

Japan's Green Investment Support Measures

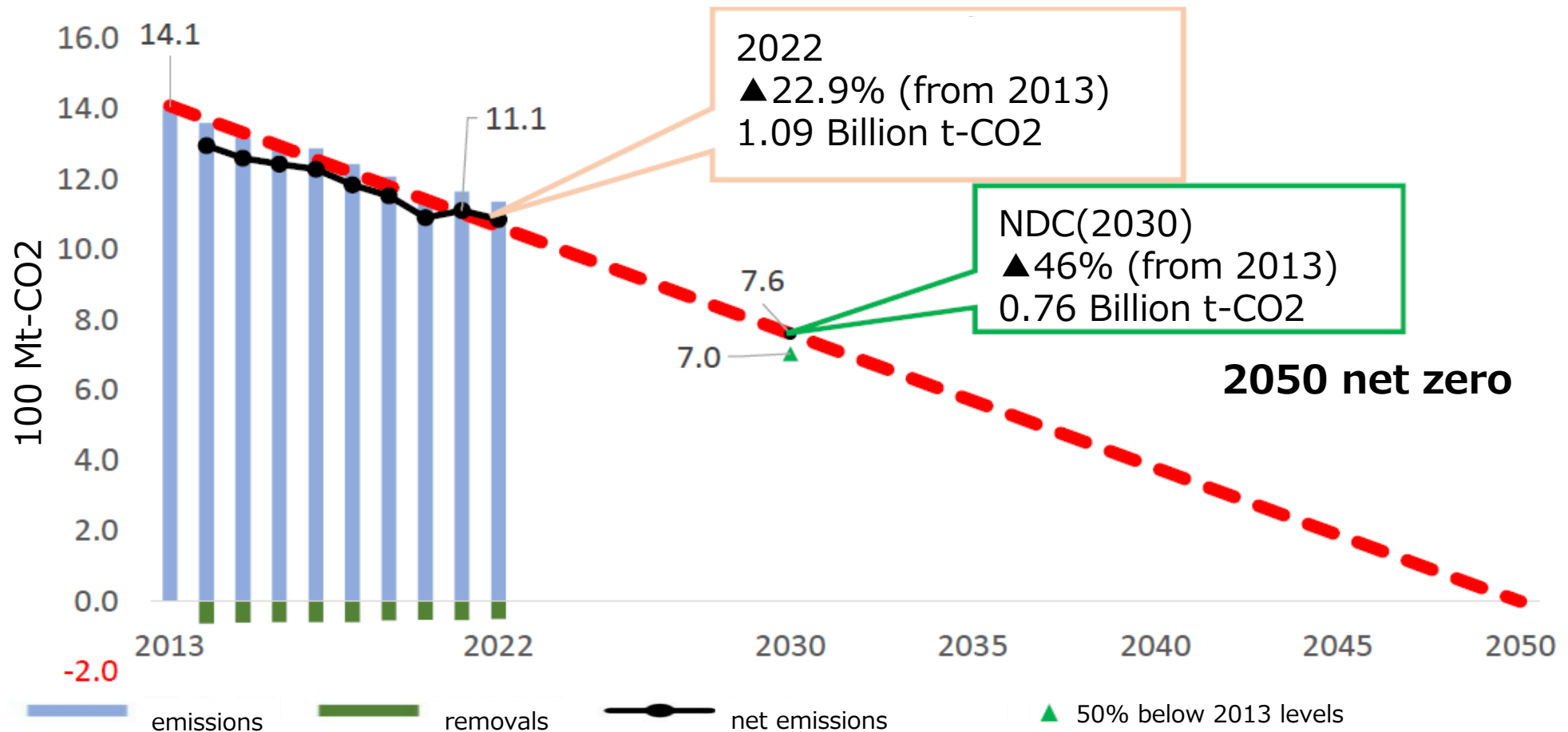
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Main Points Covered in this Presentation

- Japan's emission reduction goals & track record
- Governance and accountability of green investment support measures
- How sectors eligible for green investment support are selected
- How support measures fit into overall emissions reductions strategies

Japan's Nationally Determined Contribution (NDC)

- As climate change has become a global issue, Japan is committed to **GX (Green Transformation)** to realize both **emissions reduction** and **economic growth**.
- Japan aims to reduce emissions by 46% by 2030 (from 2013 levels) and achieve carbon neutrality by 2050.



