

(Reference)

Basic Thinking on the Problem of Global Warming

1. Industry's Measures on Global Warming

(1) Global warming should be dealt with principally through voluntary actions

Today 58 industries participate in the Keidanren Voluntary Action Plan on the Environment, engaging in vigorous efforts to deal with the problem of global warming. Of these, 35 industries in the industrial and energy-converting sectors have established a unified goal of "endeavoring to reduce CO₂ emissions from the industrial and energy-converting sectors in fiscal 2010 to below the levels of fiscal 1990." Despite higher production volumes associated with the slow recovery of the economy, emissions of CO₂ in fiscal 2002 fell 1.9% on 1990 levels, reflecting the steady advances being achieved from the shift to less carbon-intensive forms of energy, and improvements in CO₂ emissions intensity and energy intensity. Consequently, measures adopted by industry hereafter to deal with global warming should continue to be composed primarily of voluntary efforts.

(2) Mechanisms to ensure transparency

Each year Keidanren carries out detailed follow-up surveys by industry of the progress being made under voluntary action plans, and announces its findings widely through the Internet and other media. Related councils of government also review the results of these annual surveys, and report their conclusions to joint meetings of all such councils, which are called for the purpose of evaluating domestic measures on the problem of global warming.

To enable industry to continue to operate within the framework of a voluntary action plan over the medium-to-long term by securing enhanced credibility for the voluntary approach hereafter, participating industries established the Third-party Evaluation Committee in July 2002. As of the fiscal 2003 follow-up survey, Keidanren is effecting improvements in light of the Committee's report.

(3) Contribution by Technological Development

Industry is going to contribute to dealing with global warming with technological development, which is the key to solving the problem in the long run. Since the oil crisis Japanese industry has saved energy by more than 20%, a much larger figure than foreign industries. In order to further reduce its CO₂ emissions, drastic technological development is indispensable, together with fully utilizing existing technology, including nuclear energy. In order to achieve an equal balance between the economy and the environment, Keidanren calls on the

government to establish anti-global warming technology as one of the axes of its strategy for technological development, and also to give medium-to-long term support to the private sector to facilitate its technological development.

(4) Promoting the Use of Nuclear Energy

Because it does not emit CO₂, promoting the use of nuclear energy is also an issue of utmost importance from the standpoint of dealing with global warming. Industry together with national and local governments must promote the use of nuclear energy by endeavoring to the fullest extent to ensure the safety of nuclear power, as well as to make more information available in order to obtain the understanding of the nation.

2. Measures by the Transportation, Offices and Households Sector on Global Warming

According to CO₂ emissions by sector in fiscal 2001 announced by the Ministry of the Environment, despite the fact that the energy-converting and industrial sectors have kept CO₂ emissions virtually unchanged since fiscal 1990, CO₂ emissions in the offices and households sector and in the transportation sector have risen respectively by 25.5% and 22.8%, accounting for 50.2% of total CO₂ emissions in Japan in the year.

The government must recognize that many of the measures required in the transportation, offices and household sector directly impact the everyday life of the nation. It must endeavor to educate and enlighten the people on the difficult tasks that will be required to achieve the nation's goals, and on the importance of the people's role in these tasks; in addition, it must formulate measures that will be effective in reducing CO₂, including infrastructure improvements designed to eliminate traffic congestion.

Industry also will contribute, as it has been doing, to reduction of CO₂ emissions in the transportation, offices and households sectors achieving top-runner standards by technological development. At the same time, it will take other possible steps, e.g. emissions reduction in the household sector through education program for employees.

3. Domestic Systems

(1) The advantages of a voluntary program are negated by use of agreements or mandatory plans

Britain and other countries are using agreements established between governments and industries or companies as a means of preventing global warming; some are arguing that the same approach should be adopted in Japan. However, as past examples show, there is a strong likelihood that such agreements would be inflexible and unilateral in Japan—and be very much in the

nature of regulations or restrictions. So, executing global warming measures through such agreements risks undermining the flexibility that is the inherent advantage of voluntary efforts, and should not be adopted without adequate consideration.

Some also argue that the formulation of action plans should be made compulsory. However, efforts by industry to suppress emissions of greenhouse gases are most effective when the most knowledgeable parties about the operations involved—the industries themselves—voluntarily develop and execute such plans. Compelling businesses to develop and adopt action plans will seriously undermine the advantages of voluntary efforts, and thus are not desirable.

(2) Domestic emissions trading premised on compulsory emissions limits are inappropriate

Creating a system of domestic emissions trading premised on the establishment of compulsory emissions limits would be inappropriate because they amount to creating extremely tight economic controls, would be unsuitable to a market economy, and be difficult to administer fairly. Moreover, particularly in the case of Japan, the goals for energy conservation have been set at very high levels, which suggests that businesses may not generate sufficient leeway to enable them to release unused emission credits onto the domestic market.

(3) The need for comprehensive research and evaluation of environmental taxes

Some insist on introduction of environmental taxes (including carbon tax and carbon-energy tax) as a means for sustaining CO₂ emissions reduction. However, global warming is an issue that gives deep impacts on economic activities as well as daily life of individual people. This is why positive The global warming tax recommended by an expert committee of the Central Environment Council of the Ministry of the Environment in August 2003 will dampen true economic recovery and hobble industry activity. New and higher taxes detract from the international competitiveness of the manufacturing industry, precipitate the “hollowing out” of domestic industry as sectors of industry go out of domestic business, and also have a severe adverse effect on employment. In addition, the relocation of production to other countries outside Japan even though Japan has succeeded in becoming the world’s most efficient energy user, ultimately risks increasing the emission of greenhouse gases around the globe generally.

Fossil fuels are already subject to a variety of energy taxes, such as the petroleum and coal tax introduced in October 2003. The introduction of yet another tax means duplication in taxation of the manufacturing industry, and a burden that is becoming too heavy to bear.

Renewed consideration of global warming countermeasures should involve the progressive implementation of specific initiatives in each sector, as

determined under the New Climate Change Policy Programme. Measures deemed necessary as a result of evaluation of the effect of those initiatives should then be considered, rather than resorting to simply introducing taxes.

4. Global Strategies

(1) Targets for future commitment periods

Global warming is a problem that must be addressed on a global scale. It calls for the creation of a framework for reducing greenhouse gases that includes all nations and regions. The developing nations, from which it is expected there will be substantial increases in emissions due to population growth and economic advances, must all be involved, as must the world's largest source of emissions – the US – in consideration of a practical and flexible framework to operate from 2013 onwards that will achieve an equal balance in all nations between the environment and the economy.

(2) The Kyoto mechanism

The Kyoto mechanism exists as an effective option for achieving the Kyoto target while balancing environment and economy, and requires the rapid adoption of concrete international rules. In this, the voluntary participation of the private sector will be essential, so there is a need to construct a framework that facilitates its participation such as simple procedures and clear right to the credit obtained.