EU-Japan Centre for Industrial Cooperation

Seminar Report

“International Climate Change Negotiations: EU and Japanese Positions in the Run-up to COP16"

30 September 2010
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13-3 Round Cross Ichibancho, Chiyoda-ku, Tokyo, Japan 102-0082

Tel: +81-(0)3-3221-6161
Fax: +81-(0)3-3221-6226
URL: www.eu-japan.eu

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Summary

On Thursday 30 September 2010, the EU-Japan Centre for Industrial Cooperation, with the support of the Delegation of the European Union to Japan and Nikkei Business Publications Eco Management Forum, organised in Tokyo a seminar on “International Climate Change Negotiations: EU and Japanese Positions in the Run-up to COP16”. In this event, Mr. Jurgen Lefevere, Policy Coordinator, International Climate Change Negotiations, Directorate-General for Climate Action at the European Commission, presented the EU position in the run-up to COP16 and, on the Japanese side, Ambassador Mutsuyoshi Nishimura, Special Advisor to the Cabinet in charge of Climate Change, detailed his views what is at stake in this international negotiation, whilst Mr. Keisuke Murakami, Director, Global Environment Affairs Office, Industrial Science & Technology Policy Bureau, Ministry of Economy, Trade & Industry (METI), presented the audience the Japanese contribution to the international climate change negotiations through technology.

The United Nations Climate Change Conference held in Copenhagen in December 2009 (COP15) failed to conclude a legally binding agreement to succeed the Kyoto Protocol, adopted in 1997. The parties only agreed to “take note” of what became the Copenhagen Accord, an agreement that contains a number of positive elements but fell short of the high expectations. In December 2010, COP16 will take place in Cancun, Mexico. The negotiating parties have tried all over this year to bridge the gaps left open by the Copenhagen talks.

Mr. Jurgen Lefevere underlined the urgency of the current global environmental situation in which all countries need to act in order to collectively reduce their CO2 emissions. The European Union is willing to become the most climate-friendly region in the world. Its binding legislation has had a significant impact (17% reduction of CO2 emission by EU27 since 1990), which has been amplified by the economic slowdown. Moreover, the EU is already delivering on its fast-start funding commitment for developing countries (7.2 billion Euro from 2010 to 2012). The EU has a preference for a single new and legally-binding global agreement, but would also agree for a second commitment period under the Kyoto Protocol, provided that its weaknesses (AAU surplus, LULUCF rules) are addressed. However, various political issues still need to be further looked at: mitigation, MRV (Monitoring, Reporting, Verification) framework, market mechanisms, finance architecture, Assignment Amount Unit surplus, aviation and maritime and HFCs (Hydrofluorocarbons). Two months before Cancun, these points of concerns are jeopardizing success in COP16.

Ambassador Mutsuyoshi Nishimura presented his views by pointing at 5 main issues: according to him, in order to get practical results, a single framework covering all major emitters is a must and a stronger cooperation with the EU in this perspective is more than welcome. More generally, the UNFCC negotiations will require a strong unity among industrialized countries to conclude this agreement. Forecasts about investments in new technologies for a low carbon economy show that huge amounts will be invested by key players and a clear target must be identified for the long-term in order for these investments to succeed in delivering the right impact on climate change. One of the main threats/uncertainties is, in the Ambassador’s view, the US public reluctance to see Government intervene in this field (as in others).
Mr. Keisuke Murakami outlined Japan’s contribution to GHG emissions reduction through low carbon technologies and products. While international negotiations are stagnating, Japan is promoting bilateral cooperation through Clean Development Mechanism (CDM). But, as the review process is very long (more than 2 years) and CDM is difficult to apply to the major clean technologies, private sector is still reluctant to participate. The Ministry of Economy, Trade and Industry has therefore started to fund feasibility studies with the objective to exploring and designing possible joint GHG reduction projects (Japanese private companies with organizations in developing countries) and bilateral offset mechanisms. To date, 15 projects have been adopted with a total budget of 9 million US dollars (e.g. highly efficient coal power plants, REDD+, introduction of energy efficient technologies at iron and steel plants, etc.).

This seminar was attended by over 130 people from the business sector, EU Member States Embassies, NGOs and academia. We also welcomed a Member of the House of Councillors (New Komeito party), former Vice Minister for Environment (2003-2004). Several questions were raised on the EU project to implement a 30% CO2 reduction after COP16, on the EU opinion about a second Kyoto period and the UN negotiating process, on the best way to convince reluctant countries to sign the future agreement, on the balance between financial incentives and regulatory measures, and on the possibility to link the growing population issue to the global environmental issue.
Seminar Outline

- **Date:** Thursday, 30 September 2010, 10:00 ~ 12:00
- **Place:** Grand Arc Hanzomon, Room Hana
- **Organised by:** EU-Japan Centre for Industrial Cooperation
- **With support of:** Delegation of the European Union to Japan
  Nikkei Business Publications Eco Management Forum

**Programme:**

- **10:00** Opening remark
  by Mr. Julien Guerrier, General Manager, EU-Japan Centre for Industrial Cooperation
- **10:10** “EU’s Position in the Run-up to COP16”
  by Mr. Jürgen Lefèvere, Policy Coordinator for International Climate Change Negotiations,
  Directorate-General for Climate Action, European Commission
- **10:45** “Japanese View on COP 16”
  by Ambassador Mutsuyoshi Nishimura, Special Advisor to the Cabinet in charge of
  Climate Change
- **11:05** “Promotion of Japan’s International Contribution to GHG Emissions
  Reduction through Low Carbon Technologies and Products”
  by Mr. Keisuke Murakami, Director, Global Environment Affairs Office, Industrial
  Science & Technology Policy Bureau, Ministry of Economy, Trade & Industry
- **11:25** Questions & Answers
- **12:00** Closing remark
  by Mr. Julien Guerrier, General Manager, EU-Japan Centre for Industrial Cooperation

**Photographs:**
Major issues discussed

After the failure of the United Nations Climate Change Conference in Copenhagen (December 2009) to conclude a legally binding agreement to succeed the Kyoto Protocol, the negotiating parties have tried all over 2010 to bridge the gaps left open by the Copenhagen talks. In the seminar organised by the EU-Japan Centre for Industrial Cooperation on 30 September 2010 in Tokyo, at a few weeks from the Cancun Conference (December 2010), Messrs. Lefevere, Nishimura and Murakami detailed the European and Japanese positions in the Run-up to COP16.

