

# Delivering net zero emissions in Japan

日本のカーボン・ニュートラル実現に向けて

25 May



Keep the conversation going  
**#PRIDigitalForum**



# Climate Policy Update

## 気候政策に関する最新情報

Edward Baker, Technical Head, Climate Change and Energy Transition, PRI  
PRI 気候変動・エネルギー・トランジション テクニカル・ヘッド エドワード・ベーカー

# PRI AT A GLANCE PRIについて

Launched in April 2006 at the NYSE, the Principles for Responsible Investment has:

2

## UN PARTNERS:

UNEP FINANCE INITIATIVE  
UN GLOBAL COMPACT



4000

## SIGNATORIES:

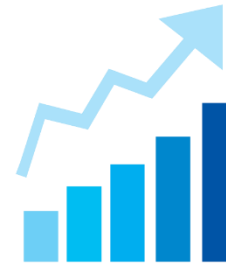
ASSET OWNERS,  
INVESTMENT  
MANAGERS  
AND SERVICE  
PROVIDERS



101

## US\$ TRILLION:

ASSETS UNDER  
MANAGEMENT



6

## PRINCIPLES:

RECOGNISING THE  
MATERIALITY OF  
ENVIRONMENTAL,  
SOCIAL AND  
CORPORATE  
GOVERNANCE ISSUES



Time to get out of our comfort zone? 居心地の良い場所から外に飛び出す



## COP26への期待

- 2021 set to join 2015, 1997, 1992 as a highwater mark for international coordination on climate change
- 2021 set to be a landmark year for climate-related reporting.
- 2030 matters more than 2050
- But will political will be sustained?

# COP 26 GLASGOW



UNITED NATIONS  
CLIMATE CHANGE  
CONFERENCE

**1<sup>st</sup> – 12<sup>th</sup> NOVEMBER 2021**

# Forces behind the transition エネルギー移行を後押しする主な要因

## Extreme weather events



## New climate research

Global warming report, an 'ear-splitting wake-up call' warns UN chief



## Geopolitics



## Civil society action



## Cheaper renewable energy

### FINANCIAL TIMES

Europe 'watershed' as green energy set to overpower coal



JUNE 3, 2019

## Regulators warning on stability

The catastrophic effects of climate change are already visible around the world. We need collective leadership and action across countries, and we need to be ambitious.



## Uninsurable World

Munich RE



"Climate change could make insurance too expensive for most people"

MOODY'S  
INVESTORS SERVICE

"Climate change risks outweigh opportunities for P&C (re)insurers"

