

# European Green Deal toward Carbon Neutrality by 2050

Graduate School of Public Policy  
The University of Tokyo  
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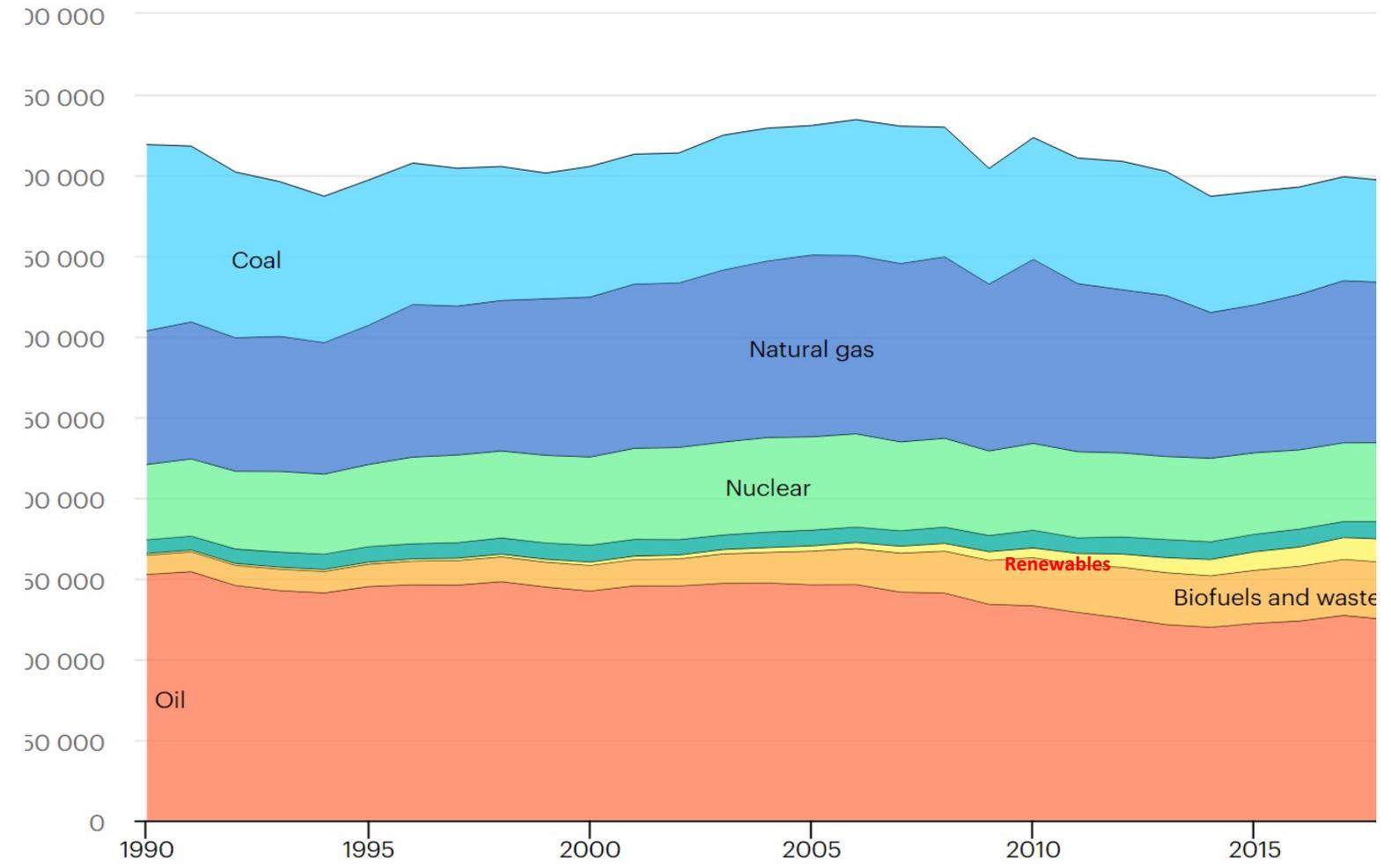
Councilor, IEEJ