Mr. Jurgen Lefevere - “The EU position in the run-up to COP-16/CMP-6”

The EU maintains its ambitious environmental goals: the objective limiting global warming to below 2°C above pre industrial level, accepted in international negotiations, was part of the Copenhagen Accord. In terms of Greenhouse Gas Emissions (GHG), the EU is targeting -80% to -95% reductions by 2050 from 1990 level. According to European studies conducted over the last 2 years on the economic impacts of environmental actions, the costs of taking these actions seem to be affordable for the EU economy.

Today, the EU is on track to meet its Kyoto target and even willing to become the most climate-friendly region in the world, showing that it is possible as a group of industrialised countries to make drastic cuts in GHG emissions reduction. The EU has already adopted legislation for the 2020 objective and is now looking beyond this date. From climate as an environmental debate, the EU is currently thinking of climate as a debate of economic self interest, where energy security issues and the strengthening of EU competitiveness are key factors.

The EU binding legislation has already produced a significant impact (in 2009, 17% reduction of CO2 emission by EU27 since 1990), amplified by the recent economic slowdown. The Emission Trading System (ETS) is the main pillar of the EU policy on Climate Change and covers about 45% of the EU’s GHG emissions. Targets are also in place for sectors not covered by the ETS. The EU is increasingly enacting a range of more technical legislation that includes not only Carbon Capture Storage and reduction of CO2 emissions from cars, but also standards for specific types of technologies and appliances.

The EU continues to negotiate on two tracks, the Convention and the Kyoto Protocol. In Cancun, the EU’s objective remains an ambitious, comprehensive and legally binding framework to be adopted as soon as possible. However, to date, other parties have not changed their position: the US has not yet modified its domestic climate policy, the major emerging economies and the ALBA countries are still maintaining a hard line position. In order to avoid disappointment about the outcome of the conference, the EU is focusing on
a step-by-step approach to lay a solid foundation for an action-driven international framework.

A possible balanced package of decisions could be met in Cancun if the following key political issues are resolved:

- **Mitigation**: It would be wise to open up a dialogue in the context of the UN on what the pledges mean and how to cooperate to strengthen the collective level of ambitions in those pledges.
- **Measurement Reporting Verification (MRV) framework**: It is vital to set out all the key elements of this framework in Cancun because it is the heart of the system, bringing transparency and trust.
- **Market mechanisms**: Formally, the Clean Development Mechanism (CDM) under the Kyoto Protocol can continue after 2012, but the EU would prefer a significant reform in the CDM and the creation of new mechanisms.
- **Assigned Amount Unit (AAU) surplus**: Emissions budget left over after the first commitment period under the Kyoto Protocol.
- **Aviation, Maritime CO2 and HFCs emissions**: These sectors were exempted from multilateral action on Climate Change and are currently being discussed.

But some points of concerns are jeopardizing a future success at COP16: a huge amount of differences in views, no clear vision of what Cancun outcome can be, and an increasing straying away from the Copenhagen Accord due to a growing opposition to some of the language in the accord and to new elements proposed by some countries. The imbalance in the negotiations is another problem: negotiations under the Kyoto tracks have moved forward whilst there is no similar progress on the side of the Convention. The EU has a clear preference for a single, new and legally-binding global agreement, but would also accept a second commitment period under the Kyoto Protocol, provided that its weaknesses (AAU surplus, LULUCF rules) are addressed.

Developing countries have made clear in the last few weeks that delivering on fast-start funding is absolutely vital for a success in Cancun. In Copenhagen, the developed countries made the collective commitment of providing approximately 30 billion USD over the period 2010-2012 for a number of concrete actions to tackle climate change in developing countries. The EU has already begun to deliver its commitment (7.2 billion Euro from 2010 to 2012).

**Ambassador Muttsuyoshi Nishimura – “Japanese views on COP 16”**

Ambassador Nishimura presented his views by pointing at 5 main issues:

- According to him, in order to get practical and real results, a single framework covering all major emitters is a must, and a stronger cooperation between Japan and the EU in this perspective is more than welcome. This new Protocol would decide on different volumes and size of actions for each country depending to their situation, but it is important to play the game under the same rules and with the same measurements in order to efficiently fight Climate Change;
- More generally, the UNFCC negotiations will require a strong unity among industrialised countries (Annex 1 countries) to conclude this agreement;
- According to an HSBC study, “a market in low-carbon energy and efficiency technologies will at least double to $1.5 trillion from $740 billion now, but HSBC analysts expect that it would more likely treble to $2.2 trillion, implying global annual market growth of 7-11 percent from 2009-2020” (quoted from Reuters website: http://www.reuters.com/article/idUSLDE68511K20100906 ). One of the top players will be the EU (more than 30% of the low-carbon investment), with China (25%) and
the US (21%). Japan comes in fifth position. These figures point out the trend in current and future huge investments in low carbon industries and intensified actions done by key players;

- **A clear target must be identified over the long term** in order for these huge amounts of public and private investments in new technologies for a low carbon economy to succeed in delivering the right impact on Climate Change.

