



Carbon Prices in Japan: (Almost) Ready for Takeoff

24 March, 2022

About: Japan NRG

- One-stop **INTELLIGENCE** | **ANALYSIS** | **EVENTS** platform focused on the broad energy and electricity markets in Japan
- Independent, pragmatic and holistic information about Japanese energy policies, markets, companies and people
- PREMIUM subscribers include:

BlackRock

aramco



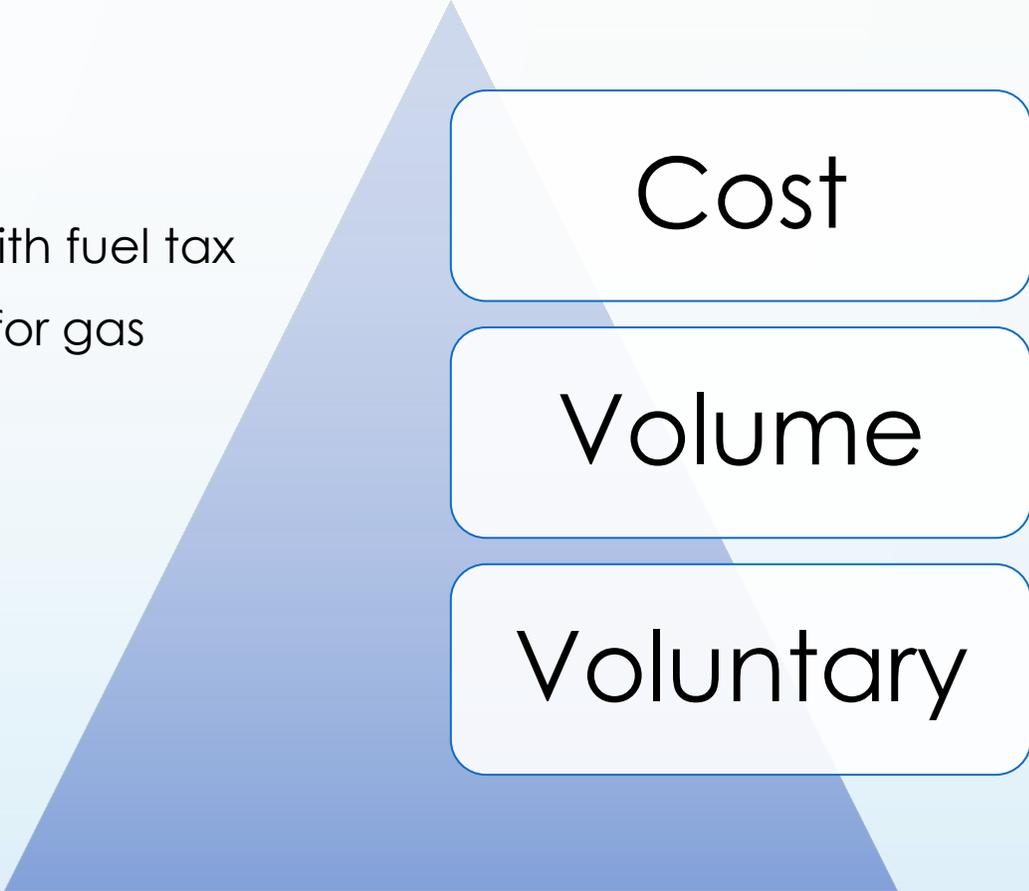
**VENA
ENERGY**
JAPAN



Embassies of G7
Member Nations

Japan Already Has a Carbon Price... Of Sorts

- Greenhouse Gas (GHG) tax
 - ¥289 (\$2.40)/ ton of CO₂, bundled with fuel tax
 - ¥670 (\$5.60)/ ton for coal, ¥780/ ton for gas
- Emission trading scheme
 - Limited participants
 - Limited geography
- Internal carbon pricing



