

# Kyoto Mechanism

## ~~Experience of Japan~~

**Kuniaki MAKIYA**

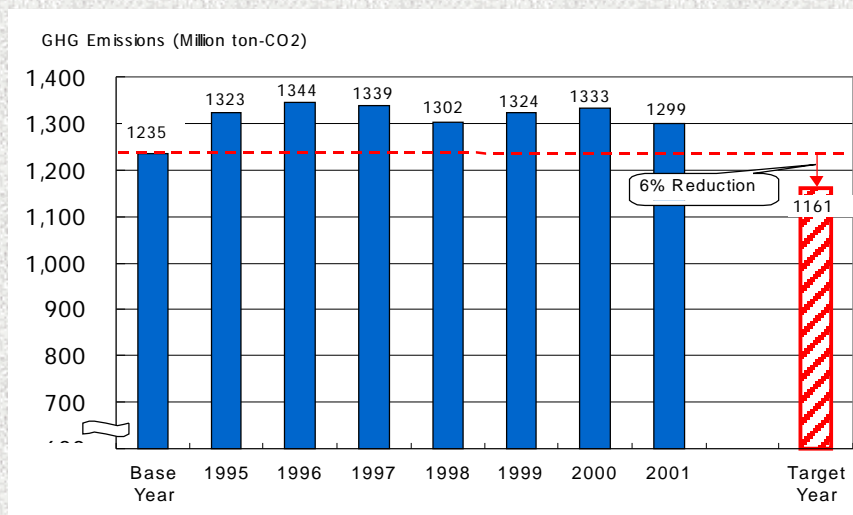
**Ministry of the Environment, Japan**  
**Director, Office of International Strategy on Climate Change**  
**Global Environment Bureau**

**15 April 2004**

**Global Greenhouse Gas Emissions Trading Conference**

1

## Challenges Ahead: Our Kyoto Target



(Source) Ministry of the Environment, Japan

2

## Japan's targets to achieve 6% reduction by Sectors

(Ratio from target year)

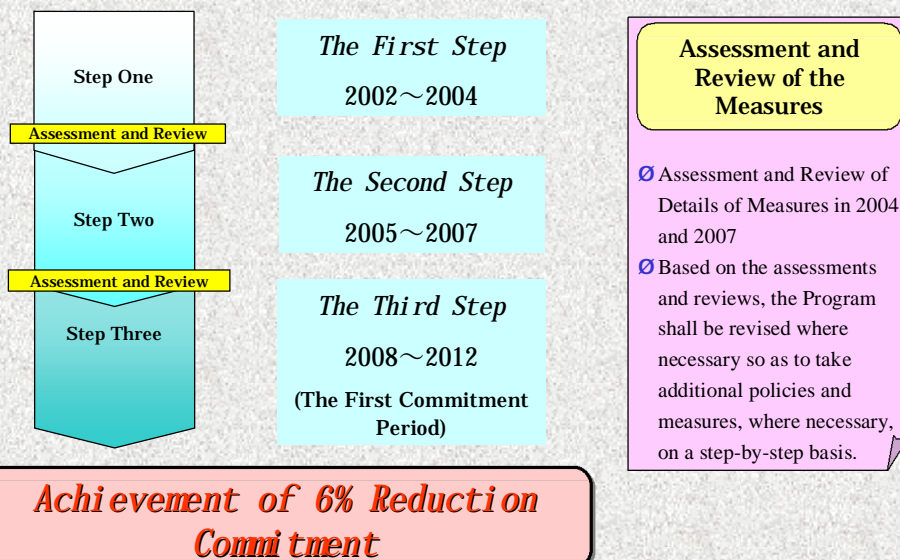
Sector	Target
① CO <sub>2</sub> from energy sources	± 0.0%
② CO <sub>2</sub> , methane (CH <sub>4</sub> ) and Dinitrogen Monoxide (N <sub>2</sub> O) from non-energy sources	▲ 0.5%
③ Development of innovative technology and further extensive efforts by public	▲ 2.0%
④ Three gases including alternatives of fluorocarbon, HFCs, PFCs, SF <sub>6</sub>	+ 2.0%
⑤ Sinks by forest management	▲ 3.9%
Total	▲ 6.0%

1. For the time being, we shall to reduce 6% with above mentioned targets (1 to 5). However, in case adequate progress is expected within the first commitment period, further emissions reduction shall be promoted.