- One of the main threats/uncertainties is, in the Ambassador’s view, the **US public reluctance** to see Government intervene in this field (as in others).

**Mr. Keisuke Murakami – “Promotion of International Japan’s Contribution to GHG Emissions Reduction through Low Carbon Technologies and Products”**

Mr. Murakami focused on the offset mechanism that Japan has in mind: while multilateral negotiations are stagnating, Japan is also promoting bilateral cooperation through Clean Development Mechanism (CDM). Japan’s ambitious target is to reduce its CO2 emission by 25% by 2020 compared to 1990 level and the New Growth Strategy adopted in June 2010 by the Japanese government plans to use Japanese technology to contribute to the CO2 reduction overseas by 1.3 billion tons by 2020. The CDM system is part of the Kyoto mechanism but, as the review process by the United Nations bodies is very long (more than 2 years), CDM is difficult to apply to the major clean technologies. One of the consequences is the reluctance of the private sector to participate due to the high business risk.

The Ministry of Economy, Trade and Industry has therefore started to fund feasibility studies with the objective to exploring and designing possible joint GHG reduction projects (Japanese private companies with organisations in developing countries) and bilateral offset mechanisms. To date, 15 projects have been adopted with a total budget of 9 million US dollars for Fiscal year 2010 (e.g. highly efficient coal power plants, REDD+, introduction of energy efficient technologies at iron and steel plants, etc.).

**Discussions**

This seminar was attended by over 130 people from the business sector, EU Member States Embassies, NGOs, academia. A Member of the House of Councillors (New Komeito Party), former Vice Minister for Environment (2003-2004) was also in the audience. Questions were raised about:

- **the EU project to implement a 30% CO2 reduction after COP16 and the EU’s view on the Japanese bilateral offset mechanism**

Mr. Lefevere explained that the EU was already prepared to negotiate an aggregate number in Copenhagen but, as no fundamental change occurred with other countries, he doesn’t expect any outcome on this issue in Cancun. He nevertheless hopes that a significant step forward will be possible in the discussions on the “shared vision” (common statement about future reductions, e.g. there is a need to anchor the -2°C objective, the 50% reduction by 2050, etc.).

The decision of implementing a 30% CO2 reduction during COP16 is more likely to take place in the course of next year, during discussions on the European budget, when adjusting the EU spending. In Cancun, if other countries are showing a significant move forward, the EU could reconsider its position, but the debate in the EU is now shifting to understand to what extent it makes economic sense to unilaterally move to a 30% reduction.
Regarding the Japanese bilateral offset mechanisms, Mr. Lefevere finds encouraging this exploration of new ways of expanding the palette of mechanisms that are available in the Kyoto Protocol and that are making technology transfers easier.

But the EU’s primary concern is to continue the negotiations and to reach an agreement within the international system. In Cancun, the EU could announce a series of EU pilot projects similar to those made by Japan, but in the context of a multilateral framework.

- **the EU opinion about a Kyoto second commitment period and the UN negotiating process**

Mr. Lefevere confirmed the EU preference for a single new global framework, but said that Europeans are also open to a second commitment period under the Kyoto Protocol. On the 14 October 2010, the European “Council adopted conclusions on the EU position for the Cancún climate conference. The EU expects the meeting to adopt a balanced set of decisions that contribute to the establishment of an international regime to protect the climate after 2012. The Council reiterated its preference that this should take the form of a single legally binding instrument. At the same time, it confirmed its willingness to consider a second commitment period under the Kyoto Protocol if this were part of a wider outcome including the perspective of a global framework engaging all major economies.”


The EU would consider a second commitment period under the Kyoto Protocol if the following issues are addressed: (1) the EU is not alone in this second commitment period and significant actions are taken on the other track (Convention), which would include both the US and China; (2) some of the environmental weaknesses in the Kyoto Protocol (e.g. addressing the banking of surplus emissions budget, how to account for forestry emissions in developed countries, enable the use of new market mechanisms).

The UN negotiating process is vital and the international community should keep investing in the UN to drive forward negotiations and reach an agreement on an international multilateral framework because Climate Change is a global issue. But in the last few years, there has been an increasing use of options to move forward on specific issues (partnerships on MRV, REDD+) and some groups of countries willing to progress on particular issues are working together. The EU is doing both actions, multilateral as well as bilateral.

- **the best way to convince reluctant countries to sign the future agreement**

Mr. Lefevere underlined the difference between two types of reluctance: (1) reluctance of some countries to internationalise actions taken domestically (e.g. in China, massive actions are taken to limit CO2 emissions: there are currently huge discussions in the context of the next 5-year Action Plan on introducing emissions trading and Mr. Lefevere considers that China could introduce its GHG emissions trading system well before Japan does); (2) reluctance of some countries to start moving their action on Climate change even domestically (e.g. the US).

The strongest argument of the EU to convince both categories of countries is to show that actions can be done without damaging the European economy, even giving it a competitive advantage. The EU is really willing to be the first mover on new and clean technologies.
● the balance between financial incentives and regulatory measures

According to Mr. Lefevere, both measures are expensive: financial incentives in terms of public funds and regulation in terms of private funds, it is a question of keeping the right balance between both systems. Today, in the EU, the economic crisis puts a pressure on public budgets and governments cannot provide big amounts of public funds, but there are still ways to incentivise specific areas of the economy.
The EU will continue to work with standards (to be developed in a cost-effective manner).

According to Ambassador Nishimura, the most efficient and cheapest way to keep a thriving economy in Japan would be to involve households by taxing carbon-intensive products and services.

