

OECD/ESCAP Regional Conference on Corporate Responsibility

Parallel Session B: Building a Low Carbon Future

Part I: Asia, on the road to Copenhagen

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(Introduction: CSR and Environment)

Let me start with some background about Japan's experience with regard to Environment and Corporate Social Responsibility (CSR).

CSR reporting in Japan is originally developed from the field of environment.

In early 1990s, Japanese companies started publishing environmental reporting. The Japanese Government has been promoting environmental reporting by the Environmental Reporting Guidelines and the "Law Concerning Promotion of Environmental Consideration in Business Activities" enacted in 2004.

Now, Japan is the largest publisher of CSR reports in the world.

One survey shows that among the largest 100 companies in Japan, more than 90% publish CSR reports, the highest among some 22 countries. The Ministry of the Environment survey shows that more than 1000 companies publish environmental reporting in Japan.

Climate change is recently one of the principal concerns among major enterprises, and has become the key issues in CSR reports. Many Japanese companies are taking voluntary actions to tackle climate change, as part of CRS. It is said that Japan is the most advanced country after the UK in the disclosure of CO₂ emission.

(Government Initiatives)

In order to tackle climate change, collaboration among public and private sectors is indispensable together with individual efforts. As public sector efforts, the Japanese Government is taking various measures to tackle climate change and increase energy efficiency for the industrial sector.

In 1998, “the Act on the Promotion of Global Warming Countermeasures” was established in order to urge all relevant social actors (National and Local governments, businesses and citizens) to make efforts to mitigate climate change, including the formulation of action plans, and the disclosure of the plans and the state of their implementation. In 2006, Japan introduced the Mandatory Greenhouse Gas Accounting and Reporting System based on the revised Act. This system requires specified entities (which emit considerably large amount of GHGs) to calculate their GHG emissions and report the results to the Government. This encourages large emitters to take voluntary action to reduce emissions. In 2007, 14,841 facilities and 1,447 transportation companies submitted reports.

The Japanese government also mobilizes all available policy tools to encourage private sectors to take actions.

There are various public support measures for development of innovative technologies, such as special tax reductions and subsidies for research and developments for climate change mitigation technologies including fuel cells and heat pumps, programs to encourage the purchase of environmentally friendly vehicles, and carbon footprint pilot program to “visualize” CO₂

emissions of total life cycles of goods and services.

The Japanese government also promotes further utilization of new and renewable energy through incentive to install photovoltaic systems, purchase scheme for photovoltaic electricity, as well as introduction of solar, wind, and geothermal power generations.

Improvements in energy-efficiency are the most effective way to reduce GHG emissions with lowest costs. We promote the spread of green home appliances by utilizing so-called “Eco-Points.” Consumers can get special points when purchasing energy-efficient home appliances such as TV sets, refrigerators and air-conditioners. Top Runner Program was introduced to advance energy efficiency of such equipments as cars and electric appliances. This program uses, as a base value, the value of the product with the highest energy consumption efficiency on the market at the time of establishing the standard. This gives manufacturers incentives for developing more energy-efficient equipment.

The Government also provides subsidy to interest payments for investments on environmental equipments with voluntary commitment to drastically reduce CO₂ emission. We also introduced “the Law on Promoting Green Purchasing” for government entities to procure eco-friendly goods and services.

Using market mechanism is one of the influential incentives for business to deal with climate change.

We have launched trial emission trading system as a “Japan’s Voluntary Emissions Trading Scheme (JVETS)” in 2005. This scheme aims to support voluntary CO2 reductions by business and to ensure their target achievement in a cost-effective manner, using (1) a subsidy to facilities which contribute CO2 emissions reduction, (2) participants’ commitments to reduce CO2 emissions below their base year emissions and (3) emissions trading. As a result, the achieved reduction exceeded the committed reduction.

Based on the results of JVETS, the Japanese Government commenced “Experimental Introduction of an Integrated Domestic Market for Emissions Trading” in 2008. JVETS is incorporated into this scheme. This scheme also integrates domestic credits, where SMEs’ emission reduction can be traded as a credit to companies who assist such SMEs to reduce emissions, as well as Kyoto Mechanism Credits. This scheme prepares various options for substantial emissions reduction by various entities including large corporations and SMEs in every sector.

(Future Challenges and New Government Initiatives)

These comprehensive efforts to reduce GHG emissions could have influence on reducing emissions in industrial sector. However, Japan faces the serious challenges to meet our commitment under Kyoto Protocol. GHG emission level in terms of CO₂ in 2007 did not decrease but rather increased by 9% compared to the 1990 level. We also have to find the way to agree on post-Kyoto commitment at COP 15 in Copenhagen.

In order to fight those challenges, Japanese new Prime Minister Yukio HATOYAMA took strong initiatives. At the UN Summit on Climate Change in September, he stated that the Japanese government has set a very ambitious target of reducing greenhouse gas emissions by 25% by 2020, if compared to the 1990 level, on the premise of the creation of a fair and effective international framework by all major economies and an agreement on ambitious targets by each of them.

He also stated that exercising the political will required to deliver on this promise by mobilizing all available policy tools, including the introduction of a domestic emission trading mechanism and a feed-in tariff for renewable energy, as well as the consideration of a global warming tax.

In this respect, the Japanese Government launched the Ministerial Committee on Global Warming, discussing various issues including the assessment of model-analysis about the mitigation cost in order to achieve our new mid-term target.

(Conclusion)

Finally, I would like to re-iterate that fighting climate change requires collaboration among all relevant stakeholders, domestically and internationally. Government actions include legal enforcement or regulations such as mandatory reporting of CO2 emissions, and incentives and encouragement to invite voluntary actions by businesses and households. Government cannot and should not control everything private sectors do. We should find right balance between public and private for better collaborations to tackle climate change. OECD Guidelines for Multinational Enterprises deals with responsible business conducts (RBC) and corporate social responsibility (CSR) including environment issues. I hope that these Guidelines give us a guidance to strike the balance between governments' and business' responsibilities in climate change issues as well.

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