## Influence Shifting

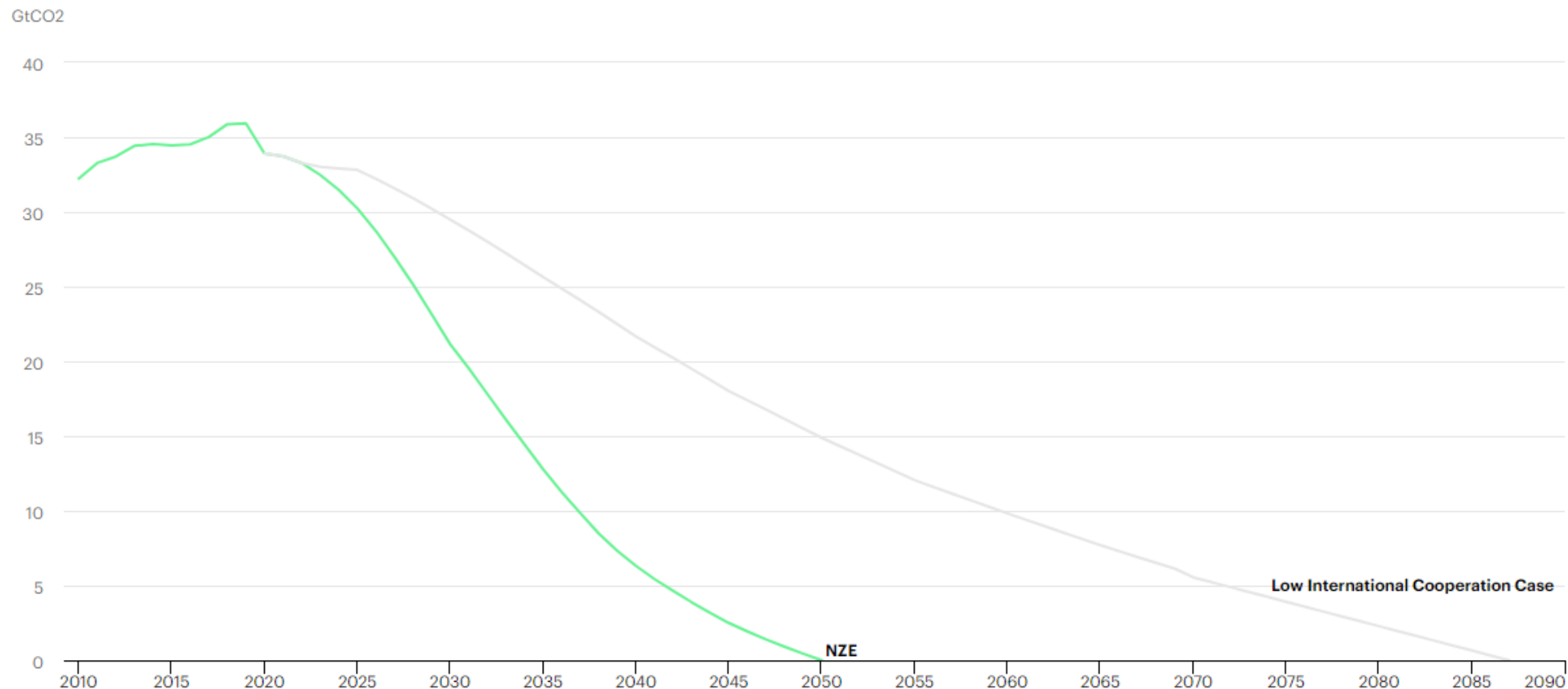
FINANCIAL TIMES

GRAPHICS OPINION WORK & CAREERS LIFE & ARTS HOW TO SPEND IT

BHP UK investors urge halt to fossil fuel lobbying

Activist shareholders make history in anti-lobby resolution at Origin AGM

## IEA pathways to net zero 2050年ネットゼロを実現するためのIEAの経路





## Policy levers 気候変動に関する主な政策





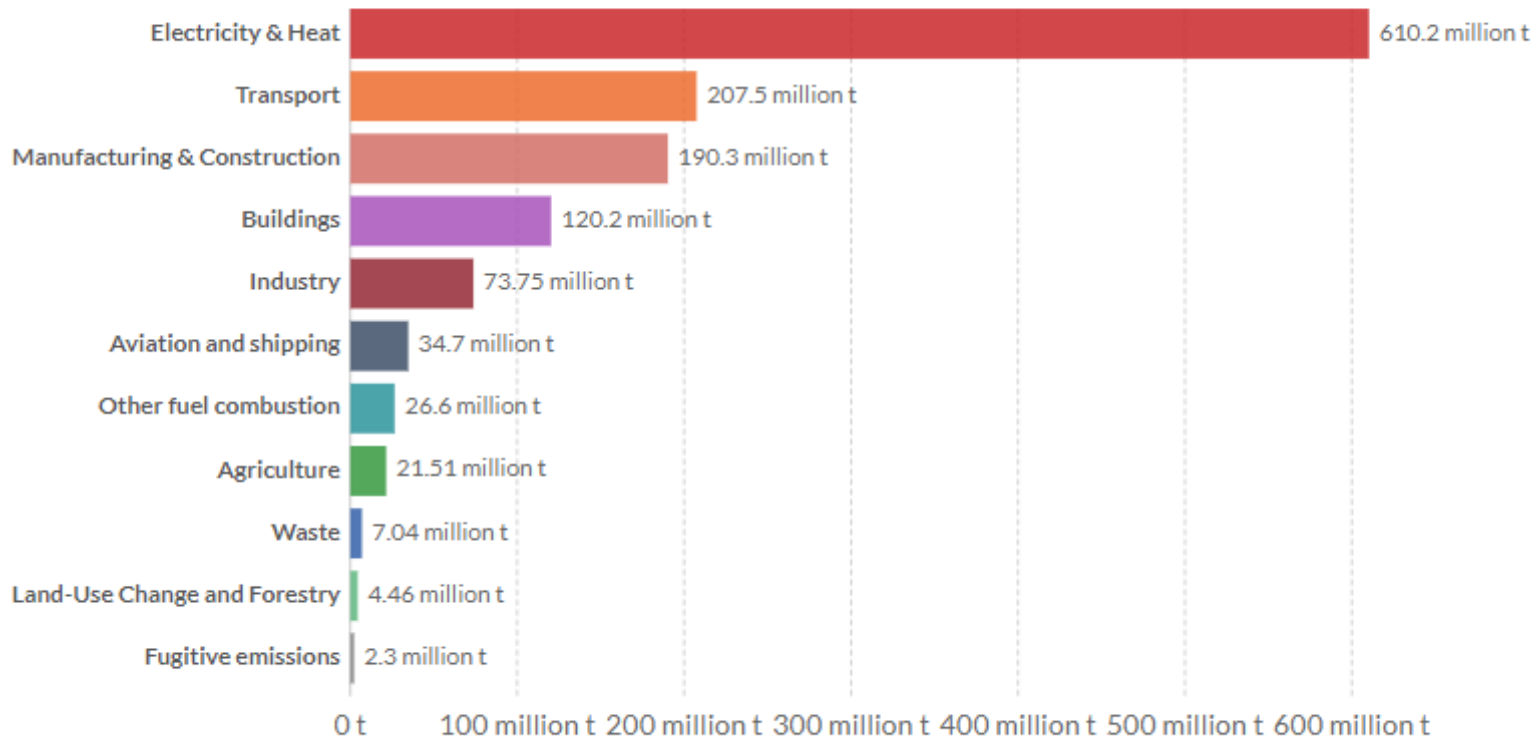
# Japanese GHG emissions by sector 2016 日本の温室効果ガス排出量

## Greenhouse gas emissions by sector, Japan, 2016

Greenhouse gas emissions are measured in tonnes of carbon dioxide-equivalents (CO<sub>2</sub>e).

Our World  
in Data

[↔ Change country](#)