According to Mr. Murakami, the first Kyoto Protocol, not signed by the US but by other industrialised nations, has delivered results: a real reduction of emissions and the credibility of the Carbon market. The Kyoto Protocol should evolve now for a further reduction of emissions and should involve all major economies, including China.

● the possibility to link the growing population issue to the global environmental issue

Mr. Nishimura underlined that the world population currently amounts to 6.7 billion and will soon grow to 9 billion. Adjustment of the number of population and consequently global environmental issues will not be addressed unless all countries participate to the efforts. One of the solutions would be to raise standards of living in order to produce a birthrate decrease in poor countries, as proven by past examples.

Conclusion

In June 2010, the Cabinet of Japan approved a new Strategic Energy Plan focusing on comprehensive energy security and stronger measures to combat climate change, together with a New Growth Strategy that identifies green innovation as one of the strategic areas. There are still debates going on about domestic implementation, but, as recognised by the 19th EU-Japan Summit on 28 April 2010, climate change is one of the greatest challenges facing the international community. “Japan and the EU should exercise joint leadership, achieving their current targets under the Kyoto Protocol, and strive for early adoption of a robust and effective legally binding agreement which establishes a fair and effective new international framework with participation by all major economies, respecting experience learned from the Kyoto Protocol. (…) Summit leaders concurred on the need for close cooperation to curb the man-made destruction of the natural environment. They shared the view that Japan and the EU should cooperate to ensure the success of the tenth meeting of the Conference of the Parties to the Convention on Biological Diversity which Japan will host in Nagoya, Aichi, in October.”

Further information:

Documents:
- European Commission – DG Environment:
  General: http://ec.europa.eu/environment/index_en.htm
I - Chronology of the United Nations Climate Change Conference

Before Cancun:

- 19 Dec. 2009: UN climate conference seals ‘Copenhagen Accord’
- 31 Jan. 2010: 55 countries accounting for almost 80% of global greenhouse gas emissions submit national climate change goals under Copenhagen Accord
- 31 May-11 June 2010: UNFCCC session in Bonn agrees more meetings
- June 2010: European Commission to present policy paper on pathways to 2030-2050 and economic assessment of raising the EU’s greenhouse gas emissions reduction target to 30% by 2020
- 4-9 October 2010: UNFCCC negotiating session in Tianjin, China
- 29 Nov.-10 Dec. 2010: UN climate conference in Cancún, Mexico (COP16). Objective is to advance negotiations on the basis of the Copenhagen Accord. No binding agreement is expected

After Cancun:

- 2015: Planned evaluation of Copenhagen implementation

II - Various recent UN Conferences on Climate Change


- Conclusion of the Conference:
  ✓ The 'Copenhagen Accord' confirmed that:
    ➢ deep cuts in global emissions "will be required" to maintain global temperature increases below 2°C
    ➢ countries will take action to achieve this;
    ➢ a number of important advances on tackling deforestation, as well as helping poor nations to mitigate climate change and adapt to its foreseeable consequences, such as storms and floods.
  ✓ The Accord has won backing from almost 120 of 194 UN members, including top emitters China, the United States, the European Union, Russia and India. This is unprecedented, optimists point out.
  ✓ But the text is non-binding on commitments to cut greenhouse gas emissions and does not mention a long-term vision on emission reductions for 2050 or a medium-term target for 2020.

Bonn Conference – June 2010

- The Bonn conference brought to the surface underlying disagreements between developed and developing countries, which have become evident in the debate surrounding the role of the non-binding Copenhagen Accord agreed at the close of the Copenhagen climate conference in December.
  The US would like to see the Copenhagen Accord, endorsed by two-thirds of the countries that attended the talks, form the basis for the new negotiations. But many developing countries, headed by China and India, argue that the negotiations need to be kept under the UN Framework Convention on Climate Change (UNFCCC).
  The accord's main advantage for developing countries is that it includes a commitment from industrialised nations to provide climate funding for poor countries. But it does not include
any country-specific emissions reduction targets. Analysis shows that the pledges currently on the table will fall far short of keeping global warming below the agreed 2°C.

- After the Bonn meeting, UN Framework Convention on Climate Change (UNFCCC) chief Yvo de Boer repeated his belief that it will not be possible to conclude a new agreement in Cancún. Negotiations this year will need to "conclude on mitigation targets and action, a package on adaptation, a new technology mechanism, financial arrangements, ways to deal with deforestation and a capacity-building framework," he said.

**Objectives of Cancun Conference – December 2010**

Deliver the necessary architecture for issues like adaptation, mitigation, finance, reducing emissions from deforestation (REDD), and monitoring, reporting and verification (MRV)

**III – EU position before Cancun**


**EU Strategy to reinvigorate global action after Copenhagen – March 2010** (see Press Release + Communication)

- The EU should **begin implementing Copenhagen Accord**, in particular 'fast start' financial assistance to developing countries: swift implementation of the EU's commitment to provide €2.4 billion in 'fast start' financial assistance to developing countries annually in 2010-2012 is essential both to the EU's credibility and to enhancing recipient countries' capacities to address climate change;
- The EU should **continue to press for a robust and legally binding global agreement** that involves all countries in real climate action. This will require integrating the Copenhagen Accord into the UN negotiations and addressing the weaknesses in the Kyoto Protocol;
- The EU has committed to a 20% emissions cut below 1990 levels by 2020 ("Europe 2020 Initiative"), and to scaling up this reduction to 30% if other major economies agree to do their fair share of the global effort. The Commission will prepare an analysis of what practical policies would be required to implement the 30% emission reduction.
- The EU will continue to **work to advance the development of the international carbon market**, which is essential for driving low-carbon investments and reducing global emissions cost-effectively. The carbon market can also generate major financial flows to developing countries.