2. On the other hand, taking account of Kyoto mechanism being supplementary to domestic measures, we shall seek for the utilization of the mechanism to achieve Kyoto Protocol in cost effective manner.

3

## The Step-by-Step Approach



4

## Use of Kyoto Mechanism in Japan

- While keeping in mind that the use of Kyoto Mechanism shall be supplemental to domestic measures, we are considering that it is necessary to use them appropriately in order to achieve the commitment of Kyoto Protocol in cost-effective manner.
- CDM/JI scheme also has a role as international contribution because it promotes sustainable development in Host countries
  - **Followings need to be established or promoted**
  - 1. System to approve and support CDM/JI → *already arranged*
  - 2. National Registry to register credits → *developing by MoE & METI*
  - 3. Supporting measures for private companies in CDM/JI
  - 4. Building awareness and capacity of Host countries
  - 5. Preparation for International Emissions Trading

5

## Japan's Framework to utilize Kyoto Mechanism

(Decision by Global Warming Prevention Headquarters, July 19, 2002)

- Establish **Liaison Committee for Utilization of Kyoto Mechanism** (Cabinet Secretariat, MoE, METI, MOFA, MAFF, MLIT)
- Liaison Committee will approve CDM/JI projects as a party to the Convention
  - **Guideline for CDM/JI projects approval made on Oct, 2002**
  - **So far, 6 projects have been approved**
- Ministry in charge of the project will support the project
- MoE and METI will work jointly to establish and maintain National Registry (from 2002)

6

## CDM/JI Projects Approved by Japanese Government

APPROVED DATE	CDM/JI	APPLICANT	HOST COUNTRY	PROJECT	SUMMARY	EXPECTED CER/ERU
2002/12/12	JI	NEDO	Kazakhstan	The Model Project for Increasing the Efficient Use of Energy Using a Gas Turbine Cogeneration System	Demonstration of the energy conservation effectiveness of a Gas Turbine Cogeneration System, which is already in practical use in Japan, at Heat Power Station	62,000t-CO <sub>2</sub> /year
2002/12/12	CDM	Toyota Tsusho Corporation	Brasil	V&M Tubes do Brasil Fuel Switch Project	Production of steel utilizing biomass	1,130,000t-CO <sub>2</sub> /year
2003/5/22	CDM	Electric Power Development Co., Ltd.	Thailand	Rubber Wood Residue Power Plant Project in Yala, Thailand	Biomass power plant utilizing rubber wood residue	60,000t-CO <sub>2</sub> /year
2003/7/15	CDM	NEOS Fluor Japan Limited	South Korea	HFC Decomposition Project in Ulsan	Decomposition of HFC23 as by-product from HCFC22	1,400,000t-CO <sub>2</sub> /year
2003/7/29	CDM	The Kansai Electric Power Co., Inc. (on behalf of e7Fund)	Bhutan	e7 Bhutan Micro Hydro Power CDM Project	Construction of a micro hydropower station in the non-electricity village.	500t-CO <sub>2</sub> /year
2003/12/3	CDM	Japan Vietnam Petroleum Company	Vietnam	Rang Dong Oil Field Associated Gas Recovery and Utilization Project	Efficient use of associated gas which would otherwise be flared at the offshore rig	680,000-1,200,000 t-CO <sub>2</sub> /year