Consulting Fellow, RIETI

# Self Introduction

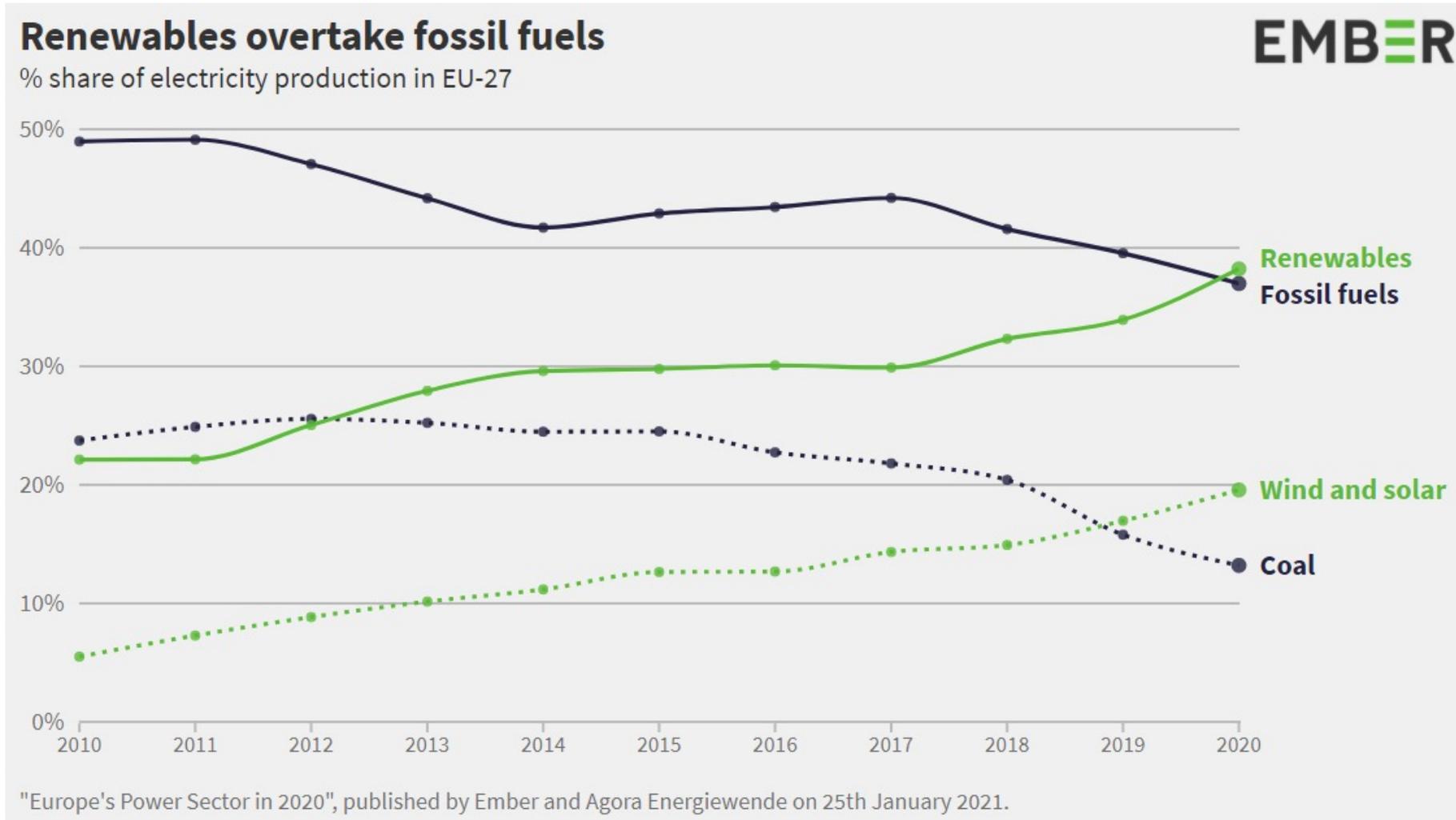
- 1978 Joined MITI (now METI)
  - 1989 Seconded to the World Bank
  - 1991-2004 Director positions for North American Trade Policy Planning, Petroleum Exploration and Production Division, Europe/Russia/Middle East Division, Recycling Promotion Division, International Energy Affairs Division
  - 2004 Vice President, RIETI
  - 2006 Deputy Director-General for Economic Affairs, MOFA
  - 2010 Joined Hitachi, Ltd.
  - 2011-2019 Senior Vice President and Executive Officer, etc.
  - 2019 CEO, Global Link Lab. Ltd. (present)
  - 2020 Managing Director, EU-Japan Centre for Industrial Cooperation (present)
- Education
    - 1978 BA, Law, University of Tokyo
    - 1985 MA, International Relations, Stanford University