Governance Structure of Green Investment Support Measures

- Given the wide-ranging impact of large-scale green investment support measures, the basic framework and strategy of these measures are based on specific legislation and government actions, reflecting public scrutiny and debate as well as internal government coordination.
- In addition, to be eligible for some forms of long-term R&D and investment support, companies must show that their efforts are in line with the government's climate transition strategy and face an annual follow-up review with participation at the management level.

【Legislation】

GX (Green Transformation) Promotion Act (May 2023)



【Government Actions】

Green Transformation Promotion Strategy (July 2023)

Sector-specific Investment Strategies (December 2023)



【Firm-level Commitments 】

E.g. Upfront Investment Plans with annual reviews, consisting of two elements:

- Emissions reduction actions, including across the supply chain, setting out both absolute reductions & efficiency of reduction actions
- Actions to strengthen industrial competitiveness, including both company-level targets and commitment to build green supply chains and markets

Basic Principles of Green Investment Promotion

【Basic Criteria】

- I. Support will be provided to projects where, due to innovative but unproven technologies or other characteristics, private companies acting alone will face true difficulties in arriving at an investment decision, with the prerequisite that they commit to effective management methods.
- II. Projects must contribute to both economic growth/competitiveness and emissions reductions. Priority will be given to projects that lead to greater emissions reductions and market impact, as well as contribute to stable domestic supply necessary to realize “Green Transformation”.
- III. Support will be provided as part of a package with regulations and policy measures that will lead to transforming the behavior of corporate investment and demand-side actors.
- IV. Support will be provided to projects that contribute to increased domestic investment (including in human resources) and exclude those that do not contribute to domestic emissions reductions or simply purchase emissions credits from abroad.

Economic Growth / Competitiveness

A

Growth-oriented investment with innovative technologies or business models

or

B

Growth-oriented investment utilizing cutting edge technologies that both reduce use of fossil fuels or energy and increase profitability

or

C

Measures to promote initial domestic demand for major goods

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Emissions Reductions

①

Investment in R&D that will lead to reduced domestic emissions through technological innovation

or

②

Capital investment etc. that will lead to large-scale emissions reductions and thus contribute directly to reduced domestic emissions

or

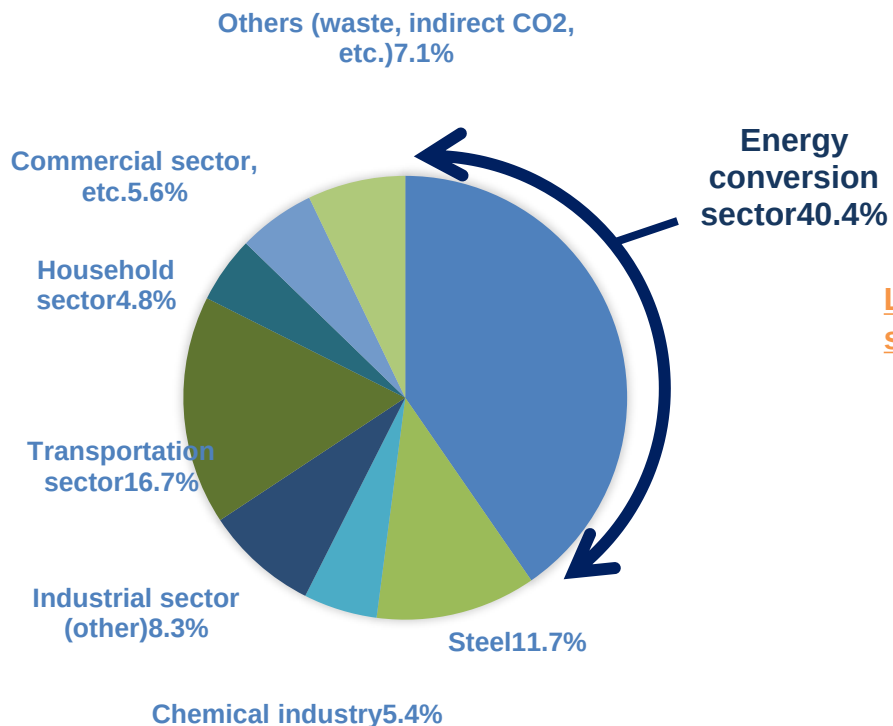
③

Measures to promote initial domestic demand for major goods that have national-level demand and will lead to large, long-term emissions reductions

