product (GDP).

EU and Japan face many common challenges in dealing with climate change and its impacts, but also share the same attachment to multilateral solutions as the best way to respond to a truly global challenge such as climate change. As endorsement of successful bilateral co-operation in the EU-Japan Summit in May 2021, the two parties announced establishment of the EU-Japan [Green Alliance](https://ec.europa.eu/clima/news-your-voice/news/eu-and-japan-commit-new-green-alliance-work-towards-climate-neutrality-2021-05-27_en), as first of its kind, to accelerate the transition of both economies towards becoming climate-neutral, circular and resource-efficient in the coming decades. In 2022 onwards, the attention is turning into the implementation and concrete action of the Alliance. Potential sectors of co-operation are in:

1. decarbonisation at local/urban level,
2. civil society and citizen’s action and empowerment;
3. policy approximation in the field of environment (circular economy, plastic pollution, biodiversity & deforestation) with strong co-benefits for climate mitigation and adaptation;
4. buildings and energy efficiency;
5. climate strategies and modelling for 2030 and 2050 enhanced ambition;
6. clean energy transition;
7. business and regulatory cooperation in the areas of climate, energy and environment;
8. research and innovation;
9. sustainable finance;
10. connection-building among EU and Japanese circular economy networks (civil society, industry, local government).

In December 2022 the EU and Japan have signed a [Memorandum of Cooperation on Hydrogen](https://energy.ec.europa.eu/system/files/2022-12/C_2022_8622_1_EN_annexe_acte_autonome_nlw_part1.pdf) to spur innovation and develop an international hydrogen market. The EU and Japan will work together for sustainable and affordable production, trade, transport, storage, distribution and use of renewable and low-carbon hydrogen.

The EU is seen as a reliable partner and as a source of policy example, such as on energy markets, the circular economy, biodiversity or sustainable finance and in particular on the environmentally sustainable taxonomy. In light of Japanese interests, EU experience on the Green Deal as the central tool for the green recovery may also be welcome. In addition, exchanges on adaptation and resilience may provide a useful entry to discussions on increased mitigation ambition.

European climate diplomacy towards Japan must focus on a strategic step-by-step approach encouraging Japan towards increasing its current commitments in line with actions taken by the private sector and on regional/local level, while creating a positive space for enhanced bilateral cooperation on the economic opportunities offered by a ‘greening’ agenda.

Currently, climate change issues are being discussed through the following channels:

1. The bilateral **High-Level Dialogue on Climate Action** chaired on the EU side by Jake Werksman from DG CLIMA and on the Japanese side at DG/Director level by all three relevant ministries: MOE (Ministry of Environment), METI (Ministry of Economy, Trade and Industry) and MOFA (Ministry of Foreign Affairs). It was, in the recent years, one of the key bilateral channels to discuss climate change. Last meeting took place on 12 March 2019 in Tokyo.
2. EU – Japan **energy dialogue**. The latest meeting took place on July 5, 2021. In the dialogue DG ENER and METI/ANRE (Agency for Natural Resources) exchange views on issues such as renewable energy, energy efficiency, global energy markets and cooperation in international fora on energy issues.
3. DG GROW–METI **Working Group on Environment and Climate Change**, under the EU-Japan Industrial Policy dialogue. Recently DG CLIMA became an integral member of the Group. Last meeting took place in 2021. Collaboration on clean technologies and innovation as well as standards will be at the centre of the future work of the Industrial Dialogue and the WG (Working Group);
4. The entry into force of **EPA and SPA** offer the opportunities to bring the EU-JP collaboration on climate change under the formal framework of these agreements. The first joint Committee under SPA took place on 25 March 2019 in Tokyo. Both sides agreed the importance to continue collaborating on climate change. The third meeting of the EPA trade and sustainable development (TSD) Committee took place in January 2022.
5. EU-Japan High-Level Dialogue on Environment (DG ENV-MoE). The last meeting took place in January 2023 with biodiversity, circular economy, plastics, and pollution as key topics. Those topics are directly linked to climate policies and contribute to climate mitigation and adaptation.

3 Relevant cooperation activities through other European projects

Under the framework of **SPIPA I**, the EU-Japan centre for industrial cooperation was contracted by GIZ to implement events on decarbonisation from September 2020-October 2021. These included a series of webinars on a range of issues, including ‘*Hydrogen with a focus on Transport, Industry and Power Generation’*, *‘Cities, regions, clusters: on the road to zero carbon’* as well as *‘Off-shore wind power: Deepening EU-Japan cooperation’*. Also, the Institute for Global Environmental Strategies (IGES) was contracted by GIZ to provide online events on sustainable finance and decarbonisation at local level. IGES also prepared a report on nuclear energy and provided regular updates on recent developments in sustainable finance.

