

CONSULTATION RESPONSE

MINISTRY OF ECONOMY, TRADE AND INDUSTRY (METI): PUBLIC COMMENTS ON PROPOSED SIXTH BASIC ENERGY PLAN

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This consultation response represents the view of the PRI Association and not necessarily the views of its individual members.

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INTRODUCTION

The United Nations-supported Principles for Responsible Investment (PRI) is the world's leading initiative on responsible investment. The PRI is now a not-for-profit company with over 4,000 signatories (pension funds, insurers, investment managers and service providers) to the PRI's six principles with approximately US \$121 trillion in assets under management.

The PRI supports its international network of signatories in implementing [the Principles](#). As long-term investors acting in the best interests of their beneficiaries and clients, our signatories work to understand the contribution that environmental, social and governance (ESG) factors make to investment performance, the role that investment plays in broader financial markets and the impact that those investments have on the environment and society as a whole.

The PRI works to achieve this sustainable global financial system by encouraging the adoption of the Principles and collaboration on their implementation; by fostering good governance, integrity and accountability; and by addressing obstacles to a sustainable financial system that lie within market practices, structures and regulation. The PRI welcomes the invitation by the Canadian Government's Ministry of Natural Resources to provide feedback on the proposed just transition legislation.

ABOUT THIS CONSULTATION

On 3 September 2021, the Agency for Natural Resources and Energy, Ministry of Economy Trade and Industry, opened the public comment period for its Proposed 6th Basic Energy Plan.

Japan has taken a leading position on climate action in the Asia region and among its G7 and G20 peers. As global climate policy momentum builds towards COP26 in Glasgow, the importance of translating long term targets towards near-term policy accountabilities to accelerate the transition cannot be understated. PRI's comments build from this position and highlight the concrete policy actions needed to support Japan in successfully meeting its climate targets and transforming towards a net zero economy.

COMMENTS ON JAPAN'S BASIC ENERGY PLAN

PRI welcome updates to Japan's Basic Energy Plan, especially its upward revision of renewables by 14% to 36-38% in the overall power output in fiscal 2030. Power contributes to around 47% of Japan's energy-related carbon emissions. The intended expansion of renewable energy sources reduces the need for imported fossil fuels and can put Japan on track with its overall emission reduction target.

However, in order to achieve this increase and the 46% reduction in emissions by 2030, PRI recommends:

- 1. Clarifying the policy mechanisms which will deliver a doubling of renewable energy generation in eight years. Key policies should include:**
 - A rising price on carbon which covers the power and industrial sectors with a target price range between \$50~100 per tonne of CO₂ by 2030.¹
 - Schedule a series of auctions for renewable energy to deliver the necessary levels of wind and solar PV capacity.
 - Review the current wholesale power market arrangements and remove impediments to investment and generation of clean power, such as the connectable amount rules that lead to curtailment of renewable power.
- 2. Streamlining of permits for renewable projects** to reduce barriers of economies of scale of renewable energy deployment and **investing in high voltage transmission infrastructure across regions to connect renewable generation with demand centres.**
- 3. In addition to increasing renewables, a reliable, actionable coal phaseout strategy is key in achieving Paris-aligned emission reduction goal.** Existing plans to phaseout inefficient coal plants by 2030 are set to improve the already-efficient Japanese thermal power fleet. Yet, they remain insufficient given that even efficient coal plants emit more carbon than other generation sources, and the IEA has clearly advised all advanced economies to remove all coal by 2030. Leading research on the viability of the latest energy plan shows that any shortcomings in meeting renewable energy targets, particularly regarding nuclear power, would risk surpassing the 19% of coal within the proposed energy mix. This is exacerbated by the absence of carbon pricing and other regulatory measures, which would maintain coal's nominally low-cost generation advantage over other energy options.
- 4. Clarify the longer-term strategy for decarbonising the power sector. This sector will underpin the net-transition in the economy enabling emission reductions such as in the road transport and industry. Avoiding high reliance on unproven technologies such as Carbon Capture and Storage (CCS), particularly exporting the captured CO₂ for storage in a third country, as well as direct air capture is recommended.** These technological options currently are not available at an industrial scale, and risk imposing high costs on the

¹ IEA net-zero roadmap (2021) page 53; Carbon Pricing Leadership Coalition (2017). Report of the High Level Commission on Carbon Prices.

Japanese economy and creating new energy security issues. Analysis by the IEA as well as one earth climate model by the University of Technology Sydney shows a 1.5° pathway that avoids reliance of CCS is technologically feasible, the IEA found that global GDP growth would be on average 0.5% higher per year under the net zero pathway².

5. **Establishing an independent climate change committee in Japan.** The application of global pathways to net zero cannot be done uniformly to Japan, which has some unique topography and deep coastal waters. As per PRI's Japan economic roadmap, this independent committee should advise on target setting, developing and publishing feasibility studies, as well as monitoring progress on policy implementation.

As METI accepts consultation on the basic energy plan, the PRI recommends METI to align its emission reduction targets with concrete near-term policy actions to transform the economy and enable sustainable investment to support the low carbon transition.

² IEA net zero roadmap (2021)