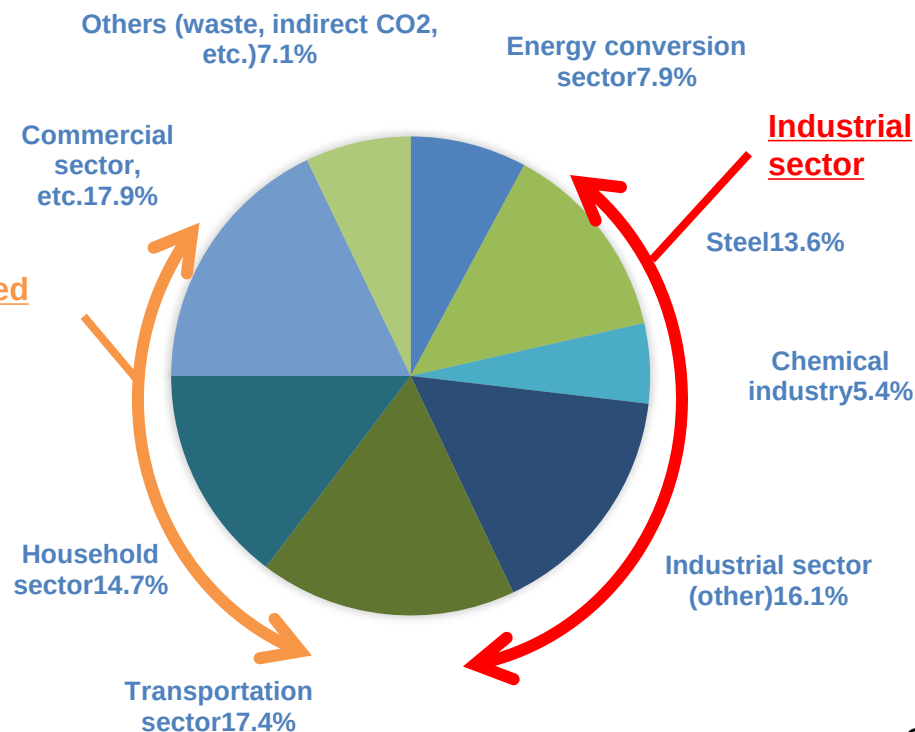
Priority Sectors for Realizing Green Investment

- To achieve Green Transformation (GX), it is necessary to address sectors with high emissions.
- In addition to the energy conversion sector (power generation, etc.), initiatives to reduce emissions in the following sectors, that account for a major portion of emissions after distribution of electricity and heat, are indispensable: industrial sector such as iron & steel and chemicals; and sectors deeply related to people's lives (households, transportation services, commercial sector, etc.).
- Among the technologies that can effectively and efficiently reduce emissions in each sector, support will be provided through investment promotion measures using “GX economy transition bonds”, particularly for those technologies that are effective in strengthening economic growth and competitiveness.

Breakdown of Japan's emissions
[**before** electricity/heat distribution]