# Total energy supply in Europe



- Coal
- Natural gas
- Nuclear
- Hydro
- Wind, solar, etc.
- Biofuels and waste
- Oil

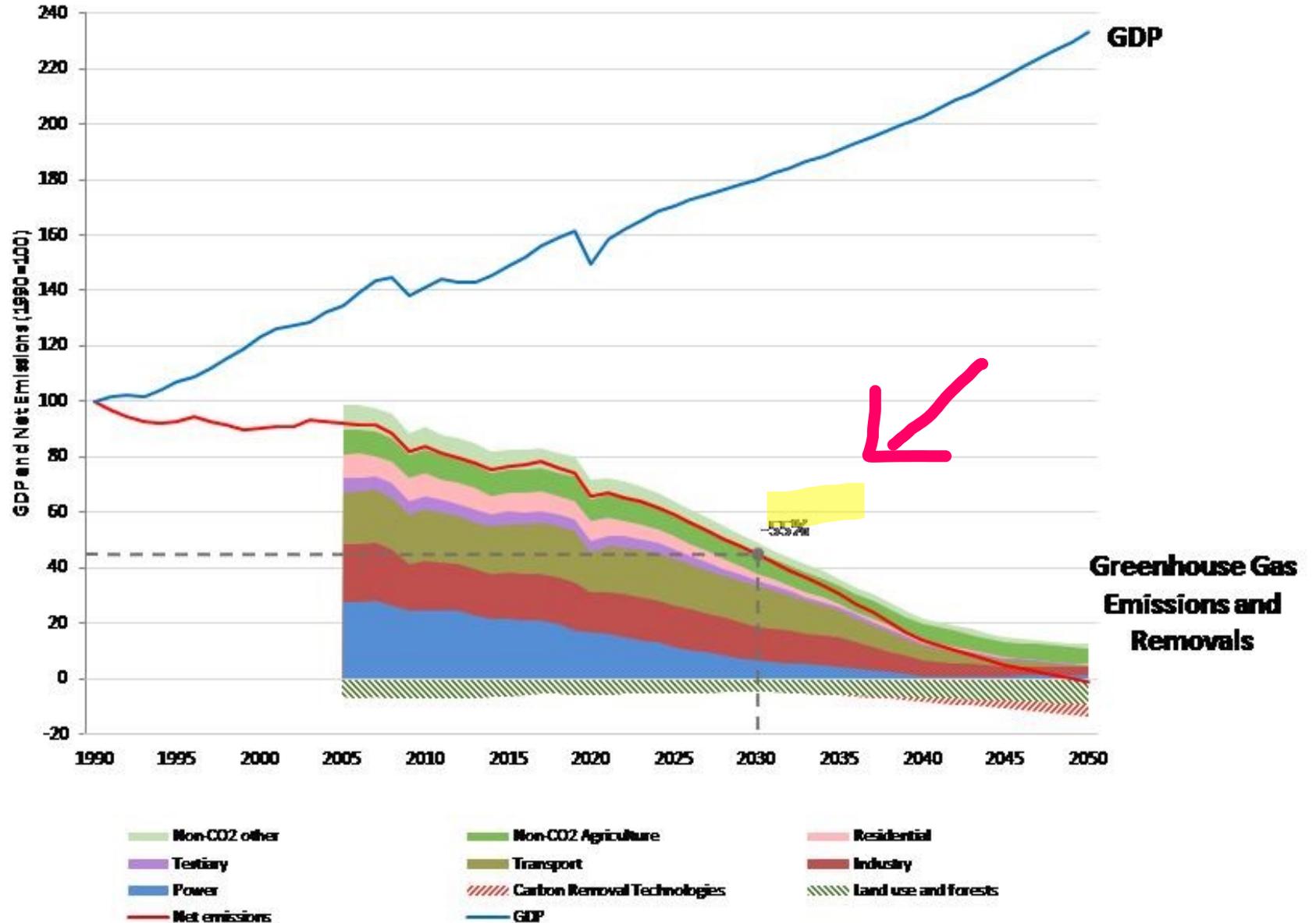
# % share of power generation in EU



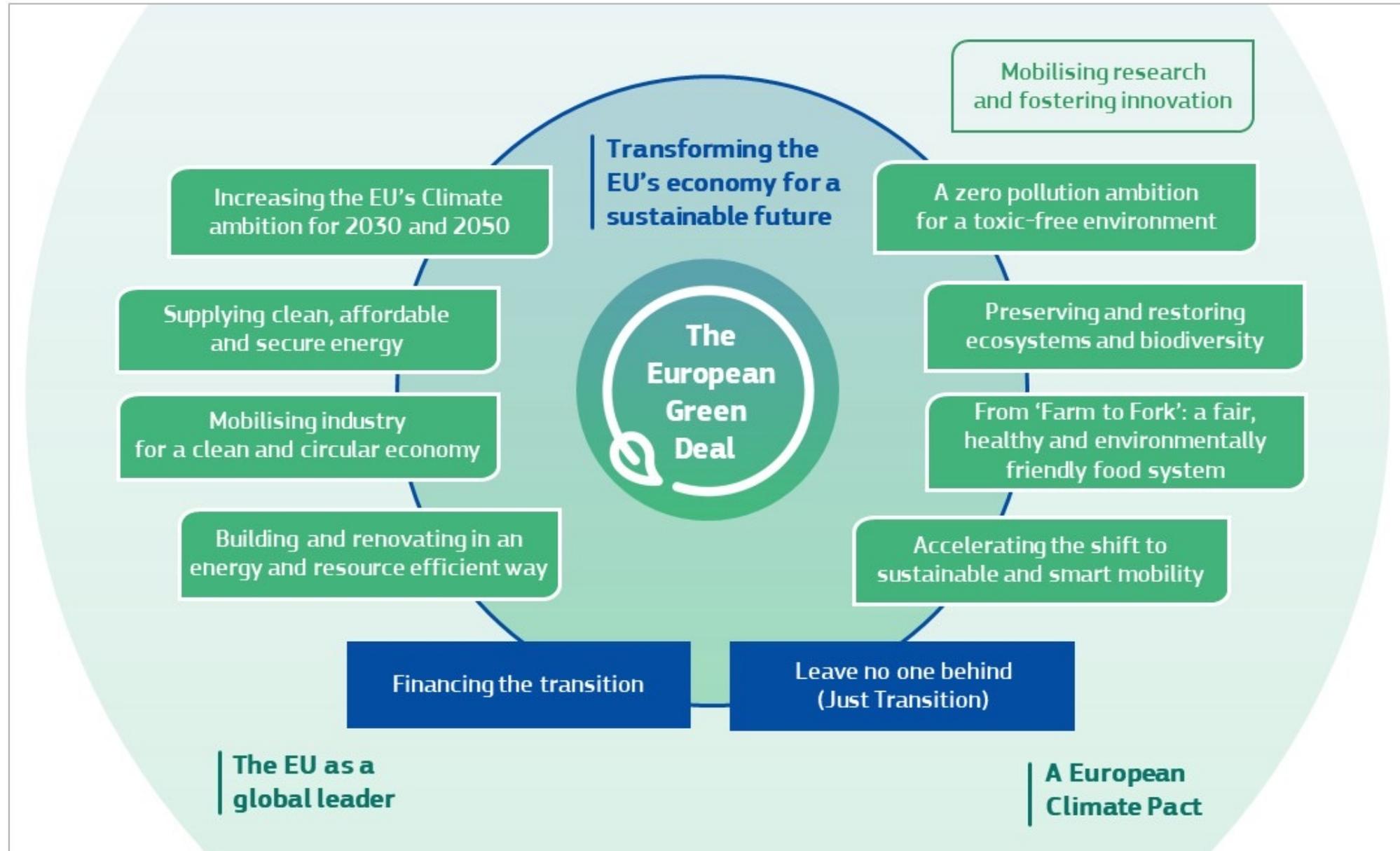
# EU's pathway to 2050

Aims to achieve both sustained economic prosperity and climate neutrality

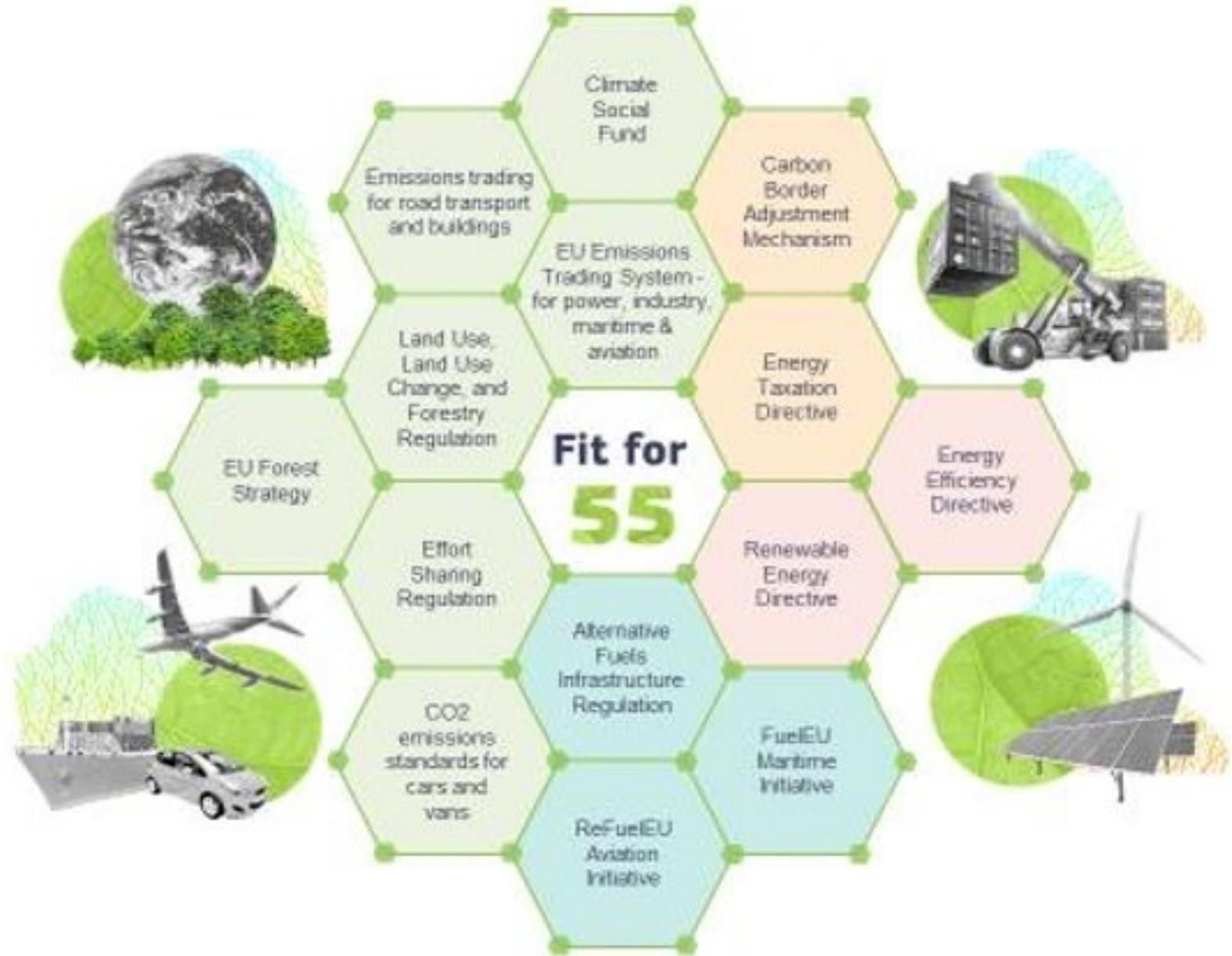