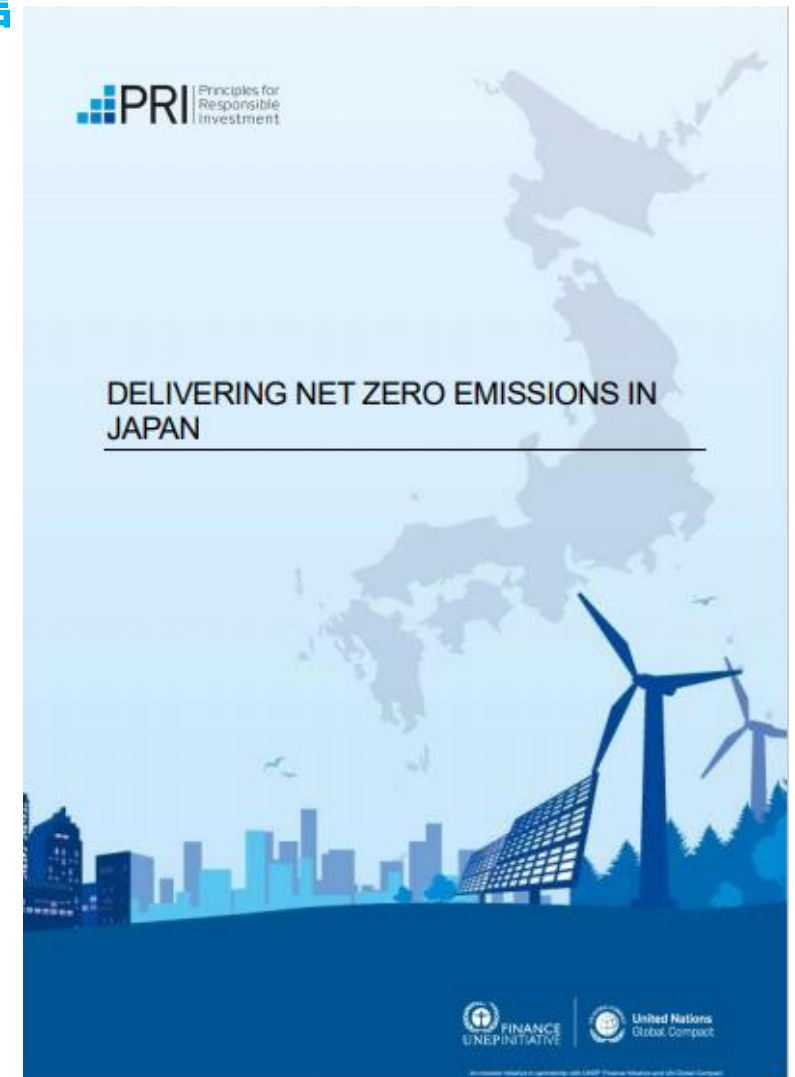
Source: CAIT Climate Data Explorer via Climate Watch

OurWorldInData.org/co2-and-other-greenhouse-gas-emissions • CC BY

## Japan net zero roadmap PRIの日本のネットゼロへの提言

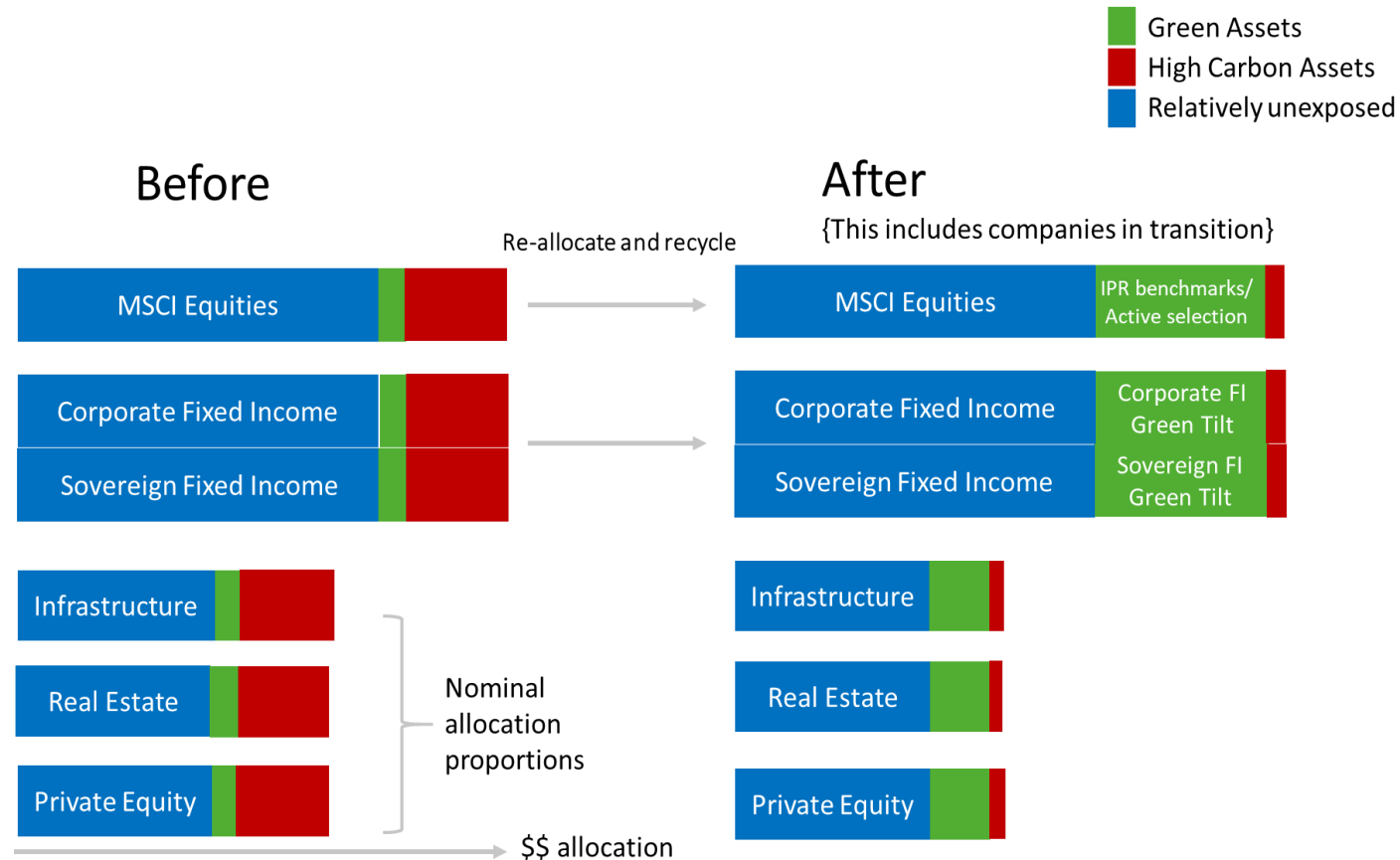
In partnership with Vivid Economics

- National legislation a “climate law”. Publication of a comprehensive roadmap for all sectors in the economy
- Carbon pricing. \$60~100 per tonne by 2030
- 2030 targets for clean energy inline with the NDC. Cancellation of new coal plants under construction, phase out of existing plants
- Investment in high voltage transmission infrastructure. Review of wholesale markets, removal of barriers to clean energy investment



