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Japan Energy Newsletter

**Japan Electric Power
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1 Prime Minister of Japan Fumio Kishida Pledged \$10 billion to Aid Developing Countries at COP26

1.1 Brief overview of the COP26

The UN Climate Change Conference (COP26) took place from October 31 to November 12 in Glasgow, Scotland. The COP is an important forum for countries around the world to come together to discuss how to address climate change issues. One of its major objectives is to reduce greenhouse gas emissions such as carbon dioxide, which is a key global warming contributor. At COP21, held in 2015 in Paris, the COP's 196 Parties adopted the Paris Agreement, which aims to limit global warming to well below 2 degrees Celsius, preferably to 1.5 degrees Celsius. In order to meet this goal, global greenhouse emissions need to be cut in half by 2030 and reach net-zero by 2050. In order to achieve these goals, the Parties need to set and update their Nationally Determined Contributions (NDCs), which are national climate action plans to cut emissions and adapt to climate impacts. Developed countries are also committed to contributing \$100 billion annually to 2025 to help developing nations tackle the climate crisis. However, as of 2019, the total amount of financial contributions by developed countries has only reached \$79.6 billion in climate aid to developing countries. How the Parties will negotiate and set their financial support goals for 2025 and beyond was one of the key items at COP26.¹

1.2 Public Response to Japan's commitment by Prime Minister Fumio Kishida at COP26

On November 2, 2021, Prime Minister (PM) Fumio Kishida attended the COP26 World Leaders Summit, where over 130 leaders from around the globe declared how they will tackle the climate crisis. PM Kishida announced that Japan will make the following commitments :

- Japan will aim to reduce its greenhouse gas emissions by 46% from FY 2013 levels by FY 2030 and will continue to engage in efforts to meet the challenge of cutting its emissions by 50%.
- Japan, as a developed country and leader in Asia, will promote net-zero emissions in the region. Japan will seek to maximize the introduction of renewable energy, facilitate the clean energy transition, and achieve a decarbonized society. Considering that solar power plays a major role in the clean energy transition, Japan will seek to help stabilize the increasing penetration of renewable energy resources within Asia.
- Japan will also support the transformation of existing thermal power plants into zero-emission power generation utilizing ammonia and hydrogen through the Asia Energy Transition Initiative. Japan will lead projects worth \$100 million.
- In an effort to address the failure of developed countries to provide the developing world with the promised \$100 billion in annual funds, Japan will take the lead on the issue by providing \$60 billion in public and private financing in the next five years, alongside a contribution of up to \$10 billion to support decarbonization efforts in Asia through a partnership with the Asian Development Bank (ADB) in the same period.
- Japan will promote the development of a wide range of advanced technologies, including next-generation batteries and motors, hydrogen, and synthetic fuels, which will help accelerate the

¹ <https://www.env.go.jp/press/110095.html>

adoption of electric vehicles (EVs) and further achieve carbon neutrality in the automotive sector.²

PM Kishida's speech at COP 26 regarding Japan's decarbonization efforts drew mixed reviews and reactions. He arranged to attend COP26 immediately after the lower house election of the Diet ended on October 31, 2021, showing the international community that Japan is serious about tackling the global climate crisis. British PM Boris Johnson also applauded Japan's financial contributions, such as the pledge to provide an additional \$10 billion to developing countries over the next five years.

On the other hand, some analysts called into question Japan's promotion of the use of ammonia and hydrogen for thermal power generation. Phasing out coal is one of the top priority goals at COP26. However, rather than phasing out coal entirely, PM Kishida stated that Japan will facilitate the development of ammonia and hydrogen and will then utilize them to transform existing thermal power plants into zero-emission generation.

During the conference, 46 countries agreed to phase out their coal-fired power generation. However, Japan did not join that pledge. On November 2, 2021, a well-known European NPO, the Climate Action Network (CAN), gave Japan, Norway, and Australia the Fossil of the Day Award, a disgraceful award for countries that are reluctant to combat climate change. Some critics emphasized that Japan is attempting to extend the lifetime of coal-fired power generation beyond 2030 by utilizing advanced technologies such as ammonia and hydrogen. CAN also stressed that it is unrealistic for Japan to rely on these expensive technologies, which are linked to fossil fuel extraction, to achieve the global target of limiting warming to 1.5 degrees Celsius.³

2 The Kishida Administration Proposed the Development and Implementation of Clean Energy Technology through its Urgent Proposal for Japan's New Capitalism

On November 8, 2021, the Prime Minister's office held the second meeting of the Council of the New Form of Capitalism Realization. During the meeting, participants discussed a draft "urgent proposal" that outlines policy priorities for the Kishida administration. One of the draft proposal's growth strategy pillars is to propose concrete measures to support clean energy development, such as by maximizing the introduction of renewable energy; supporting supporting the domestic battery supply chain and promoting the electrification of the transportation sector.⁴ The administration established the Council of the New Form of Capitalism Realization on October 15 to help realize a virtuous cycle of economic growth and investment distribution and the creation of a new society in the post-COVID 19 era. The first meeting took place on October 26 to discuss the broad vision of how to build a new model of capitalism in the nation.⁵