Source: European Commission



# "European Green Deal (Dec. 2019)"



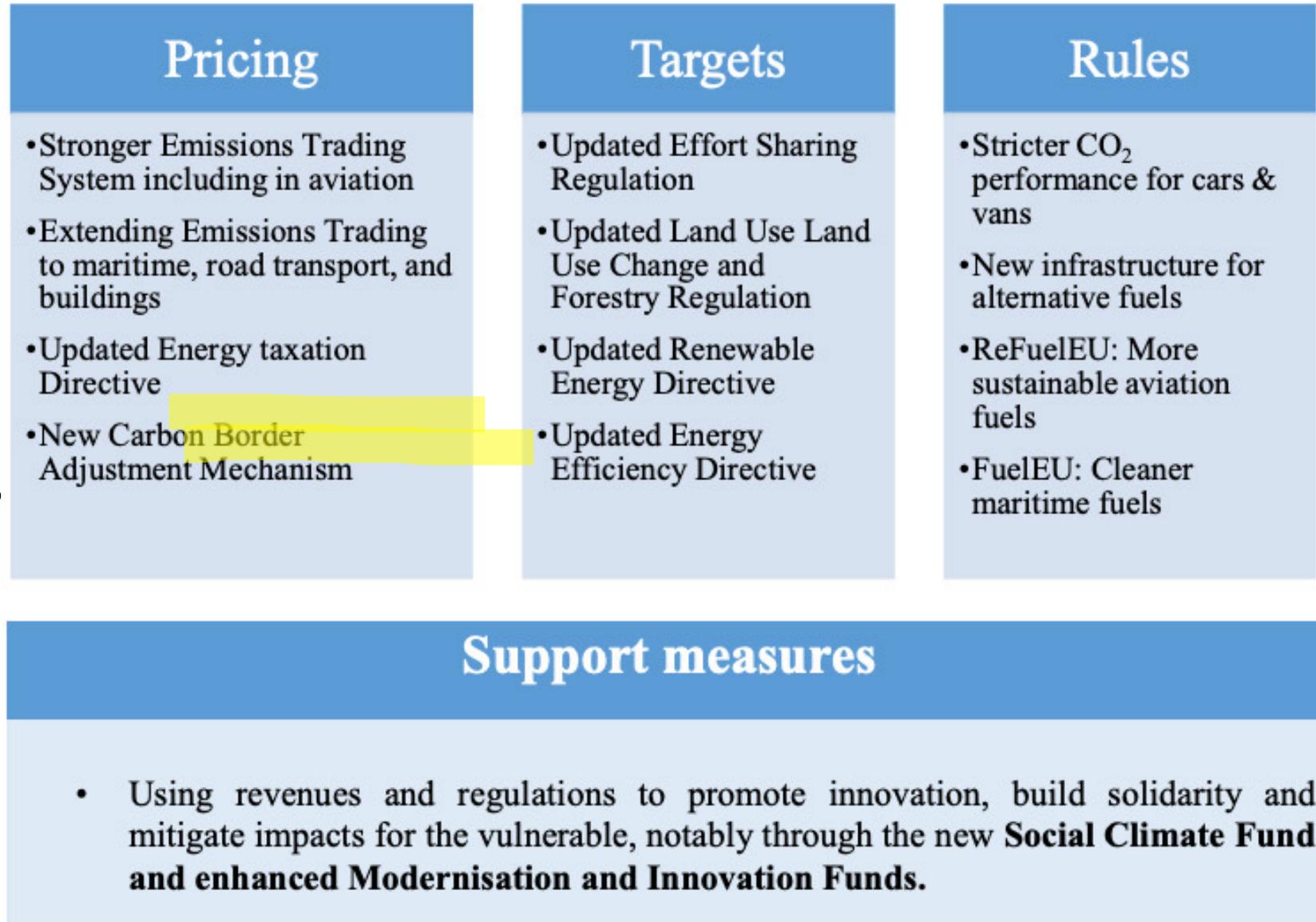
# "Fit for 55" package (July, 2021)



Source: European Commission

# "Fit for 55" at glance

1. Carbon Pricing
2. Setting tighter Targets
3. Stricter Rules
4. Enhanced financial Support



# The EU Emissions Trading System

- Started in 2005
- operates in all EU countries plus Iceland, Liechtenstein and Norway
- limits emissions in the power sector and manufacturing industry, as well as airlines operating between these countries,
- covers around 40% of the EU's greenhouse gas emissions.
- 'cap and trade' principle. A [cap](#) is set on the total amount of greenhouse gases that can be emitted. The cap is reduced over time.
- Within the cap, installations [buy](#) or [receive](#) emissions allowances, which they can trade. The limit on the total number of allowances ensures a value.
- The Commission has proposed a separate, stand-alone Emissions Trading System focusing on companies that supply heating and road transport fuels (gas, diesel, petrol) to start by 2025. The maritime and aviation sector will fall under the original ETS.