## Implications for investors 投資家への影響とは？

- Investment opportunities exist across a range of sectors to deploy low-carbon technologies
- There is potential for stranded assets in some sectors, for example coal-fired generation

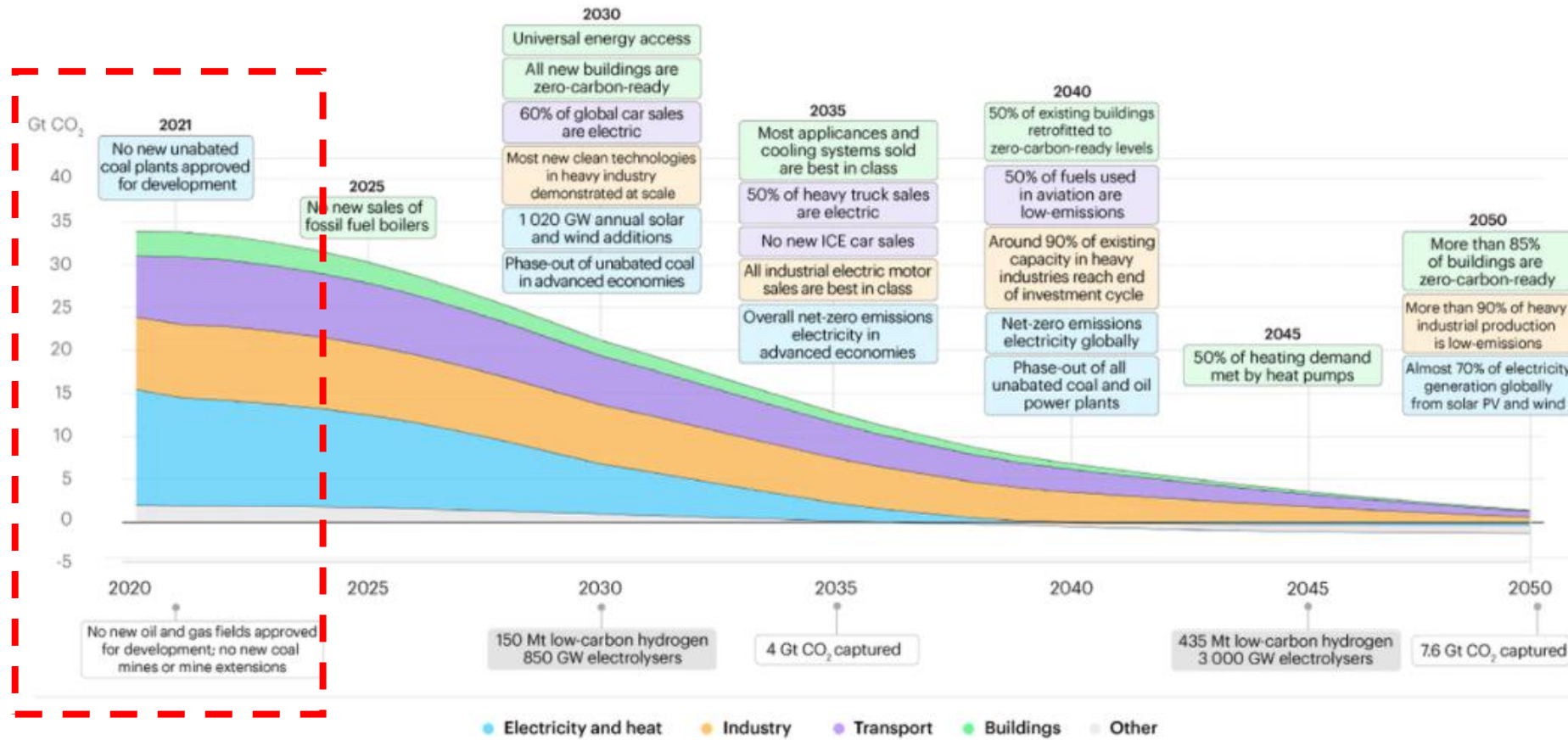




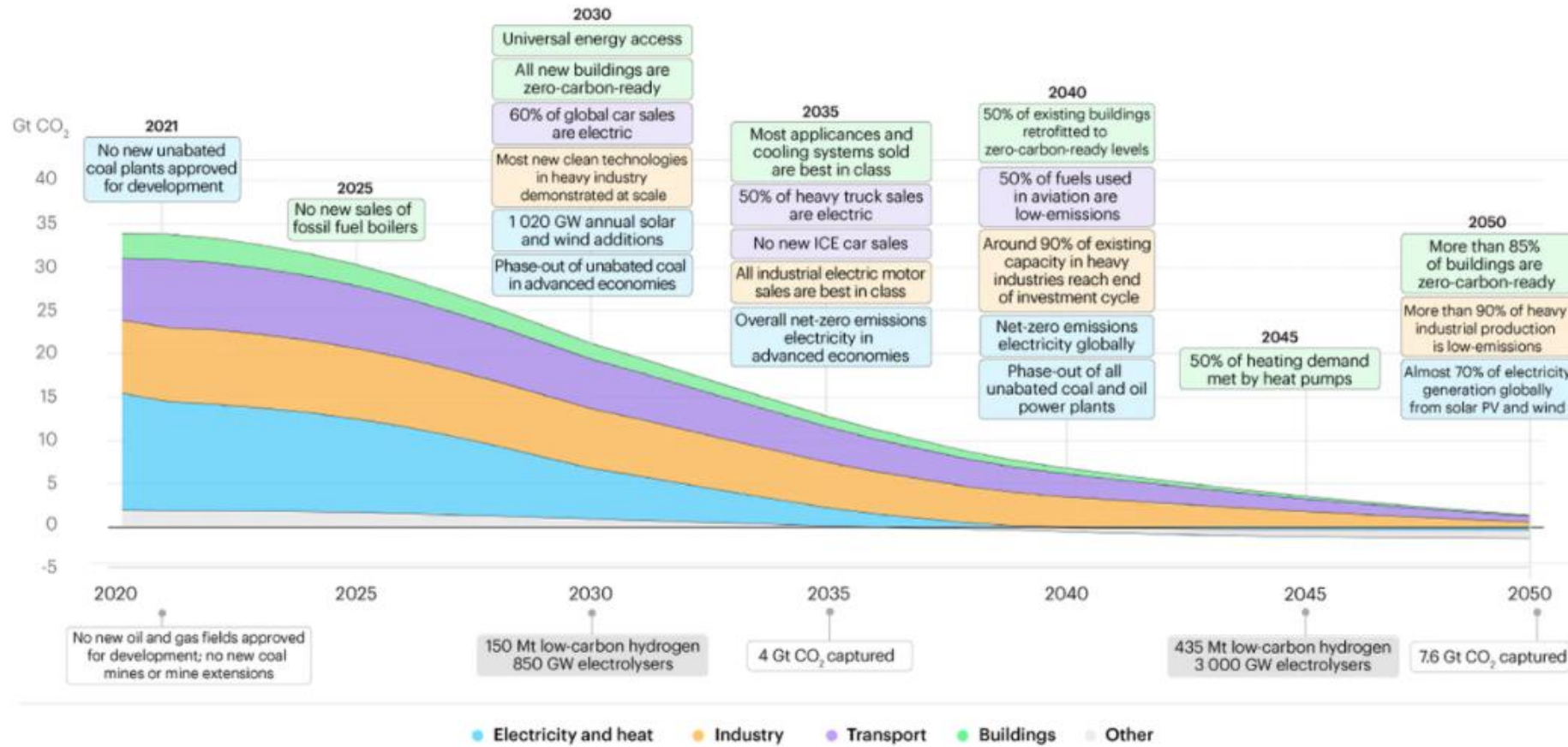
## SUMMARY 結論

- ❑ Meeting long term net-zero target will require near term policy change.
- ❑ Robust policy frameworks are needed to deliver to 2030 targets, particularly in power, transport and industry.
- ❑ TCFD, net-zero target setting and taxonomies can help investors to protect value and prepare for the net-zero transition