**Main issues for the EU**

- **Moving to 30%?**
  According to Connie Hedegaard: "If we do it intelligently [raise the target to 30%], it will enhance our competitiveness, strengthen our energy security, stimulate green economic growth and innovation, and by that we will create new jobs". But this target is causing internal divisions among its 27 member states: Eastern European countries argue that the EU must first analyse how other countries' pledges compare before making a move. Other sceptics of a unilateral move include Italy and Finland. By contrast, most Western EU member states including the UK, Denmark, the Netherlands and Sweden, think it is in Europe's own interests to move to 30%. These countries tend to favour moves towards a global carbon trading system based on the existing European emissions trading scheme (EU ETS), which could be linked up with a possible American, Japanese or even OECD-wide scheme.

- **One or two treaties?**
  In Copenhagen, the European Union and the United States, backed by other rich nations, pushed for a new treaty to replace the Kyoto Protocol that would include all countries under a single framework. But developing nations, represented by the G77 group, disagreed and called instead for extending and sharpening rich nations' commitments under Kyoto. They
also called for a separate deal binding the US, which has not ratified Kyoto, and supporting action by poorer countries. In March, Britain attempted to revive global climate talks by offering to extend the Kyoto Protocol beyond 2012. Climate Action Commissioner Hedegaard said the EU wants to see all other developed nations commit to a binding treaty. But she said it would also be ready to continue with the Kyoto Protocol, insisting that the EU had delivered on its commitments under Kyoto and therefore has no problem with the agreement.

- Reforming Kyoto Protocol if kept
  Problem: a huge surplus of unused carbon emission credits is clogging the system. Russia, Ukraine and other East European countries are holding 10 billion tons of unused greenhouse gas emission credits under Kyoto, a result of industry restructuring in the early 1990s following the collapse of communism. If this so-called 'hot air' can be banked and re-used under the future agreement, the emission reduction pledges of rich countries would have to be tightened to compensate for the surplus, the Commission warned. Further significant loopholes in Kyoto: Under current accounting rules on land-use, land-use change and forestry (LULUCF), rich countries are able to claim emission reduction credits "without additional action" to prevent deforestation, for example, Brussels warns. When taken into account, these rules would weaken the pledges further so that industrialised countries might at worst increase their emissions by 2.6% above 1990 levels, the Commission said.

- REDD+
  The Copenhagen Accord calls for the "immediate establishment of a mechanism" to mobilise financing for reducing emissions from deforestation, the so-called REDD+ mechanism. As part of the agreement, a fund called the Copenhagen Green Climate Fund was also proposed. Money would be channelled through the fund to support different initiatives for adaptation, emission reduction and technology development. But the specifics of the mechanisms are yet to be defined. In addition, the US insisted that international funds be made conditional on developing countries agreeing to independently verifiable emissions reductions, something they are currently resisting.

- Climate aid to developing countries
  The EU has committed to contributing €2.4 billion annually over the period 2010-2012 in so-called 'fast-start' funding to help developing nations adapt to the unavoidable consequences of climate change. Other developed nations, including the United States and Japan, have promised equivalent sums of money for a total of $30 billion. The so-called fast-start money will be allocated to poor countries that need to adapt to climate change, but also to reduce their emissions and embark on a low-carbon development path. The short-term financing will also be used to prevent deforestation. Altogether, industrialised countries agreed "to set a goal of mobilising jointly $100 billion a year by 2020 to address the needs of developing countries".

- Verification of mitigation actions
  But the aid pledge for developing countries came with conditions linked to reporting and verification mechanisms on how they will use the money to tackle climate change. The final accord foresees that national actions by developing countries "will ensure that national sovereignty is respected". National inventory reports will rely on domestic measurement and verification systems that will be communicated every two years on the basis of internationally-agreed guidelines. But it also stresses that mitigation actions seeking international funding "will be subject to international measurement, reporting and verification" to be agreed at a later stage. It remains to be seen, however, how domestic emission curbs will be measured in order to ensure comparability of national statistical systems at international level.
- **Technology transfer**
  The Copenhagen Accord agreed to establish a mechanism "to accelerate technology development and transfer" for adaptation and mitigation actions. The mechanism will be agreed on a country-by-country basis according to the agreement. But there is little detail on how this will take place. One possible approach is to promote agreements in specific energy-hungry industrial sectors, such as steelmaking. Industries benefitting from the scheme in developing countries would gain access to state-of-the-art technology in exchange for pledges to cut their emissions and a commitment to level international competition in the sector. In addition, the future of the Clean Development Mechanism, which constitutes the Kyoto Protocol’s main instrument for technology transfer, remains up in the air. Indeed, the Copenhagen deal does not mention the future of the CDM, which allows industrialised nations to earn carbon credits from emissions reduction projects in developing countries.

- **Future role of the UN**
  More fundamentally, the failure of the Copenhagen conference highlighted the **complexity of the multilateral negotiation process**, which requires **unanimity** among the 194 parties to the United Nations Framework Convention on Climate Change (UNFCCC). In this context, other forums are expected to play an increasing role in shaping a future international agreement:

  - The G8 and G20 groupings of major world powers.
  - The Major Economies Forum, grouping 17 emitters accounting for 80% of world greenhouse gases.
  - The so-called BASIC group bringing together Brazil, South Africa, India and China.
  - The G77 group of developing nations.

  But Yvo de Boer, executive secretary of the UNFCCC, warned that the UN process was ultimately the only one to guarantee full democratic legitimacy. De Boer stressed that a lack of confidence about "process" in Copenhagen had been at the core of the conference’s failure, with US President Obama holding a press conference on the summit’s outcome before the final text of the Copenhagen Accord had been presented to the other countries' representatives.