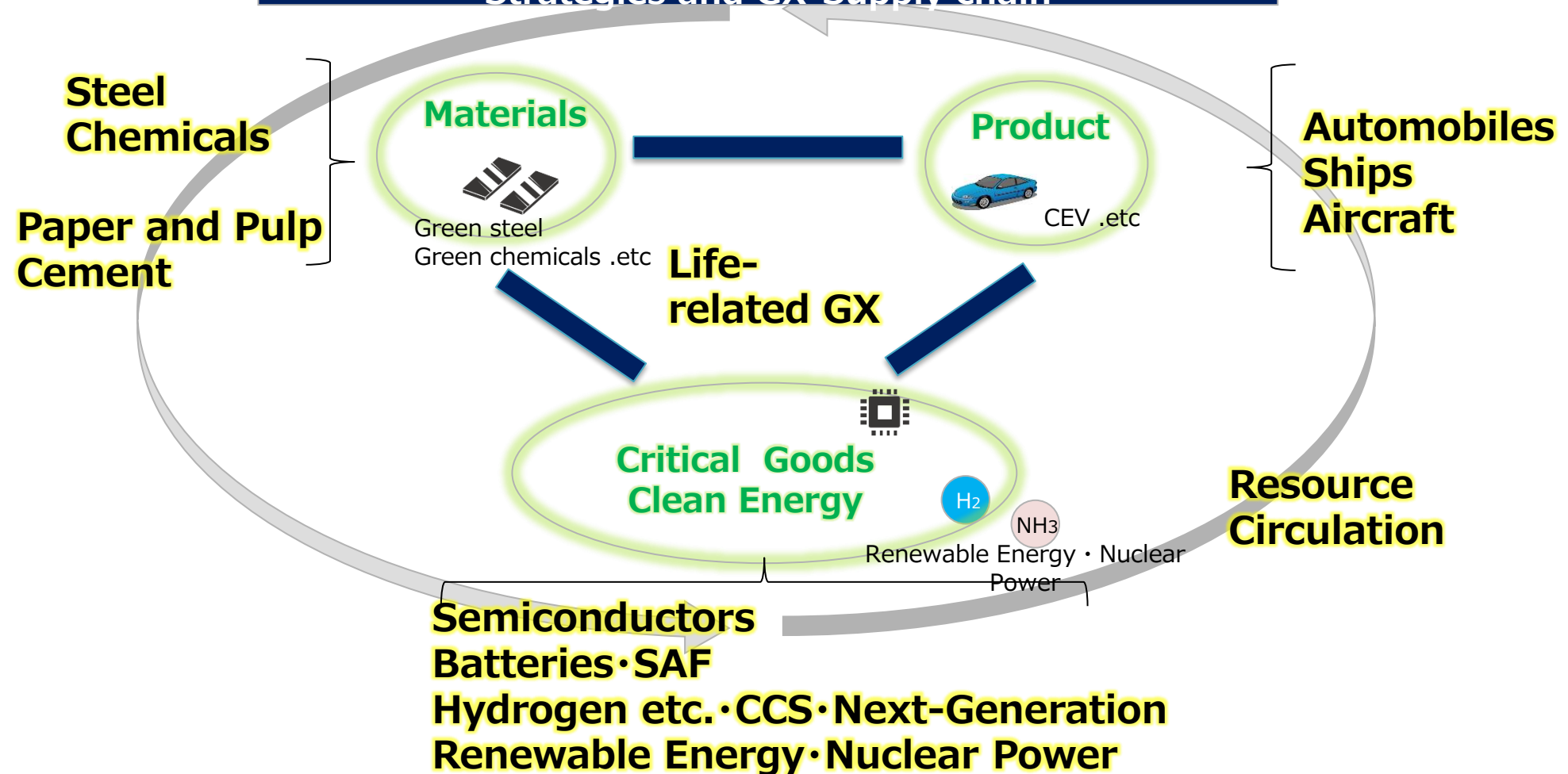
Breakdown of Japan's rmissions
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Targets of Sector-specific Investment Strategies