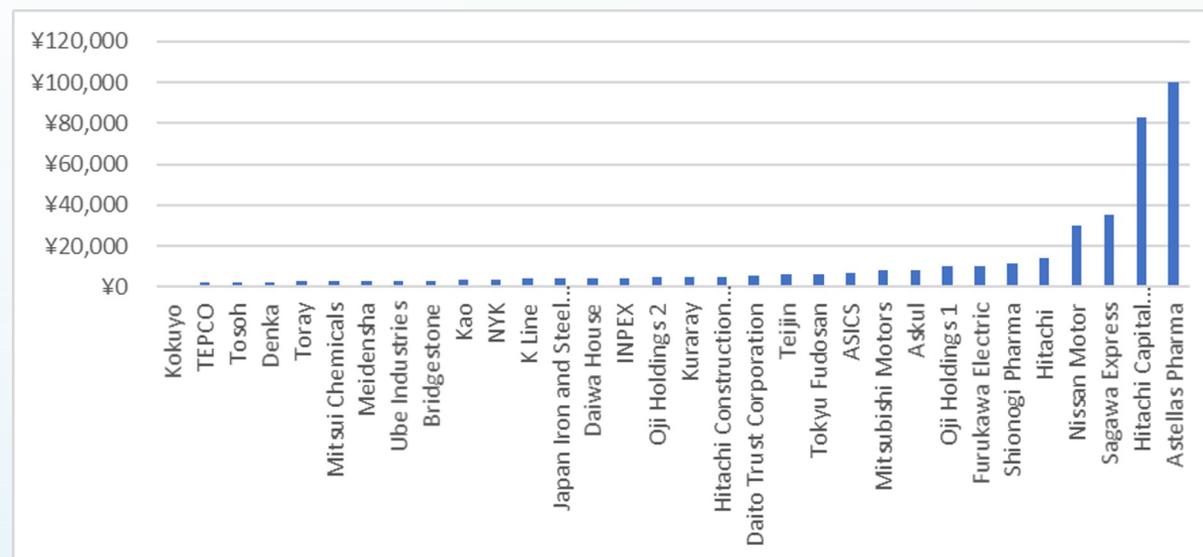
Cost

Volume

Voluntary

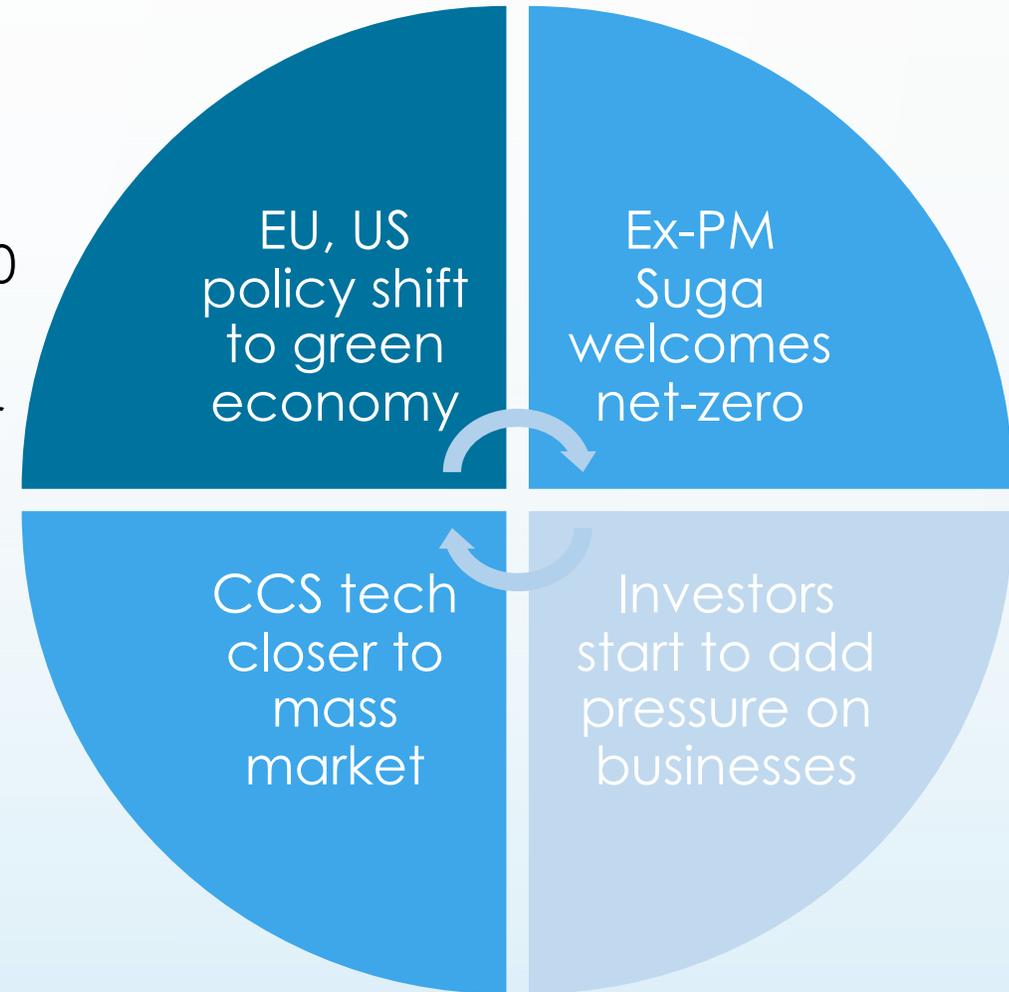
What Is a Ton of CO2 Worth to Your Company?

