



**November 2022**

# **Japan Energy Newsletter**

**Japan Electric Power  
Information Center, USA**

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## 1 Japan's Agency for Natural Resources and Energy Announced its New Policy Directions for the Legal Aspects of Handling CO2 in Carbon Capture and Storage Projects

On October 7, 2022, Japan's Agency for Natural Resources and Energy (ANRE), within the Ministry of Economy, Trade and Industry (METI), announced its new policy directions for the legal aspects of handling carbon dioxide (CO<sub>2</sub>) when conducting carbon capture and storage (CCS). The CCS Business and Domestic Law Working Group, which brings together government, industry, and academic experts to study domestic laws and regulations for CCS businesses, is responsible for discussing the legal framework.<sup>1</sup> The working group's first meeting was held on September 1, 2022, and the new policy was announced at the second meeting on October 7, 2022.

CCS is one of the key technologies for Japan to achieve carbon neutrality by 2050. However, to utilize CCS, Japan needs to overcome various socio-economic challenges, including technical maturity, cost reduction, and selecting suitable storage sites. The Sixth Strategic Energy Plan, which directs the government to work with the private sector to advance CCS initiatives and to establish a CCS Long-Term Roadmap, was approved by the Cabinet in October 2021. In May 2022, the government released an interim summary of the CCS Long-Term Roadmap. The CCS Business and Domestic Law Working Group is part of the CCS Long-Term Roadmap Working Group.

The CCS Business and Domestic Law Working Group raised the following issues to be addressed.

- CO<sub>2</sub> has been used in industry, agriculture, and medical sectors and is needed for trade as a secure and valuable resource. In the future, it is expected to be utilized in synthetic fuels and methanation as one of the main raw materials through carbon dioxide capture and utilization (CCUS) and carbon recycling technologies. Therefore, it is not appropriate to treat captured CO<sub>2</sub> as waste.
- Through the CCS process, it is possible to reduce the total amount of CO<sub>2</sub> emissions emitted by businesses. If CO<sub>2</sub> is subject to a credit system, it would have a monetary value.
- The private sector is urging the Japanese government to take over the responsibility and ownership of managing the permanent storage of CO<sub>2</sub> underground, following a certain period of monitoring by entities engaged with CO<sub>2</sub> storage activities. The working group advised that the government should also take responsibility for strategically stockpiling CO<sub>2</sub> underground to ensure a stable supply during normal times and emergencies.

Based on the results of the meeting, ANRE concluded the following key points.

- The ownership of CO<sub>2</sub> will belong to the emitters.
- CO<sub>2</sub> emitters will be able to use their CO<sub>2</sub> for their own use and sell it to third parties as long as they are capable of maintaining a stable CO<sub>2</sub> supply without any disruptions.

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<sup>1</sup>[https://www.meti.go.jp/shingikai/energy\\_environment/ccs\\_choki\\_roadmap/kokunaiho\\_kento/pdf/002\\_02\\_00.pdf](https://www.meti.go.jp/shingikai/energy_environment/ccs_choki_roadmap/kokunaiho_kento/pdf/002_02_00.pdf)

- CO2 that is physically accessible without being fixed/mineralized in underground strata is the only kind that may be used either in-house or sold to a third party. The emitter should own this CO2.
- If CO2 ownership is transferred to the government, then the government will be responsible for any emergency release of CO2. <sup>2</sup>

In order to promote the private sector's contribution to CCUS, the meeting also noted the importance of enacting a new CCUS business law and the need to develop a legal framework based on existing mining laws and regulations.<sup>3</sup>

The CCS Business and Domestic Law Working Group will continue to hold meetings to examine other legal challenges, including the development of CO2 storage business rights and business regulations, creating a definition of CO2 operators' responsibilities, promoting the establishment of a supervisory mechanism for CO2 storage activities (including the oversight of emitters to ensure that they are meeting their responsibilities), and encouraging CO2 exports. The CCS Long-Term Roadmap is expected to be finalized in December 2022. <sup>4</sup>

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<sup>2</sup>[https://www.meti.go.jp/shingikai/energy\\_environment/ccs\\_choki\\_roadmap/kokunaiho\\_kento/pdf/002\\_06\\_05.pdf](https://www.meti.go.jp/shingikai/energy_environment/ccs_choki_roadmap/kokunaiho_kento/pdf/002_06_05.pdf)