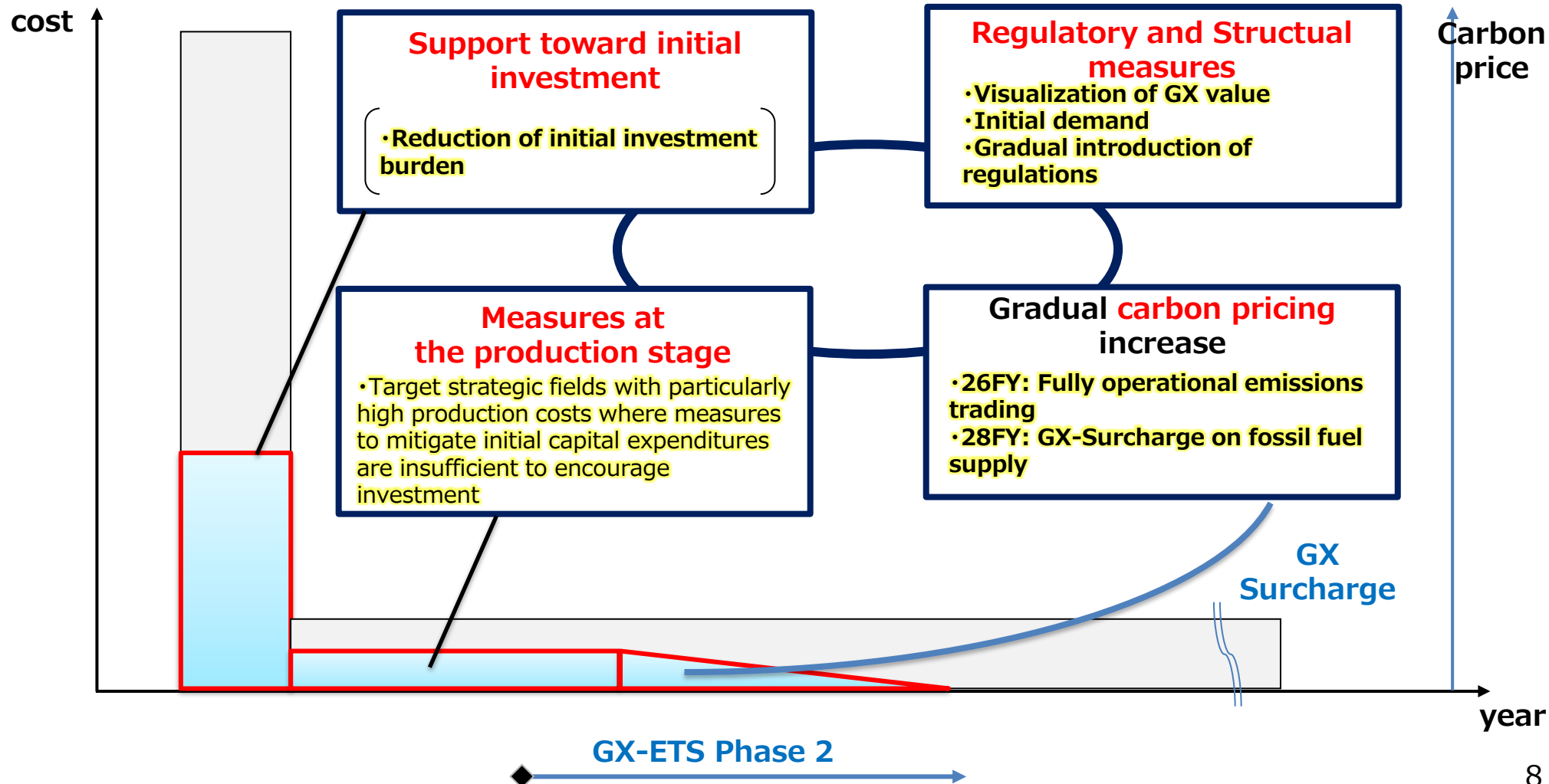
- As reference material for “the Basic Policy for the Realization of GX”, the government presented a “road map” in 22 sectors to show its long-term, multi-year commitment and to provide an outlook for regulatory and systemic measures.
- The roadmap was reclassified, discussed in the working group of experts for the Realization of GX, and brushed up as the “Sector-specific Investment Strategies”(16 sectors).

Relationship between Sector-specific Investment Strategies and GX-Supply chain



GX investment promotion measures ~Image of policy package~

- In order to increase the competitiveness of GX-related products and businesses, we will develop a business environment in which the private sector can boldly engage in GX investment with predictability through "regulations and systems for market creation" and "gradual increase in carbon pricing".
- To accelerate upfront private investment, bold initial investment support combined with measures to encourage investment in strategic sectors with high costs, including at the production stage



Thank you!