- Japanese firms are keen adopters of internal carbon pricing (ICP), which sets in-house value per ton of CO2
- About 1/6th of all global companies to set ICP are Japanese
- *Japan NRG* survey (2021) showed a vast difference in methodology and outlook among Japanese firms
- Median price was ¥5,640 - ¥6,000, similar to EU carbon prices then



Catalysts for Change

- Oct. 2020 : Japan sets Net-Zero 2050 target
- July 2021 : EU unveils Carbon Border Adjustment Mechanism (CBAM)
- Oct. 2021 : Japan Adopts 6th Basic Energy Plan (fossil fuel share of power mix to drop by half, renewables to grow to 36-38%)
- 2022: CORSIA launch



How to Sell Carbon Pricing? Through Growth

- **Carbon pricing system described as a positive on economy**

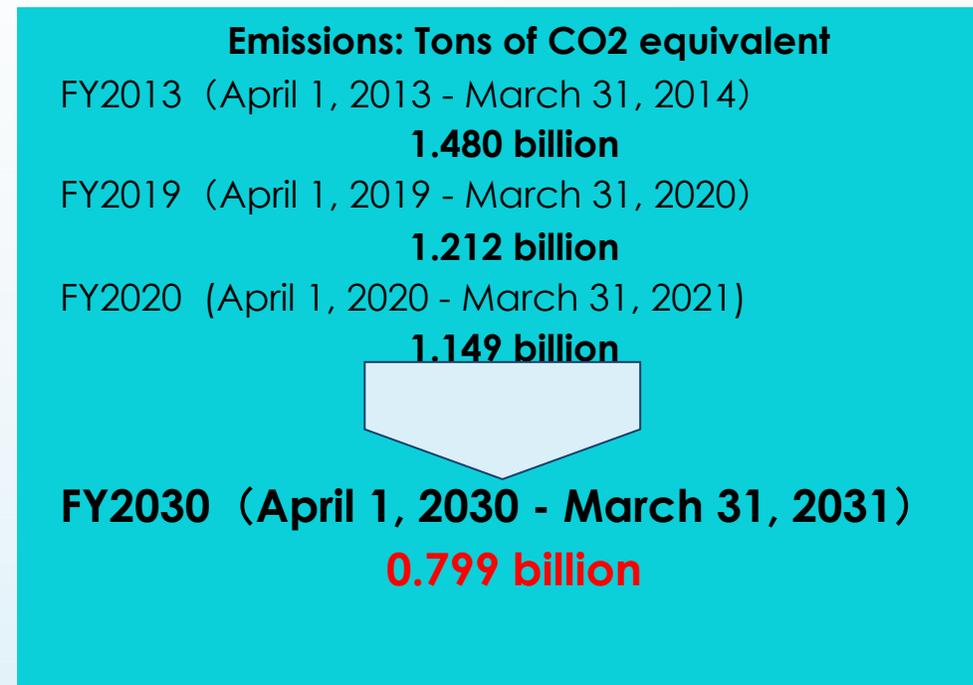
 - No painful taxes or emission caps

 - Voluntary engagements of businesses

- **Creation of a national carbon trading platform**

 - Attracts green funds, “high quality credits”

 - International credits and participants



Green Transformation (GX) League

- Companies volunteer to be decarbonization role models
- Open to businesses of all sizes, sectors, countries
 - CN needs to spread beyond “sector silos”
- GX members participate in carbon rule-making
- “Voluntary cap and trade”
- Soft launch of GX scheme in April 2022



Carbon Credit Exchange: New Start

- Trades compliance credits (J-Credit, Joint Crediting Mechanism credits)
- “High quality” voluntary credits
- “GX voluntary credits”
- Rules and standards basically “align” with TSVCM
- GX starts trial transaction runs from fall 2022
- To launch in April 2023