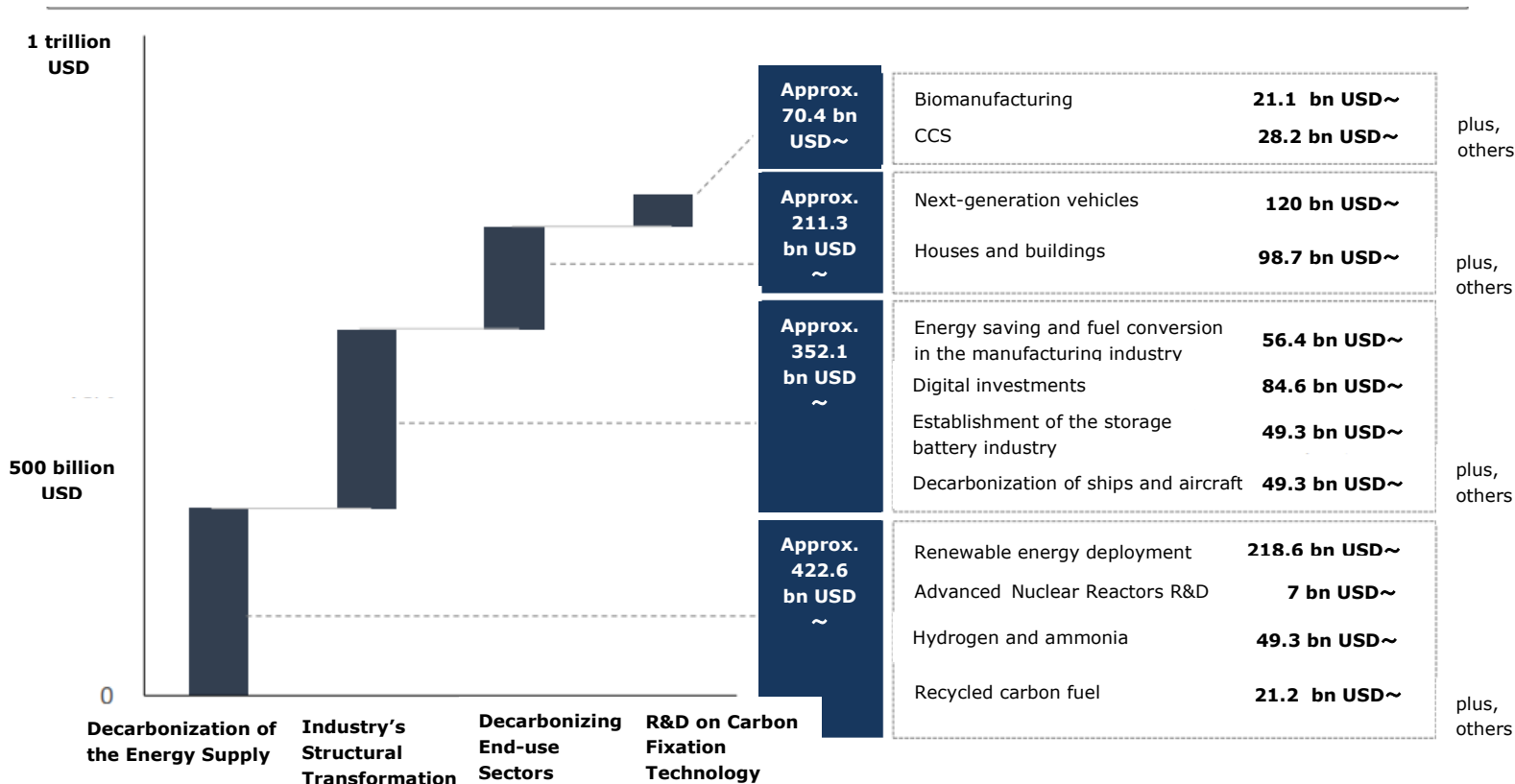
<sup>3</sup>[https://www.meti.go.jp/shingikai/energy\\_environment/ccs\\_choki\\_roadmap/kokunaiho\\_kento/pdf/002\\_04\\_03.pdf](https://www.meti.go.jp/shingikai/energy_environment/ccs_choki_roadmap/kokunaiho_kento/pdf/002_04_03.pdf)

<sup>4</sup>

[https://www.meti.go.jp/shingikai/energy\\_environment/ccs\\_choki\\_roadmap/kokunaiho\\_kento/pdf/002\\_03\\_00.pdfpdf.12](https://www.meti.go.jp/shingikai/energy_environment/ccs_choki_roadmap/kokunaiho_kento/pdf/002_03_00.pdfpdf.12)

## 2 The Cabinet Seeks to Secure a Decarbonization Investment of One Trillion USD from the Public and Private Sectors and Will Consider Implementing Carbon Pricing

On October 26, 2022, Japan’s Cabinet held the third Green Transformation (GX) Meeting. The meeting discussed the investment needs and available financial resources for decarbonization activities. The Japanese government estimates that an investment of one trillion USD by the public and private sectors in the decarbonization sector will be required to accelerate the domestic green transformation over the next decade.<sup>5</sup> The following chart indicates the breakdown of the major decarbonization technology investments and their estimated amounts.



\*The investment amount is a provisional value and was calculated mechanically based on certain assumptions. It may be increased or decreased in the future, depending on the project’s progress.

The government plans to issue 141 billion USD worth of new GX Economic Transition Bonds<sup>6</sup> (GX Bonds) to raise funds and attract investment from the private sector. Issuing these GX bonds will help to procure the financial resources necessary to fund

<sup>5</sup> [https://www.cas.go.jp/jp/seisaku/gx\\_jikkou\\_kaigi/dai3/siryou1.pdf](https://www.cas.go.jp/jp/seisaku/gx_jikkou_kaigi/dai3/siryou1.pdf)

<sup>6</sup> Temporary name of the Bond.

the adoption of decarbonizing technology and research and development (R&D) in the field.

When issuing GX bonds, Japan will consider introducing a carbon pricing system as a source of funding for the bonds. The Cabinet hopes to submit the relevant bills to the ordinary sessions of the Diet in 2023. There are three options for the carbon pricing system: (1) a carbon tax that is collected based on the amount of carbon emitted by each company, (2) an electricity surcharge included in utility bills, and (3) a CO2 emissions trading system among emitters. However, the Cabinet Office has recently noted that imposing a new tax should be avoided because it would be inappropriate to create a burden on consumers while energy prices are very high due to Russia's invasion of Ukraine and the recent depreciation of the Japanese yen.<sup>7</sup>

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<sup>7</sup> <https://www.nikkei.com/article/DGXZQOUA046FT0U2A101C2000000/>

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