# IEA net-zero roadmap



# IEA net-zero roadmap





# Climate Transition Finance

## クライメート・トランジション・ファイナンス

Motoko Ogawa, Deputy Director of Environmental Economy Office, Ministry of Economy, Trade and Industry (METI) of Japan

経済産業省 産業技術環境局 環境経済室 小川 幹子

# **Transition Finance**

## **A way to steadily achieve carbon neutrality**

**May 25, 2021**

**Environmental Economy Office,  
Industrial Science and Technology Policy  
and Environment Bureau**

# Transition finance is an important tool to reach carbon neutrality by 2050



**The Basic Guidelines  
on Climate Transition  
Finance**  
FSA, MOE, METI  
(7<sup>th</sup> May, 2021)

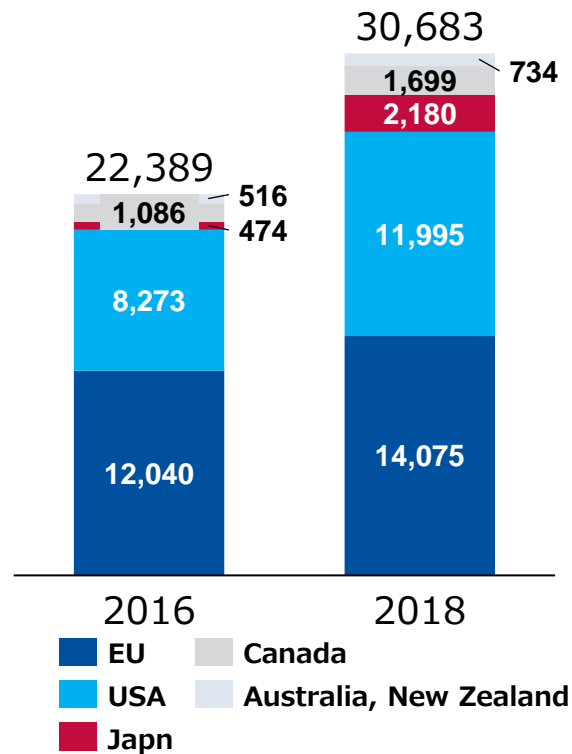
- International consistency (Four elements)
- Guide to practice transition finance
- Possible diversity by regions and industries



