

# Examining Sectoral Approach Proposal by Japan for Climate Change

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# Introduction

- **The purpose of the presentation:**
- **To examine the current climate change policy of Japan by focusing on the sectoral approach proposal**

# What is sectoral approach?

- **A tool to make developing countries to participate in mitigation by setting emission factor targets for specific industrial sectors**
- **A tool to solve competitiveness issue of the industries in developed countries by setting emission factor targets for specific industrial sectors**
- **Sector-specific actions such as in international aviation and maritime transport**
- **A tool to set national targets based on bottom-up approach by compiling on sectoral energy efficiency**

# Background of the Japan's sectoral approach proposal (1)

- **Background sentiments: A strong sense of unfairness for the Kyoto Protocol among Japanese industries**
- **KP did not reflect energy efficiency improvements efforts by Japan since oil crises**
- **Japan's high energy efficiency (myth?) → therefore there is little room for improvements(?)**
- **It is disadvantageous for Japan to compete with countries such as US, China & India which are not bound by total emission targets**

# Background of the Japan's sectoral approach proposal (2)

- RITE's Study 23/6/08
- Targets are set sector by sector technically & scientifically so that they can be accepted easily
- Compatible with pledge & review system so that more countries can be included: flexibility
- Specific sector can be included
- Higher feasibility of realizing targets since they are based on concrete actions

# Keidanren's Proposal for a Post-2012 International Framework on Preventing Climate Change 16/10/07(1)

- It will be important for all major emitters to participate and to actively implement measures against climate change
- Country targets should principally be based on energy efficiency. Energy efficiency is an excellent indicator for assessing efforts since it directly reflects the results of technical innovation or technical support for developing countries.
- Each country's fulfillment of its commitment will be checked every few years by a body like the UN, and in cases where progress is inadequate, the country will be required to analyze and explain the situation and decide what further steps to take.

# Keidanren's Proposal for a Post-2012 International Framework on Preventing Climate Change 16/10/07(2) Sectoral Approach

- A sectoral approach should be introduced in the post-2012 international framework.
- Experience on the sectoral approach is being accumulated in APP, where (1) the sharing of know-how and BAT, (2) the establishment of common benchmarks, and (3) the nature of technical cooperation toward the achievement of benchmarks are being examined for eight sectors.
- Developed countries could commit to (1) measures to develop innovative technologies, (2) technical assistance to developing countries, and (3) improvement of the energy efficiency of products.
- Developing countries could commit to (1) implementation of projects making use of the technical assistance of developed countries, and (2) measures to improve energy efficiency domestically.

# Prime Minister Fukuda's Speech at Davos, 26 Jan. 08

- Japan will, along with other major emitters, set a quantified national target for the greenhouse gas emissions reductions to be realized from now on.
- The target could be set based on a bottom-up approach by compiling on sectoral basis energy efficiency as a scientific and transparent measurement and tallying up the reduction volume that would be achieved based on the technology to be in use in subsequent years.
- the whole world must make efforts to maximize the improvement of energy efficiency. I propose to set a global target of 30% improvement of energy efficiency by 2020.

How the international community responded to the Japan's proposal on sectoral approach?

# Joint Statement of the G8 Tokyo Business Summit 17/4/08

To put it concretely, we hope that, at the Hokkaido Toyako Summit, a proactive consensus will be achieved on:

- 1) exploring equitable and comparable emissions reductions that are based on sound science, national circumstances, transparent, measurable and verifiable methodologies, sectoral and economy wide considerations and impacts and cost effective opportunities for energy efficient improvements.
- 2) encouraging further development of cooperative sectoral approaches like the Asia Pacific Partnership (APP) including data gathering and sharing to this end, which will assist developing countries to participate in the post-2012 framework on climate change,
- 3) stimulating development and dissemination of innovative low carbon technology under international cooperation and in improved enabling frameworks for foreign direct investment and commercial operations,

# Chair's Report to the G8 Hokkaido Toyako Summit: Gleneagles-Dialogue on Climate Change, Clean Energy and Sustainable Development final meeting in Japan 15-16/3/2008

- Japanese proposal to set national targets for major emitting countries based on a bottom-up approach by compiling on sectoral basis energy efficiency was faced with severe criticisms.
- There are no such category as major emitting countries.
- The proposal does not based on the agreement at Bali. It does not recognize the concept of common but differentiated responsibility.
- Sectoral approaches should not be used as a substitute for national targets, rather they should be used as a tool to attain them.

# Chair's summary of G8 Environment Ministers' Meeting 26/5/08 (para16)

## ■ *Effectiveness of sectoral approach*

16. Bottom-up analyses of GHG emissions reduction potentials can be useful tools for setting national reduction targets.

In this context, a gap that might occur between reduction potentials based on a bottom-up approach on one hand and required emissions reductions levels calculated by a top-down approach on the other must be bridged to ensure environmental integrity.

These gaps can be bridged by exploring further emission reductions using policies and measures, innovative technologies, and changes in lifestyles through national campaigns.

It was clarified by a proponent of the sectoral approaches that sectoral approaches would be used to set national targets, not as a substitute for them.

Analyses of the mitigation potentials can provide scientific and objective knowledge that contribute to the formulation of an effective future regime.

It was pointed out that reduction potentials in developing countries are likely to be large and relatively inexpensive, and the cooperative sectoral approach backed by assistances from developed countries could contribute to realizing these potentials.