# European Carbon Credit Market



Source: Carbon Credit

# "CBAM"

Carbon Border  
Adjustment Mechanism

Mirror EU **carbon pricing** through new mechanism for imports into EU

Complement the EU's **Emissions Trading System (ETS)** measures



**Comply with WTO** and be fully in line with international trade rules

Focus on **carbon intensive sectors**



**CEMENT**



**IRON & STEEL**



**ALUMINIUM**



**FERTILISER**

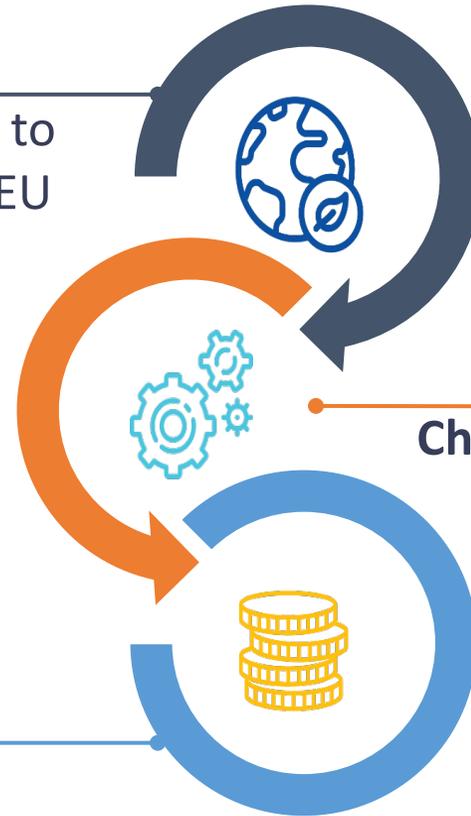


**ELECTRICITY**

# CBAM Objectives

**Prevent carbon leakage** to ensure effectiveness of EU climate policy

**Generate revenues**  
Possible EU Own Resource



## Change behaviours

- Incentivise 3rd country producers to **reduce their emissions**
- Incentivise 3rd countries to adopt **green policy frameworks**

# CBAM

## How does it work?

### Who do what

- EU importers will need to pay a carbon adjustment for imports of certain goods, corresponding to the price they would have paid if the goods had been produced under the ETS.

### Carbon Pricing already paid in originating countries

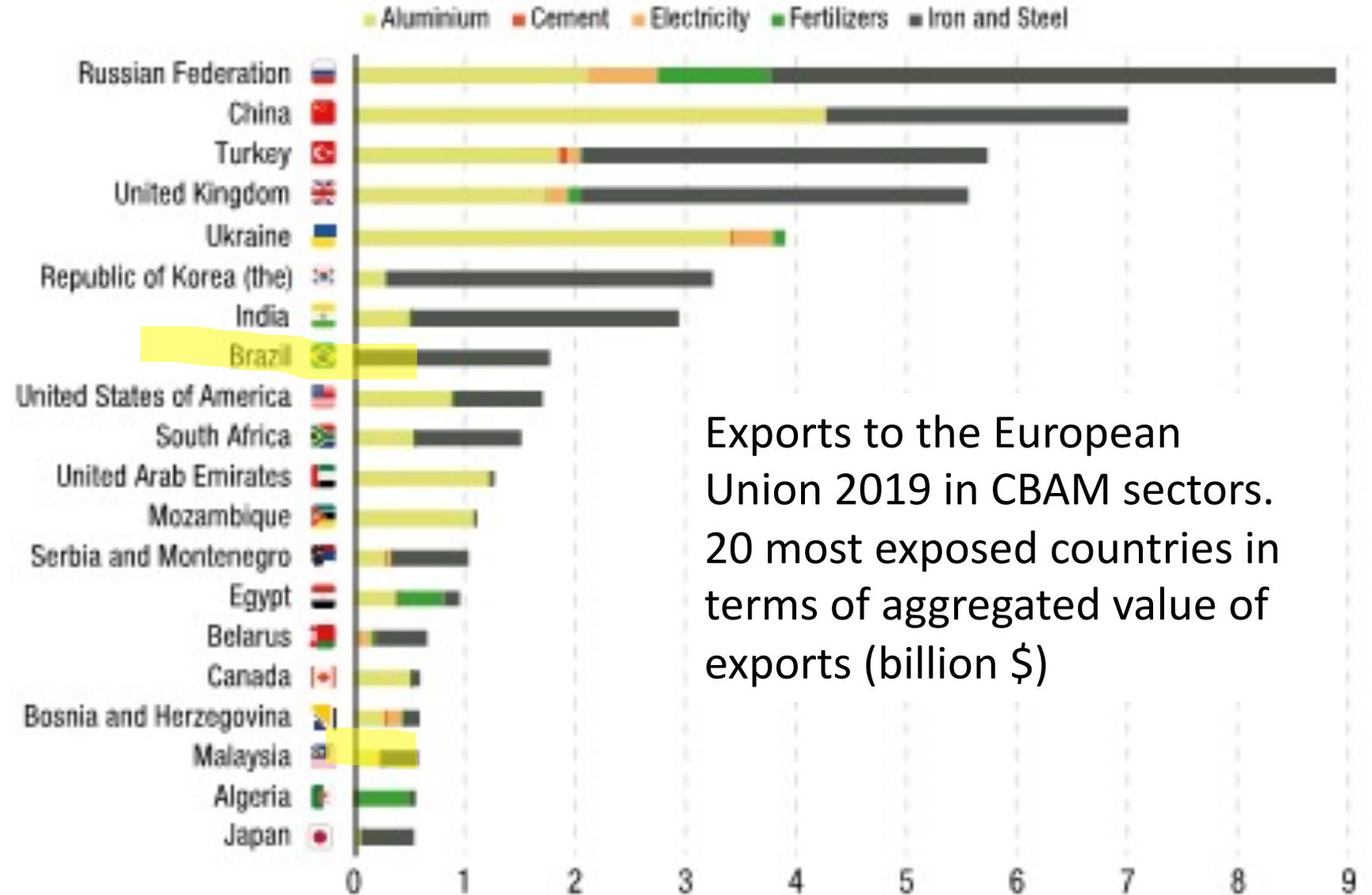
- If a non-EU producer can show that they have already paid a carbon price for production of the imported goods in a third country, that amount can be deducted for the EU importer.