# Sustainable finance has been growing, but not enough investments in industries

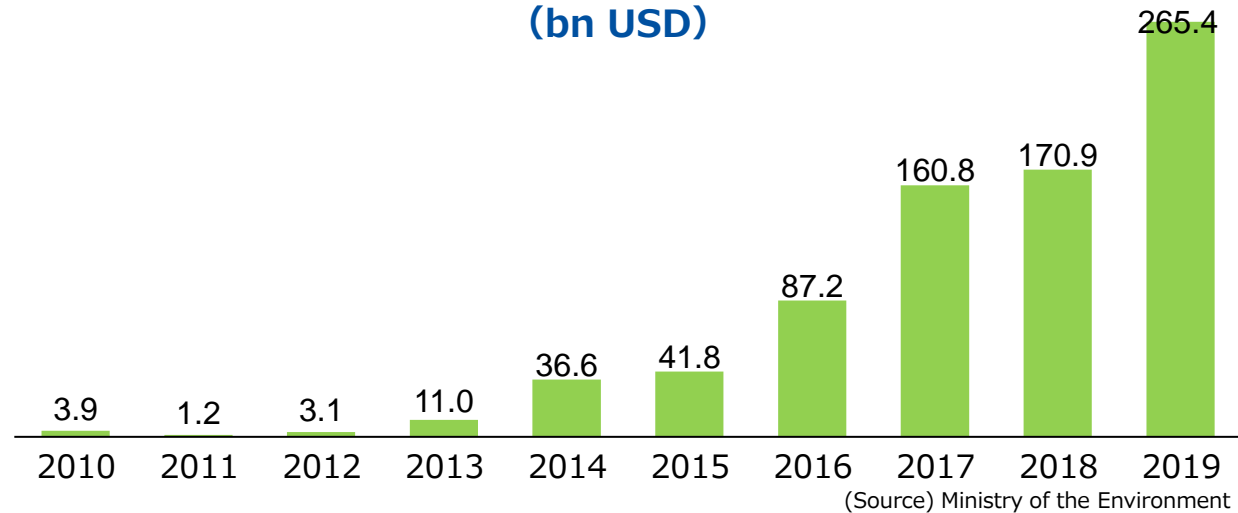
- Increase of sustainable finance: 30.7 trillion USD in 2018
- Only 0.5% from industry sector in total green bond issuance

**Trends of Sustainability Investment (bn USD)**

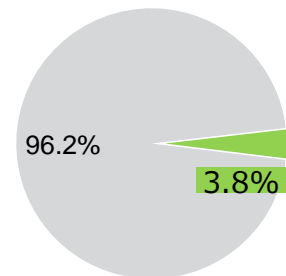


(Source) Global Sustainable Investment Alliance 2018

**Global Green Bond Issuance 2010-2019 (bn USD)**

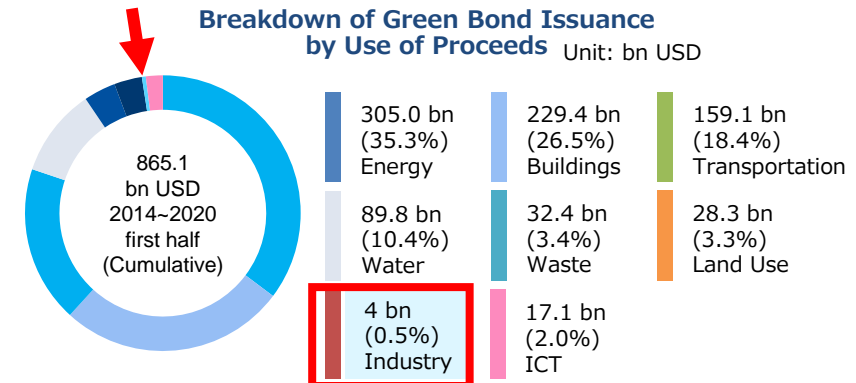


**Share of Green Bonds among Total Bond Issuance**



(Source) S&P Global (Total Bond Issuance)  
Ministry of the Environment (GB Issuance)

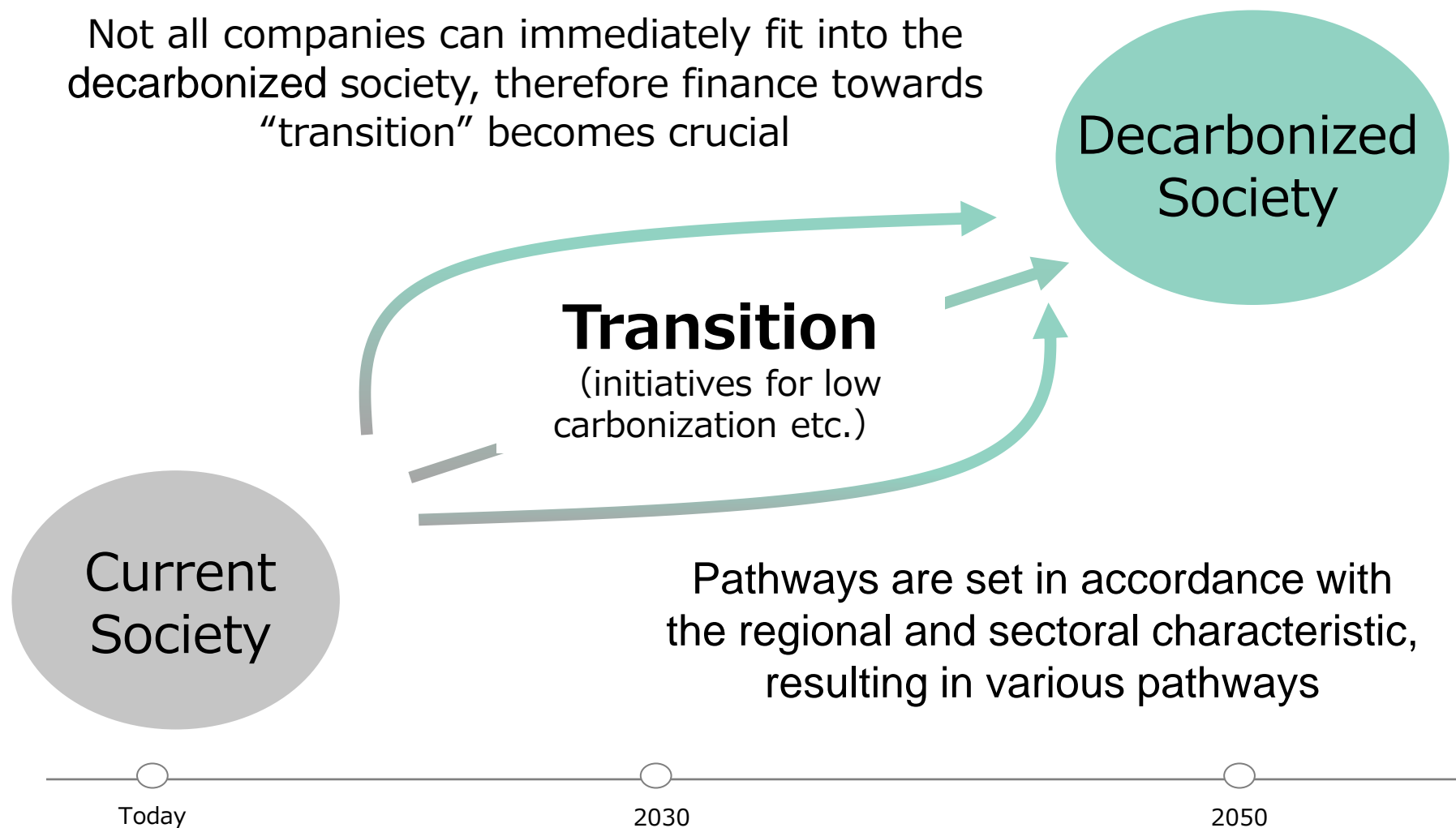
**Breakdown of Green Bond Issuance by Use of Proceeds** Unit: bn USD