### III – Japan position before Cancun

Regarding Climate Change, Japan will strengthen its efforts through domestic measures and international cooperation.

**Domestic measures:**

- Ambitious target of CO2 emissions reduction: 25% reduction by 2020 compared to the 1990 level and 80% CO2 reduction below 1990 level by 2050
- Project of Green tax
- Promotion of awareness campaign on Climate Change issue
- 3R Initiative (Reduce, Reuse, Recycle)

**International cooperation:**

- Japan’s **fast-start financing** for Developing Countries up to 2012:
  - Objective: assist developing countries, especially those making efforts to reduce emissions and/or being particularly vulnerable to climate change (including REDD+)
  - Total assistance: 15 billion dollars, with 7.2 billion through ODA and 7.8 billion through other official financing in collaboration with private sector, such as JBIC financing. In April 2010, 5.3 billion dollars of assistance have already been implemented
  - Areas of assistance:
    - **Mitigation:** assist developing countries in climate change policy formulation and promotion of renewable energy (e.g. wind, geothermal, solar energy) – 5.1 billion dollars

- REDD+: assist developing countries to conduct survey of forest resources and formulate forest management plan to promote sustainable usage and preserve forests – 165 million

- Adaptation: strengthening developing countries’ capability to cope with natural disasters caused by climate change – 225 million dollars

- Japan will host Aichi-Nagoya Ministerial Meeting on REDD+ Partnership on 26 October 2010 with the objectives: (1) to review achievement of actions and financing taken under the Partnership since its establishment and (2) to discuss the ways to strengthen and to further improve the implementation of the Partnership.

**Clean Asia Initiative (CAI):**

The concept of Clean Asia Initiative was included in the Strategy for an Environmental Nation in the 21st Century, a proposal approved by the Cabinet in June 2007. CAI is an initiative that aims to help economic development in Asian countries to leap over environmental degradation by passing on Japan's experiences of technologies, organizations, and systems (as a package), while at the same time taking into consideration of each country's history, traditions, and culture. CAI will become a model for Asia to achieve sustainable economic development low-carbon, sound material-cycle avoiding environmental degradation by living in harmony with nature.
Participants & Evaluation

Total number of participants = 118

Average evaluation of the event by participants on the scale of 1 to 5 (1 = Poor/Low; 5 = Excellent/High)

- Learning Value: 3.48
- Adherence to Objective: 3.56
- Adherence to Interests: 3.43
- EC Presentation: 3.71
- MOFA Presentation: 3.26
- METI Presentation: 3.9
- Handout: 3.28
- Interpretation: 3.97
- Event Structure: 3.6
- Staff: 3.54

Categories of attendees:
- Business: 70%
- EU Commission and EU Member States: 8%
- Embassies: 8%
- Others: 3%
- Academic: 3%
- Media: 4%
- Japanese Public Organization: 2%
- Japanese Local Government: 2%
- Japanese Government: 5%
- Industrial Federations: 3%
Presentations & Handouts

- **Programme** of the Seminar

- **Presentation** - “EU’s Position in the Run-up to COP 16 ”
  (by Mr. Jürgen Lefevere, European Commission)

- **Presentation** - “Promotion of International Japan’s Contribution to GHG Emissions Reduction through Low Carbon Technologies and Products”
  (by Mr. Keisuke Murakami, METI)
International Climate Change Negotiations: EU and Japanese Positions in the Run-up to COP16

The United Nations Climate Change Conference held in Copenhagen (COP15) in December 2009 failed to conclude a legally binding agreement to succeed the Kyoto Protocol, adopted in 1997. The parties agreed to “take note” of what became the Copenhagen Accord, an agreement that contains a number of positive elements but fell short of the high expectations. Soon the next COP will take place in Cancun, Mexico. The negotiating parties have tried this year to bridge the gaps left open by the Copenhagen talks. Will the remaining months of negotiations leave enough time to come to a meaningful result in Mexico?

In this seminar, Mr. Jürgen Lefevere, Policy Coordinator, International Climate Change Negotiations Directorate-General for Climate Action, European Commission will present the EU position in the run-up to COP16 and what can be expected in the next few months. After his talk, speakers from the Japanese government will take the floor to share with the audience the Japanese positions on the next steps for the international climate change negotiations.

Programme

10:00 Opening remark
   Mr. Julien Guerrier, General Manager, EU-Japan Centre for Industrial Cooperation

10:10 “EU position in the run-up to COP 16”
   Speaker: Mr. Jürgen Lefevere, Policy Coordinator, International Climate Change Negotiations, Directorate-General for Climate Action, European Commission

10:45 “Japanese views on COP 16”
   Speaker: Ambassador Mutsuyoshi Nishimura, Special Advisor to the Cabinet in charge of Climate Change

11:05 “Promotion of Japan's International Contribution to GHG Emissions Reduction through Low Carbon Technologies and Products”
   Speaker: Mr. Keisuke Murakami, Director, Global Environment Affairs Office, Industrial Science & Technology Policy Bureau, Ministry of Economy, Trade & Industry

11:25 Questions & Answers

12:00 Closing remark
   Mr. Julien Guerrier, General Manager, EU-Japan Centre for Industrial Cooperation
The EU position
in the run-up to COP-16/CMP-6 (Cancun)

30 September 2010

Jürgen Lefevere

Adviser, international negotiations and climate strategy
European Commission, DG Climate Action

The objective
### Seminar Report - 2010: EU and Japanese Perspectives in the Run-up to COP 16