### Gradual phase-in

- CBAM will be gradually and progressively introduced with transitional phase of 2023-25 to allow businesses to adapt.

# CBAM

Who would be impacted?



Exports to the European Union 2019 in CBAM sectors. 20 most exposed countries in terms of aggregated value of exports (billion \$)

Source: UNCTAD based on UN COMTRADE. The list does not include Iceland, Norway and Switzerland because they participate in, or are linked to, the ETS. Therefore, it is likely that these countries are exempt from the mechanism.

# CBAM on Japan?

Frans Timmermans (EVP, European Commission)



"Given the fact that Japan is actually aligned with the European Union in its ambition to decarbonize its economy by 2050, I think it is highly, highly unlikely that we would ever have a discussion about CBAM between the European Union and Japan because [of] the risk of carbon leakage," he said in an interview. "If you all move in the same direction at more or less the same pace, the risk of carbon leakage is absent."

(Asia Nikkei, September 23, 2021)

## ***The EU and Japan commit to a new **Green Alliance** to work towards climate neutrality***

The European Union and Japan announce their intention to form a [Green Alliance](#) to accelerate the transition of both economies towards becoming climate-neutral, circular and resource-efficient in the coming decades.

the European Commission's Executive Vice-President for the European Green Deal Frans Timmermans said:

"This is the EU's first Green Alliance. It is a true milestone in our efforts to create a global coalition for net zero by the middle of the century. Japan and the EU will increase their cooperation so that our combined efforts bring us closer to our goal of living up to the commitment made under the Paris agreement. Together Japan and the EU can further increase a global momentum that is gathering pace. If we pull together, net zero can be achieved."

five priority areas:

1. cost-effective, safe and sustainable energy transition, including renewable energy, renewable hydrogen, energy storage, and carbon capture, utilisation and storage
2. environmental protection, circular practices in production and consumption, biodiversity
3. regulatory cooperation and business exchange
4. consolidating existing collaboration on research and development
5. international sustainable finance to help converge on a definition of sustainable investments and ensure consistency and transparency about sustainability-related disclosures

# EU-Japan Business Roundtable



- Official business dialogue to provide policy recommendations to the EU and GOJ authorities since 1999
- Co-chaired by Mr. Philippe Wahl (Le Groupe la Poste) and Mr. Masaki Sakuyama (Mitsubishi Electric Corporation)
- The 23<sup>rd</sup>. Annual meeting was held on November 4, 2021
- Agenda: EU-Japan Green Alliance, EU-Japan Digital Partnership, etc.

# Key Messages

- The EU has led the world by embarking the ambitious goal of Carbon Neutrality by 2050.
- The EU has proposed work programs of “Fit for 55”, including expanding the ETS, introducing CBAM and banning ICE automobiles.
- The EU has approached Japan to form the first “Green Alliance”.
- Japan has performed very well in energy policy, in particular, technologies of energy efficiency and renewable energy.
- Toward the goal of Carbon Neutrality, there are a lot the EU-Japan Green Alliance should do and offer to the world.

*STAY TUNED with EU-Japan Centre for Industrial Cooperation*

- ✓ EU POLICY REPORT (Japanese only): <https://www.eu-japan.eu/ja/eu-policy-insights>
- ✓ Facebook in English: <https://www.facebook.com/EU-Japan-Centre-for-Industrial-Cooperation-159077020788643/>  
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