7

## CDM/JI feasibility study by MoE(FY1999~) I

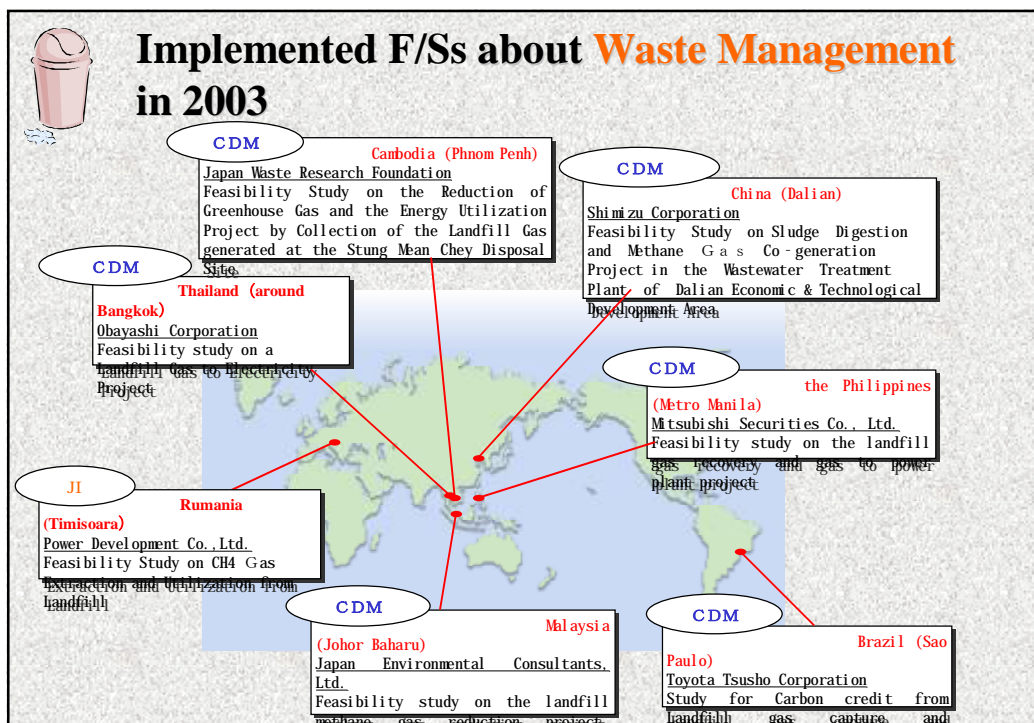
- Feasibility studies have been done to find promising CDM/JI projects to be carried out by private companies. These FS include on-site examination, emission reduction calculation and drafting of PDDs.
- 23 projects, which were mainly afforestation/reforestation, utilization of biomass, and waste management, have been adopted since 2002.
- The number of adopting project have been increased widely since Japan ratified Kyoto Protocol in 2002. 20 projects were adopted in FY2003.

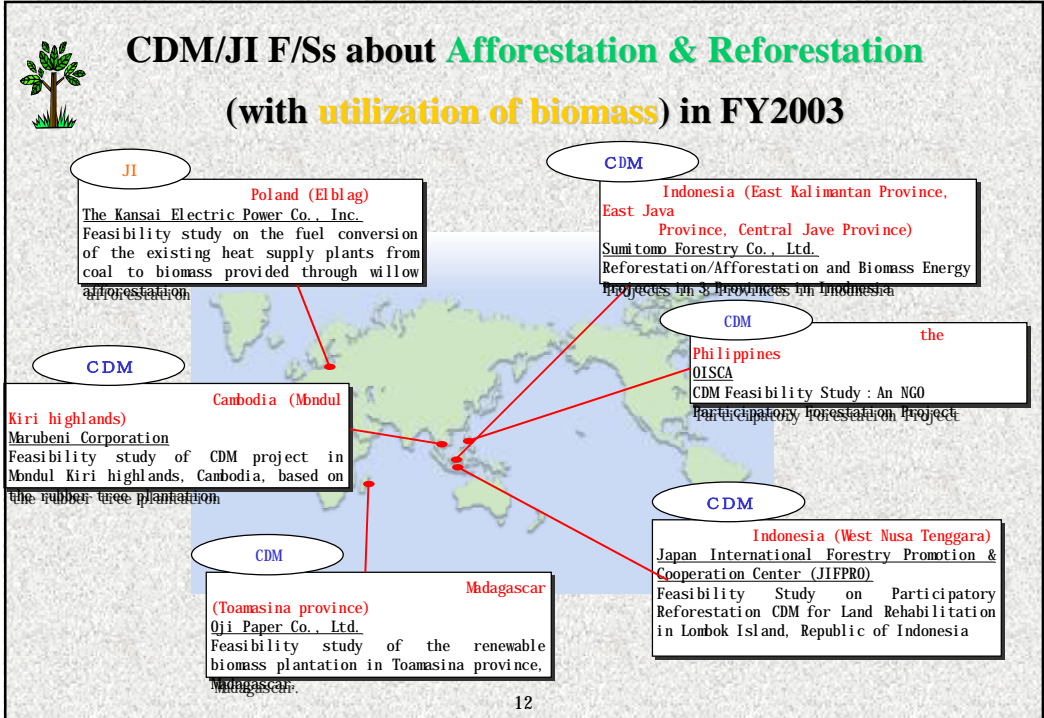
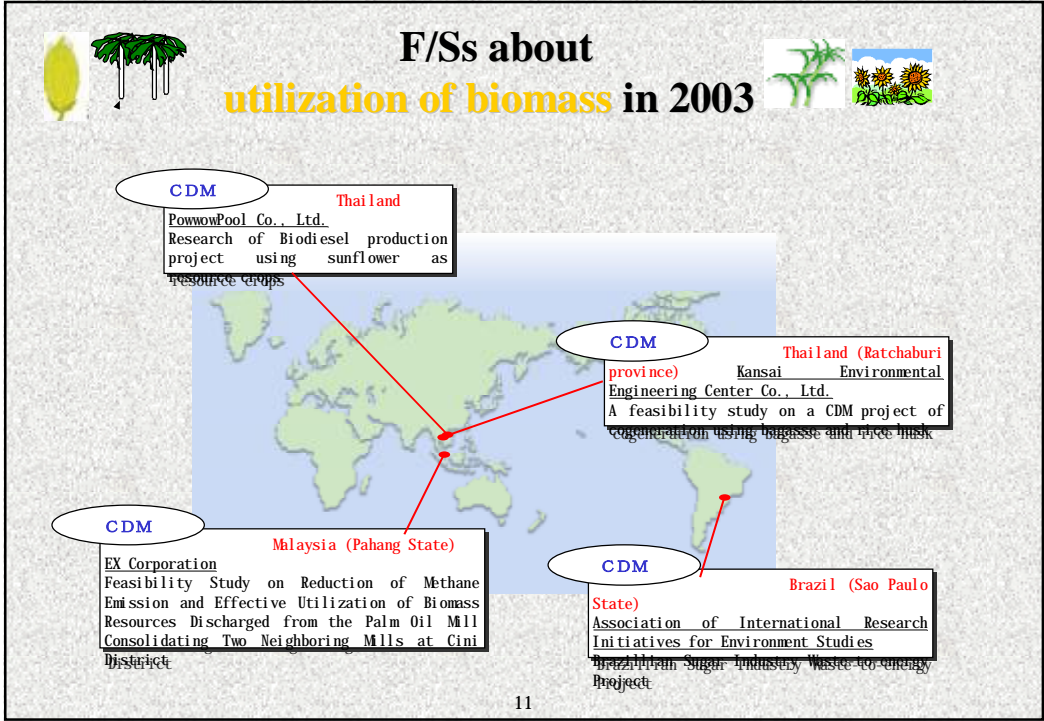
8