**Growing scientific concern 2°C, 4°C or X°C?**

#### Multi-model Averages and Assessed Ranges for Surface Warming

<table>
<thead>
<tr>
<th>Model</th>
<th>Year 2000 Constant Concentrations</th>
<th>20th century</th>
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<tbody>
<tr>
<td>A2</td>
<td></td>
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<td>A1B</td>
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<td>A2</td>
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<td>A1F</td>
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Source: IPCC 2007

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**All countries must act**

*Figure 1: Projected development of greenhouse gas emissions regions of the world*

<table>
<thead>
<tr>
<th>Gigatonnes CO₂ equivalents</th>
<th>1990</th>
<th>2050</th>
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<tbody>
<tr>
<td>EU</td>
<td></td>
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<td>Other annex 1</td>
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<tr>
<td>Rest of World</td>
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**If developed countries alone reduce emissions to zero**

**Global emission path compatible with 2°C scenario**

Leading by example

★ Become the most climate friendly region in the world

✈ EU on track to meet its Kyoto target
✈ EU committed to 20% below 1990 in 2020, 30% if the conditions are right
✈ EU long-term objective: smart transition to a low-carbon economy: 80 to 95% below 1990 by 2050 (watch this space!)
✈ EU's self-interest: energy security, savings in energy consumption, green jobs, competitive edge for European companies in key sectors of the future, air quality/health... on top of avoiding dangerous climate change
**Impacts of EU measures and crisis:**

- 2008 emissions: 11.3 % below 1990
- 2009 emissions:
  - ETS emissions: 11.6% below 2008
  - EU-27 emissions: 17.3% below 1990
  - (EU-15: 12.9% below KP base-year)

- Carry-over of allowances in EU ETS
- Lower carbon prices:
  - Price adjusts to crisis = reduced burden industry
  - €16 rather than €32 per tonne in 2020?
- Impact on EU ETS as driver for innovation
- Lower revenues from auctioning (50% to be used for climate purposes)
From Copenhagen to Cancun

★ The « Copenhagen Accord
   ★ Willingness to act now
   ★ Key points:
     • Recognition of 2°C objective
     • Parties to submit pledges
     • ‘MRV’
     • ‘fast-start’ funding (US$30 bn)
     • long-term funding
       (US$100 bn by 2020)
     • Review in 2015 (reference to 1.5°C)
★★ 139 Parties support the Accord so far (23 Sept 2010)
       representing more than 80% of global emissions
★★ However: the Accord falls short of the EU’s ambition
     • Not the robust, legally binding agreement we were expecting
     • Only “taken note of” by the COP

★ UN negotiations will continue along the same two tracks (Kyoto and Convention)
Copenhagen Accord: Not on track to stay below 2°C

Cancun and beyond: ‘Big bang’ or ‘step by step’?

- Ultimate goal remains an ambitious, comprehensive, legally-binding global framework
  - Best guarantee for legal certainty and predictability, reciprocity between countries, and strong political signal of willingness to act

- The EU is ready to adopt a legally binding agreement in Cancun, but are others?
  - Domestic climate policies in the US
  - BASIC positions
  - ALBA countries: Cochabamba Conference

- Step-by-step approach: Cancun should lay a solid foundation for an action-driven international framework
**Elements of a possible balanced package for Cancun**

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<td>Starting point</td>
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<td>Commitment Period length</td>
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<td>Market mechanisms</td>
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<td>Carbon Capture and Storage</td>
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<td>LULUCF rules</td>
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<td>Gases and common metrics</td>
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| Further process                   |

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<td>Mitigation by developed countries</td>
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<td>Measurement, Reporting and Verification</td>
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<td>REDD+</td>
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<td>Carbon Capture and Storage</td>
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<td>Bunker fuels</td>
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<td>Agriculture</td>
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<tr>
<td>Market mechanisms</td>
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<td>HFC gases</td>
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<td>Response measures</td>
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<td>Adaptation</td>
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<td>Finance</td>
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<td>Capacity-building</td>
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| Further process                   |

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**Key political issues**

- **Mitigation: anchor pledges**
- **MRV framework**
- **Market mechanisms**
- **Finance architecture**
- **AAU surplus**
- **Aviation and Maritime, HFCs**
★ No clear vision of the Cancun outcome so far
   Need to get a clear picture from the political level

★ Straying away from the Copenhagen Accord?
   - Copenhagen Accord provides essential political guidance from Heads of State. Forms the core of a possible agreement.
   - But still rejected by a bloc of developing countries (Bolivia, Venezuela)
   - Some countries propose new elements outside the Accord

★ Imbalance in the negotiation
   - A lot of progress on future targets in a second Kyoto Protocol period
   - But broader negotiations on new action, including by the US and emerging economies, are not moving forward!

★ This imbalance jeopardises success in Cancun
   - Agreement only on one side would not ensure environmental integrity
   - U.S. and major emerging economies must take on their fair share of the effort.
   - A second Kyoto period alone would not deliver the 2°C objective.
Conditions for a second Kyoto period

- The EU’s overarching objective is environmental integrity (2°C)
- EU preference for single new agreement, but open to look at other options, including 2nd commitment period under the Kyoto Protocol
- EU supports Kyoto
  - We are on track to comply with our 2008-2012 commitments
  - We have adopted ambitious targets for 2020 (20% / 30%)
  - EU wants to build on and incorporate all the essential elements of Kyoto, but...
- Kyoto alone cannot deliver the 2°C objective
  - Kyoto only covers 30% of emissions today
  - 2°C only possible if US and major DC emitters do their share..
- Kyoto has serious weaknesses that must be addressed
  - Banking of surplus emissions budget (AAUs) 1st commitment period
  - LULUCF accounting rules (major forest developed countries)
  - Need to promote and enable sectoral action – new market mechanisms