**Beyond this, under the Partnership Instrument managed by the Service for Foreign Policy Instruments (FPI) the following actions are currently being implemented in areas of relevance to the EUCDs project:**

* [Rethinking Plastics: Circular Economy Solutions to Reduce Marine Litter](https://www.giz.de/en/worldwide/94003.html) works towards a circular economy for plastics in East and South-East Asia to reduce plastic waste in the oceans. The project is based on cooperation between the EU and seven countries in East and South-East Asia, including Japan. Key deliverables include two seminars and one study report co-produced by DG ENV and MOEJ. The project will now run until October 2022 with limited to no expenses, primarily supporting further engagement in the area of circular economy by disseminating knowledge accumulated during the previous stage of the programme.
* In the context of the regional project **Global Covenant of Mayors (GCoM) Asia programme** (5,2 M EUR), a contract was signed between DAI and Nagoya University in October 2021 that enabled resumption of activities in Japan. The EU Delegation approved a strategy and workplan of activities for GCoM in Japan. A total of 24 cities joined GCoM under the previous project, it is hoped that an additional 26 cities in Japan will join by December 2023. The main focus of this phase is to assist GCoM cities with the validation and implementation of their climate action plans and sharing funding mechanisms. The project will provide support to cities interested in developing and managing climate and energy policies by leveraging and strengthening existing collaboration and partnerships through a series of events, training and outreach activities.
* In the context of the regional project **International Urban and Regional Cooperation in Asia and Australasia** (3,7 MEUR service contract with GFA, started January 2021), a total of 23 cities (13 in Europe and 10 in Japan) were selected to participate in the city-to-city component, whose objective is to identify specific areas of cooperation to share lessons learnt and good practices through the establishment of bilateral or multilateral pairings. Foreseen activities include study visits, thematic networks and online exchanges. The identification and selection process was carried out through a continuous dialogue and interaction between the project team and representatives of both European and Japanese cities, based on different criteria such as background on sustainable urban development, thematic focus areas and previous relevant experiences in the city-to-city cooperation.  The main lesson learnt from this mutual interaction is that an enhanced EU-Japan city-to-city cooperation involving local authorities can play a critical role in promoting the effective implementation of global sustainable development commitments such as the 2030 Agenda and the Green Alliance and that we can learn a lot from each other when it comes to tackling country-specific challenges, such as sustainable infrastructure, digital, energy transition, public services management, economic development and post-COVID recovery.
* The Foreign Policy Needs (FPN) programme “Partnerships in Environmental Actions and Collaborative Engagements” (PEACE), is set to start in 2023. In an initial stage, it will cover non-EU members of the G7, thus including Japan. It will support cooperation with those countries - national and sub-national, government and non-government stakeholders- on the international dimension of the EGD. Thematically, the focus will be on the following three pillars: 1) Biodiversity, 2) Circular Economy, 3) Pollution and Chemicals. It will however aim for a systemic approach taking into account climate, environment, energy and water diplomacies, which should not be seen in silos. Its first objective will be to facilitate exchanges on environmental and Green Deal policy options, expertise, success stories and good practices with a view to enabling policy shifts. Its second objective will focus on bilateral trade and investment, with the promotion of mutual and EU interests, regulatory convergence towards EU standards, and the creation of a level playing field, in such areas as the circular economy, sustainable finance, waste management and clean industrial technologies. Finally, the third objective of the programme will be to develop a sound capacity and expertise to anticipate, assess and present the impact of Green Deal EU legislative measures in selected countries. Activities will include technical cooperation among peers, support to subnational authorities and civil society organisations, seminars/visits and communication activities.
* A new bilateral project, which is part of the second phase of the International Urban and Regional Cooperation (IURC) Programme, started in December 2021.  The “**EU-Japan Region-to-Region and Cluster-to-Cluster Industrial & Innovation Cooperation (IURC Japan)”,** aims to promote region-to-region cooperation adapted to both the EU and Japan’s models of territorial economic development by developing and supporting thematic cluster initiatives between sub-national authorities for economic development and innovation. With a budget of 750,000 EUR and a duration of 2 years, this action includes an important element of promotion of business opportunities in the targeted clusters. Energy efficiency and use of renewables are some of the areas of cooperation between cities.

Under the **EPA facility** an analysis of market access issues in the off-shore wind sector in Japan will be carried out in the 1st half of 2022. The objective of the study is to provide solutions to the EU on how to address market access issues related to regulatory questions technical regulations, standards, conformity assessment and cabotage.

## 4 Thematic priorities for EUCDs

Identified priorities

**Clean energy transition**

Both sides intend to intensify their cooperation on safe and sustainable low-carbon technologies such as renewable energy, in particular offshore wind, energy systems integration, energy markets reform, smart grids, energy storage technologies, batteries, hydrogen with a focus on renewable and low carbon hydrogen, industrial decarbonisation, CCUS, fusion energy, nuclear safety, decommissioning and innovation. Japan has committed to cut 30% of methane emissions under the Global Methane Pledge by 2030. Close co-operation to cut methane emission from the energy production and the transport sector could create short-term and effective emission reductions.