² https://www.kantei.go.jp/jp/100_kishida/statement/2021/1102cop26.html
https://www.mofa.go.jp/mofaj/ic/ch/page4_005436.html

³ <https://www.can-japan.org/press-release-ja/3066>

⁴ https://www.kantei.go.jp/jp/100_kishida/actions/202111/08shihon.html

⁵ https://www.cas.go.jp/jp/seisaku/atarashii_sihonsyugi/index.html

2.1 General Overview of the Proposal⁶

The proposal is designed to build a new form of capitalism with different types of investment and economic growth that emphasizes sustainability and people's quality of life to address the challenges that Japan faces. Since the 1980s, a majority of investors have tended to invest in the short term, which has led to the emergence of new social and economic issues such as the sluggish growth of the middle class and widening economic class disparities. The Kishida administration will develop a vision and concrete measures to address these challenges. The Japanese government will facilitate cooperation between the public and private sectors to create a new economic era with appropriate government support. The proposal was created in order to prioritize tasks through two pillars: the Growth Strategy and the Distribution Strategy.

The Growth Strategy has identified several primary focus areas, such as promoting efforts to realize a science and technology nation, providing stronger support to startups, launching the Digital Garden City Nation, and ensuring economic security. In an effort to position Japan as a strong science and technology nation, the Kishida administration has highlighted the transition towards digital transformation and the development of clean energy technologies. In a parallel effort, the Distribution Strategy aims to strengthen the mid- and long-term investment distribution in the public and private sectors.

The major highlights of the efforts to develop and deploy clean energy technologies described in the "Growth Strategy" are listed below.

Primary Field	Description
(1) Expand the introduction of renewable energy	<ul style="list-style-type: none"> • Supporting feasibility studies on submarine DC transmission lines to accelerate the development of transmission networks in response to the increasing penetration of renewable energy resources • Assisting in the development of storage batteries connected to the power system to respond to challenges created by the intermittent output of renewable energy and working to improve the equipment that produces hydrogen from surplus renewable electricity • Promoting long-term contracts to purchase renewable energy to support the development of solar power systems
(2) Develop the domestic production capacity of batteries and hydrogen fueling stations, and promote the adoption of EVs	<ul style="list-style-type: none"> • Implementing a comprehensive measure to support the adoption of EVs • Increasing Japan's domestic production capacity by 2030 through assisting in large-scale production facilities for batteries and battery materials, aiming to strengthen the automotive battery supply chain • Promoting the development of hydrogen fueling stations and EV charging stations networks to accelerate the usage of EVs by 2030 at the latest • Incentivizing the purchase of EVs and fuel cell vehicles, seeking to sell 100% passenger EVs by 2035, in order to achieve the goal set by the Green Growth Strategy • Assisting automobile parts suppliers, gas stations, and maintenance facilities through business transformation and restructuring

⁶ https://www.cas.go.jp/jp/seisaku/atarashii_sihonsyugi/pdf/kinkyuteigen_honbun_set.pdf

	<ul style="list-style-type: none"> • Undertaking pilot projects on the technological development of CO2 and hydrogen synthetic fuel (e-fuel) that can utilize existing infrastructure
(3) Promote fuel conversion in high energy-intensive industries such as chemicals and steel	<ul style="list-style-type: none"> • Promoting fuel conversion for private coal-fired power generation, which are utilized in high energy-intensive industries, such as steel, chemicals, papers, and cement • Improving the efficiency of steel blast furnaces and coke ovens
(4) Move forward the decarbonization in the construction industry	<ul style="list-style-type: none"> • Seeking to establish low-interest loan systems to support energy-saving retrofitting for more than 50 million existing homes in order to comply with energy conservation standards by FY 2025 • Supporting the development of regional zero-energy wooden houses
(5) Develop the next-generation nuclear fusion technology	<ul style="list-style-type: none"> • Aiming to leverage the private sector's experience and knowledge of nuclear power to bolster the international cooperation on fast reactor and small module reactor (SMR) and to advance the development of high-temperature gas-cooled reactors (HTGR) for hydrogen production • Advancing nuclear fusion studies through international projects such as ITER⁷ and private-public partnerships
(6) Develop the Green Energy Strategy	<ul style="list-style-type: none"> • Establishing a stable and affordable energy supply and developing a clean energy strategy through exploring various options, including renewable energy, nuclear power, and hydrogen, based on Japan's Energy Basic Plan⁸ and the Green Growth Strategy

⁷ ITER is an international project on experimental nuclear fusion facility. The facility site will be Saint-Paul-lès-Durance in France

https://www.fusion.qst.go.jp/ITER/iter/page1_2.html

⁸ The sixth Energy Basic Plan was finalized on October 22, 2021. It highlights the governmental goals for energy portfolios by 2030.