(Source) Climate Bond Initiative Database

# The Importance of Transition Finance

Not all companies can immediately fit into the decarbonized society, therefore finance towards "transition" becomes crucial



# Initiatives on transition finance

**March 2020**

Study Group on Environmental Innovation Finance

**May 2020**

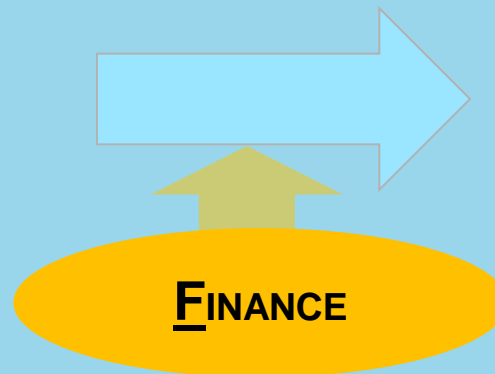
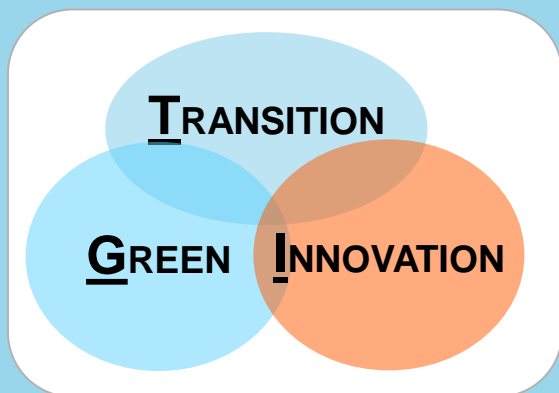
Concept paper on Climate Transition Finance Principles

- Transition contributes to the mitigation of climate change
- Inclusive and flexible approach to various circumstances of countries/regions

**September 2020**

Climate Innovation Finance Strategy 2020

## Simultaneous promotion of TGIF



**Achievement of  
SDGs and the  
Paris Agreement**





# Initiatives on transition finance



**October 2020**

Japan's pledge to reach carbon neutrality by 2050

**December 2020**

Green Growth Strategy

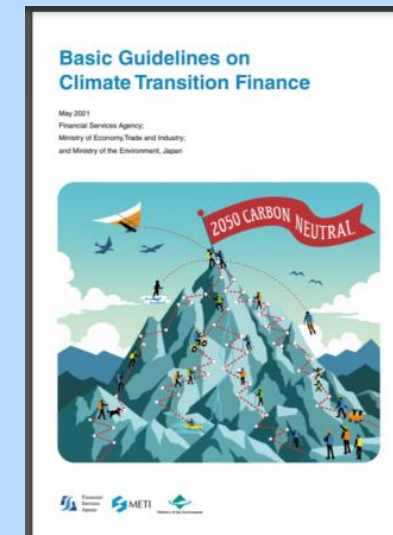
- Industrial policies to create a “**positive cycle of economic growth and environmental protection**”
- Action plans for 14 growth sectors
- 5 cross sectoral policy tools including **finance**

**January 2021**

Taskforce on Preparation of Environment for Transition Finance established by FSA, METI and MOE

**May 2021**

Basic Guidelines on Climate Transition Finance was published



# Basic Guidelines on Climate Transition Finance

## What is the Basic Guidelines

- **Consistency with the ICMA Climate Transition Finance Handbook**
- A **general guide for fundraisers and financial institutions in labeling transition bonds and loans** for initiatives towards decarbonization and low carbonization.
- The Basic Guidelines **does not specify transitional assets nor trajectories of each industry**. The roadmaps for high emission industries will be developed by METI so that fundraisers and financiers can refer to in developing their own strategy and considering investment.

## Content

- Four elements (**1.Strategy and governance, 2. Environmental materiality, 3. Science-based strategy with targets and pathways, 4. Transparency**)
- Both use of proceeds instruments and general corporate purpose instruments
- Comprehensive judgement based on strategies
- Transition strategy need to be science-based. In addition to scenarios widely recognized in the international community, such as IEA's, **NDC of courtiers aligned with the goals of the Paris Agreement and roadmaps by industry sector formulated by public organizations can be referred.**

# 【Reference】 4 Elements in these Guidelines

- These Guidelines provide interpretation of the 4 Elements aligned with the ICMA Handbook, to serve as a reference for the fundraiser considering specific plans.