Kyoto’s 2 major weaknesses – AAU surplus and LULUCF rules

[Image of graph showing low and high end of pledges with AAUs and LULUCF]
EU – deliver on fast-start funding

★ Copenhagen Accord: developed countries commit to provide USD 30bn over period 2010-2012 as ‘fast-start’ funding

★ EU’s commitment is €7.2bn 2010-2012, or €2.4bn yearly

★ EU is delivering on its fast-start funding commitment
  - EU gave initial reporting in June 2010 (factsheet)
  - Comprehensive report for Cancun

Thank you

More information on EU climate policy:
http://europa.eu.int/comm/environment/climat/home_en.htm
Promotion of International Japan's Contribution to GHG Emissions Reduction through Low Carbon Technologies and Products

30 September 2010
Keisuke MURAKAMI
Director, Global Environmental Affairs Office
Ministry of Economy, Trade and Industry

Current Situation of the Offset Mechanism

[Review Process of CDM]
- UN bodies conduct review and approval of projects and issuance of credits (taking more than 2 years to complete the whole process)

[Challenges of CDM]
- CDM is difficult to apply to the major clean technologies which potentially reduce huge amount of emissions, such as High efficiency coal power plants*, Nuclear power plants and CCS.

*For example, coal power is limited to countries which use coal for more than 50% of total energy in their country. In practice, only China and India. There is only one large scale coal project approved by UN.

[Demand and Supply of CDM credits]
- On supply side, projects in China account for 72% of total CDM credits generated globally. On demand side, UK companies account for 37% of total contracted CDM credits. (based on the record in 2009)

[Demand for CDM credits by types]
- The highest demand is for Landfill gas, followed by HFC-134a.

[Issued CERs by types]
- The distribution of issued CERs by types is shown in the pie chart.
The Ministry of Economy, Trade and Industry (METI), Japan has started to fund feasibility studies. The studies will be conducted by Japanese private companies in cooperation with organizations in developing countries, with a view to exploring and designing possible joint GHG reduction projects and bilateral offset mechanisms.

- **Total Budget:**
  - 9 million dollars (FY2010)
- **Purpose:**
  1. To explore and design possible joint GHG reduction projects in such sectors as power, steel, cement, electric appliances, REDD+, CCS
  2. To develop appropriate measurement and monitoring methodologies of GHG and to estimate GHG emissions reduction potential
  3. To evaluate financial aspects of projects, including the use of offset credits generated from GHG reduction projects.

**Examples of Clean Technologies**
- Ultra super-critical coal power plant
- Geothermal power plant
- Nuclear power
- Energy efficiency technology in steel, cement etc.
- Highly efficient manufacturing by using IT
- Highly efficient eco-driving
- REDD+ related technology
- CCS

**F/S for Joint GHG Reduction Projects and Bilateral Offset Mechanisms**

<table>
<thead>
<tr>
<th>Project Description</th>
<th>Host Country</th>
<th>Main Project Entities</th>
<th>Covered Field</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Highly efficient coal power plant (Ultra super-critical)</td>
<td>Indonesia</td>
<td>The Institute of Energy Economics, Japan</td>
<td>Coal thermal power</td>
</tr>
<tr>
<td>2. Highly efficient coal power plant (Ultra super-critical)</td>
<td>Viet Nam</td>
<td>TEPCO/Inadubon Co.</td>
<td>Coal thermal power</td>
</tr>
<tr>
<td>3. Highly efficient coal power plant (Ultra super-critical)</td>
<td>India</td>
<td>Mizuho RI</td>
<td>Coal thermal power</td>
</tr>
<tr>
<td>4. Reduce power transmission loss by using highly efficient transformer</td>
<td>Viet Nam</td>
<td>Mitsubishi UFJ Morgan Stanley Co.</td>
<td>Electric power grid</td>
</tr>
<tr>
<td>5. Introduction of energy efficient technologies at iron and steel plant</td>
<td>Philippines</td>
<td>JFE Steel Co.</td>
<td>Iron and steel</td>
</tr>
<tr>
<td>6. Introduction of energy efficient technologies at iron and steel plant</td>
<td>India</td>
<td>Nippon Steel Co.</td>
<td>Iron and steel</td>
</tr>
<tr>
<td>7. Introduction of energy efficient technologies at cement plant</td>
<td>Laos/Myanmar</td>
<td>Taiheiyo Engineering Co.</td>
<td>Cement</td>
</tr>
<tr>
<td>8. Geothermal power (new construction/rehabilitation)</td>
<td>Indonesia</td>
<td>Mitsubishi Co.</td>
<td>Renewable energy</td>
</tr>
<tr>
<td>9. Geothermal power (rehabilitation)</td>
<td>Philippines</td>
<td>Toshiba Co.</td>
<td>Renewable energy</td>
</tr>
<tr>
<td>10. Eco-friendly driving using digital tachograph</td>
<td>Thailand</td>
<td>Yazaki Co.</td>
<td>Road transportation</td>
</tr>
<tr>
<td>11. Optimum control of plant equipment (by IT)</td>
<td>Indonesia</td>
<td>Yamatake Co.</td>
<td>Energy saving at factory</td>
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<tr>
<td>12. Optimum control of plant equipment (by IT)</td>
<td>Thailand</td>
<td>Yokogawa Elec Co.</td>
<td>Energy saving at factory</td>
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<tr>
<td>14. REDD+</td>
<td>Indonesia</td>
<td>Manubeni Co.</td>
<td>REDD+</td>
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<tr>
<td>15. REDD+</td>
<td>Peru</td>
<td>Mitsubishi Co</td>
<td>REDD+</td>
</tr>
</tbody>
</table>

*List of F/S adopted as of August 10, 2010

Total Budget in FY2010: 9 million USD*