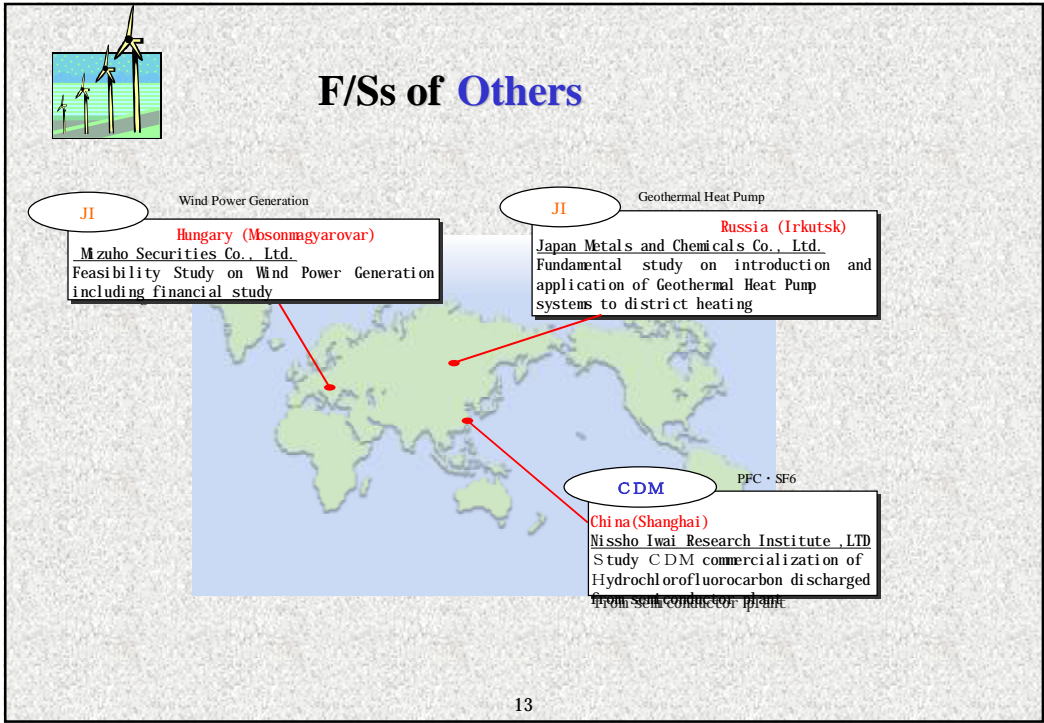
## CDM/JI feasibility study by MoE(FY1999~) II