**Hydrogen**

Japan is leading on hydrogen, with a particular focus on its application in transport, heating and energy production. In many of these sectors, Japan is already a technological leader. The country furthermore aims to strengthen its leadership in these sectors through measures laid out in its hydrogen and green growth strategies. Japan will – as many EU member states – need to become a major importer of hydrogen to fuel its transition to net zero by 2050. The country has already started to establish international partnerships and is leading with regards to international supply chain development. Japan does not distinguish between ‘green’ and ‘brown’ hydrogen in its policies whereas the EU promotes green hydrogen. EUCDs should aim at promoting green/low emissions hydrogen, in line with the EU-Japan Green Alliance.

**Offshore wind**

Japan is planning to increase the share of offshore wind in energy production and there is a lot of potential in the country given the large sea areas surrounding the country. By 2030 Japan plans to have 10 GW of offshore wind capacity installed. The first major tenders were launched in 2021 and several EU companies participated. Several workshops have already taken place in 2021 on EU – Japan cooperation on offshore wind and on offshore wind tendering rules in the framework of the SPIPA I project.

EUCDs JPN02 ‘EU – Japan dialogue on best practice policy approaches for offshore wind’ addresses this priority building on SPIPA offshore wind achievements.

**Circular economy**

The EU’s and Japan’s shared predicament of resource and raw materials scarcity, including those materials needed for the energy and climate transition, set an imperative for accelerated progress towards a circular economy, particularly focusing on high-carbon intensity sectors such as plastics, textiles, automotive and construction; and high-impact intermediary product such as steel, cement and chemicals. Recent cooperation with Japan on circular economy and resource efficiency allowed to move the focus from plastics-only to other industries and strived to bring attention from the downstream (recycling notably) to the upstream (product design, demand management) of the product lifecycle. Batteries, textiles, packaging, consumer empowerment and sustainable product design requirements are topics of potential mutual interest to be turned into concrete collaboration with Japan.

E.g. WWF and other NGOs and academia who provide a very accurate picture of the state of play in Japan and the actions which need to be taken.

**Planning and modelling**

The Japanese **long-term strategy** (provides apolicy space for engaging Japan on climate action.  Discussions between DG CLIMA (Mauro Petriccione) and MoE (Ministry of Environment)/METI (Ministry of Economy, Trade and Industry) in April 2019 also concluded to explore the possibilities for follow-up events on policies and sectoral measures for the implementation of LTS. Bilateral engagement on climate strategies which fosters mutual learning on how to measure and report ongoing emissions, how to model future policies as well as in general a better understanding of successful long-term development and transformation could be a fruitful and important avenue for our cooperation, especially in the context of the EU and Japan’s ongoing work to develop and implement policies and plans for their enhanced 2030 targets and 2050 net-zero objective.

**Sustainable finance**

The growing awareness among investors can be used to leverage engagement with business and can be instrumental in disseminating information on the EU Taxonomy and the work of the International Platform for Sustainable Finance (IPSF). An Expert Panel on Sustainable Finance delivered a “Report by the Expert Panel on Sustainable Finance,” laying out recommendations for policy actions needed to promote sustainable activities in Japan. IGES organised an event on sustainable finance on September 16, 2021 (funded by SPIPA). The webinar brought together key players from the EU and Japan, including policymakers, investors, and other market stakeholders to discuss the practical implications of recent policy developments on financial institutions and the wider industry. Building on this experience, in full coordination with the IPSF and its secretariat, could bring a lot of added value.

**Subnational level**

In addition, EUCDs **can facilitate the exchange of sub-national actors** (prefectures, regions and cities with EU equivalent). Successful implementation of the Covenant of Mayors in Japan and recent EU-Japanese activities organised with the support from the SPIPA I Programme demonstrated a clear potential for this type of actions. The Covenant of Mayors’ focus on committing to action as well as monitoring and reporting progress could be usefully enhanced by joint action to support commitments at cities level, through joint seminars, workshops and policy discussions building on the work done so far.

The involvement of MSs is very important when it comes in particular to their experience in the implementation of the green policies (e.g. already existing legislation in FR on deforestation), also at city level, and the know-how of MS companies*.*

EUCDs JPN01 & JPN03 ‘ 100 cities’ EU - Japan climate action dialogue 2023 & 2024’ address this priority building also addressing various sectoral priorities listed above.

1. https://climateactiontracker.org/countries/japan/policies-action/ [↑](#footnote-ref-1)
2. https://climateactiontracker.org/countries/japan/policies-action/ [↑](#footnote-ref-2)