# Decisions on sectoral approach at Bali

- Bali Action Plan CP13

(iv) Cooperative sectoral approaches and sector-specific actions, in order to enhance implementation of Article 4, paragraph 1(c), of the Convention;

- Article 4, paragraph 1(c), of the UNFCCC:

(c) Promote and cooperate in the development, application and diffusion, including transfer, of technologies, practices and processes that control, reduce or prevent anthropogenic emissions of greenhouse gases not controlled by the Montreal Protocol in all relevant sectors, including the energy, transport, industry, agriculture, forestry and waste management sectors;

# G8 Hokkaido Toyako Summit Leaders Declaration

## Hokkaido Toyako, 8/7/08 para24,25

- **24. Sectoral approaches are useful tools among others for achieving national emission reduction objectives.**
- **25. Sectoral approaches can be useful tools to improve energy efficiency and reduce GHG emissions through dissemination of existing and new technologies in a manner compatible with economic growth. We ask the IEA to enhance its work on voluntary sectoral indicators through improved data collection, complemented by business initiatives.**
- **We emphasize the importance of expeditious discussions in the International Civil Aviation Organization (ICAO) and the International Maritime Organization (IMO) for limiting or reducing GHG emissions in the international aviation and maritime sectors, bearing in mind the distinct processes under the UNFCCC toward an agreed outcome for the post-2012 period.**

# Declaration of Leaders Meeting of Major Economies on Energy Security and Climate Change, Toyako, 9/7/08

- **10. Work together on mitigation-related technology cooperation strategies in specific economic sectors, promote the exchange of mitigation information and analysis on sectoral efficiency, the identification of national technology needs and voluntary, action-oriented international cooperation, and consider the role of cooperative sectoral approaches and sector-specific actions, consistent with the Convention;**

# Issues to be considered

- **Sectoral approach and national emission targets**
- **Sectoral approach and equity**
- **Sectoral approach and technology transfer**
- **Difficulty in setting benchmarks**
- **Sectoral approach in certain specific sectors**
- **Obseervations**
- **What GOJ should do to follow-up G8**

# Sectoral approach and national emission targets

- **It is nothing new to use sectoral approaches or bottom-up analyses to set national GHG emission reduction targets.**
- **Sectoral approaches are useful tools among others for achieving national emission reduction objectives (G8 Hokkaido Toyako Summit Leaders Declaration).**
- **Bottom-up analyses of GHG emissions reduction potentials can be useful tools for setting national reduction targets. In this context, a gap that might occur between reduction potentials based on a bottom-up approach on one hand and required emissions reductions levels calculated by a top-down approach on the other must be bridged to ensure environmental integrity (Chair's summary of G8 Environment Ministers' Meeting).**

# Sectoral approach and equity

- sectoral basis energy efficiency ≠ equity
- Japan will, along with other major emitters, set a quantified national target for the greenhouse gas emissions reductions to be realized from now on. In setting this target, I propose that the equity of reduction obligations be ensured. The target could be set based on a bottom-up approach by compiling on sectoral basis energy efficiency as a scientific and transparent measurement and tallying up the reduction volume that would be achieved based on the technology to be in use in subsequent years ( PM Fukuda's speech at Davos).

# Sectoral approach and technology transfer

- **The essence of technology transfer is who bears the cost.**
- **Article 4-5 of UNFCCC. The developed country Parties and other developed Parties included in Annex II shall take all practicable steps to promote, facilitate and finance, as appropriate, the transfer of, or access to, environmentally sound technologies and know-how to other Parties, particularly developing country Parties, to enable them to implement the provisions of the Convention. In this process, the developed country Parties shall support the development and enhancement of endogenous capacities and technologies of developing country Parties. Other Parties and organizations in a position to do so may also assist in facilitating the transfer of such technologies.**

# Difficulty in setting benchmarks and criteria for sectoral approach

- **Sectoral approach is very complex since benchmarks should be examined based on detailed sector specific data, which requires enormous efforts to compile. At present, there is quite limited reliable data which enables international comparison on sector specific efficiency in different countries.**
- **Even if benchmarks were arrived, a long and difficult negotiations will have to take place to arrive at necessary reductions for each sector in each country.**

# Sector- specific actions

- **Sector-specific actions such as in international aviation and maritime transport, as well as IISI ( International Iron and Steel Institute) should be encouraged.**
- **We emphasize the importance of expeditious discussions in the International Civil Aviation Organization (ICAO) and the International Maritime Organization (IMO) for limiting or reducing GHG emissions in the international aviation and maritime sectors, bearing in mind the distinct processes under the UNFCCC toward an agreed outcome for the post-2012 period ( G8 Hokkaido Toyako Summit Leaders Declaration para25)**

# ■ Observations:

- Sectoral approaches should not be a substitute for absolute binding targets for developed countries.
- Sectoral approaches can offer a way to contribute to reducing global emissions through enhancing technical assistance to developing countries in specific sectors.
- Sector-specific actions, such as in international aviation and maritime transport should be encouraged.
- Any attempt to introduce sectoral agreements from an international competitiveness angle would create significant pushback from developing countries.
- Industry-to-industry transnational agreements and agreements based on international support for domestic public policies could be useful such as in Iron & Steel and aluminium.

# What GOJ should do to follow-up G8

- Promote cooperative sectoral approaches & actions, by strengthening mechanisms to enhance technology transfer and capacity building in developing countries.
- Prepare feasible scenario to attain long-term target of 60-80% reduction of GHG in 2050.
- Work together with other countries to agree on global long-term target of at least 50% reduction by 2050 in the UN climate negotiation.
- Based on the principle of common but differentiated responsibility, set mid-term national target of 25-40% reduction by 2020 compared to 1990.
- Introduction of economic instruments, in particular, emissions trading and carbon tax.
- Introduction of FIT in order to expand the use of renewable energies.

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