- Rise-husk generation project, which was studied by Mitsubishi Security Co.,Ltd. in 2001, was submitted as a new methodology and approved at the 11<sup>th</sup> CDM Executive Board.
- Summary of the study report until now is released on Web Site.  
([http://gec.jp/gec/gec.nsf/en/Activities-Feasibility\\_Studies\\_on\\_Climate\\_Change\\_Mitigation\\_Projects\\_for\\_CDM\\_and\\_JI-Top](http://gec.jp/gec/gec.nsf/en/Activities-Feasibility_Studies_on_Climate_Change_Mitigation_Projects_for_CDM_and_JI-Top))
- Making “CDM/JI Manual” in order to help project participants to generate PDDs (English version will be published in FY2004)
- Managed by Global Environment Center Foundation (GEC)

9







**MoE's support to CDM/JI projects I**

**Financial Support**

**(1) Subsidies for CDM/JI Projects (2003~ )**

Subsidies will be provided to highly feasible and economically efficient CDM/JI projects. Those subsidies are for 1/3 of the cost of construction of facilities (e.g. facilities to convert waste into fuel, wind turbines). The government will acquire 1/3 of the credits generated by the subsidized projects.

**(2) Establishment of the Japan Carbon Fund**

DBJ (Development Bank of Japan) and JBIC (Japan Bank for International Cooperation) will establish Japan Carbon Fund, which is tentative name, to invest in CDM/JI projects and acquire credits. Private companies are expected to participate in the Fund.

14

## MoE's support to CDM/JI projects II

### Preparation for the System to Utilize CDM/JI

#### (1) Capacity Building Program for OEs( Operational Entities) (2002~ )

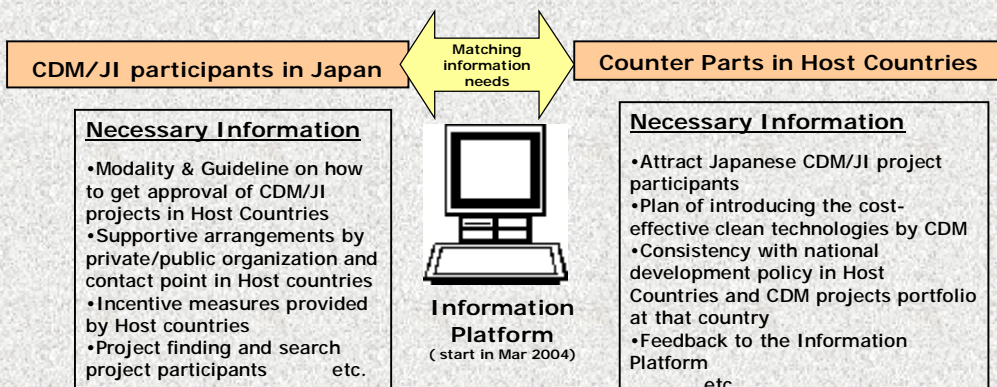
To foster the ability of OEs, MoE selects several draft PDDs and commissions several AEs( Applicant Entities) to validate the PDDs on a trial basis. 5 projects and AEs were adopted in FY2003.

#### (2)CDM/JI Capacity Building Program in host countries (2002~ )

MoE enhances CDM/JI capacity building for stakeholders in host countries. e.g. holding workshops, sending experts

## Launch “Kyoto Mechanism Information Platform”

( entrust to Overseas Environment Cooperation Center; OECC)



## **Towards the increased activity of implementing JI projects by Japanese private companies**

- **Japanese companies have innovative technology in various sectors including energy-efficiency, renewable energy and waste management.**
- **They are searching for the better opportunity to invest in projects utilizing these technology .**
  - **JI scheme could provide an opportunity to produce win-win outcomes and contribute to sustainable development in CEE countries.**

17

## **Towards the increased activity of implementing JI projects by Japanese private companies**

- **Japanese investors seek the government's support.**
  - **The Japanese JI projects are supposed to be implemented by private companies' initiative.**
  - Japanese government assists their activities indirectly.**
- **Governments of both Japan and CEE countries are expected to play the role to provide enabling environment for investment.**
  - We need to continue to communicate on what to do.**

18