## Element 1 Fundraiser's Climate Transition Strategy and Governance

### Goals of transition finance

- Implementing transition strategies that incorporate targets aligned with the goals of the Paris Agreement and the intention to transform the business towards decarbonization
- Incorporation of environmental and social contributions other than climate change into the transition strategy (a "just transition")

### Transition strategy and governance disclosures

- Disclosures can be aligned with frameworks such as the TCFD recommendations

## Element 3 Climate Transition Strategy to be Science-based Including Targets and Pathways

### Science-based targets and pathways

- Science-based targets are reduction targets required for achieving the goals of the Paris Agreement (covering Scopes 1 through 3)
- Short- to mid-term targets should be set or on the pathway toward the long-term targets
- Targets will be set in consideration of various factors, including regional and sectoral characteristics, it is possible that the pathway may not necessarily be linear

### References and benchmarks

- Scenarios recognized in the international community: SDS outlined by the IEA
- Consideration by internationally recognized NGOs: SBTi and such like
- Nationally Determined Contributions of countries aligned with the goals of the Paris Agreement, roadmaps by industry sector,

## Element 2 Business Model Environmental Materiality

### Initiatives covered by the transition strategy

- Core business activities that are environmentally material parts today and, in the future (including business activities of fundraisers who have indicated that climate change is an environmentally material part of business activities)

## Element 4 Implementation Transparency

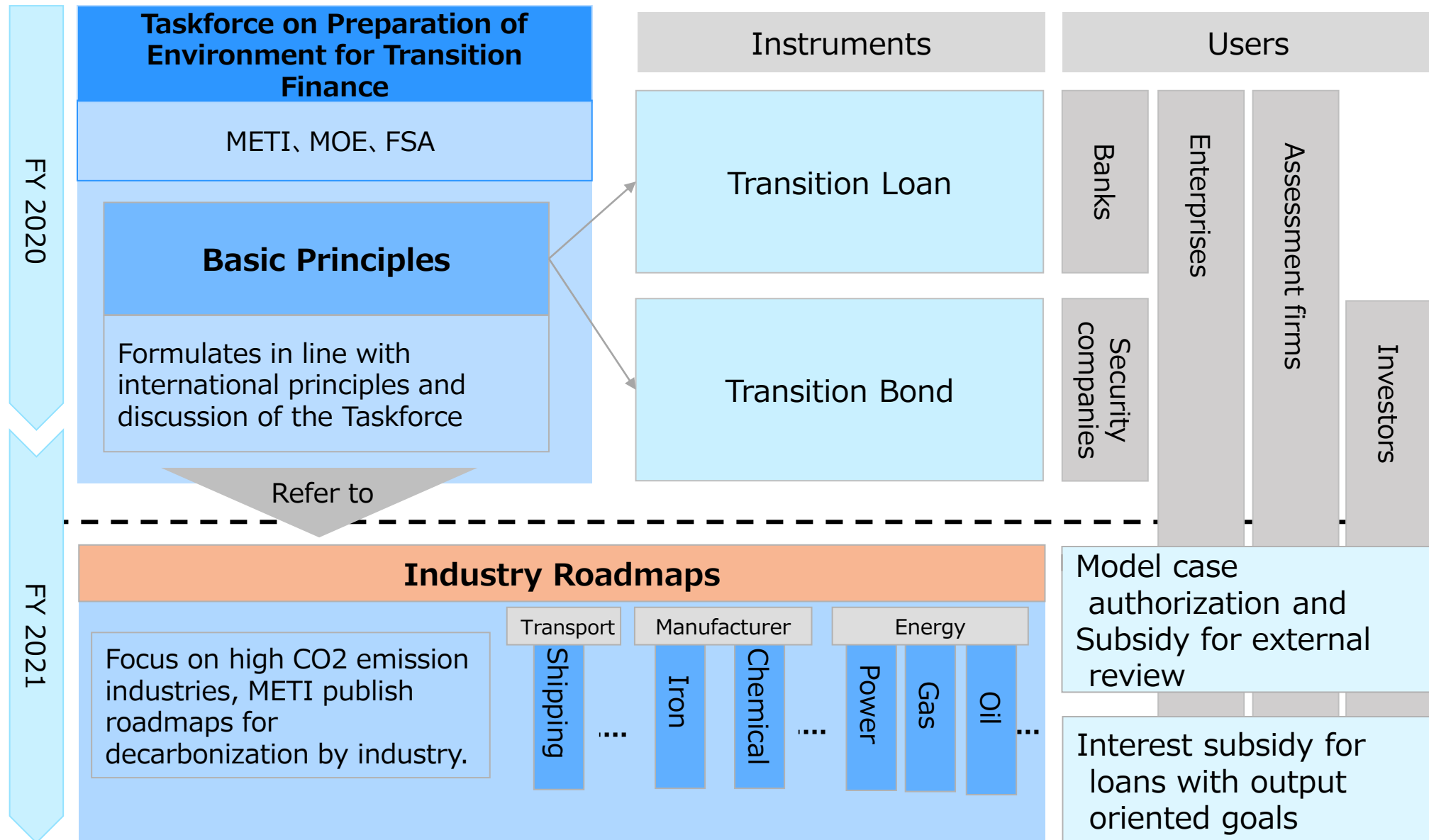
### Targets of Investment plan

- The investment plan includes not only capital expenditure (Capex) but also capital and operational expenditure (Opex)
- Costs related to research and development, M&A, and dismantling and removal of facilities are also subject to the investment plan

### Results and impact of implementing the investment plan

- Use quantitative indicators where possible
- If quantification is difficult, the use of external certification systems can be considered as a substitute for qualitative assessment
- Incorporate considerations of a "just transition"

# Taskforce on Preparation of the Environment for Transition Finance, Basic Principles and Roadmaps





# Net Zero Policy and Investor Actions in Japan

## 日本のカーボン・ニュートラルと求められる投資家の行動

Panellists パネリスト

**Teruyuki Ohno**, Executive Director, Renewable Energy Institute  
自然エネルギー財団 常務理事 大野輝之

**Kazuyuki Shigemoto**, Executive Officer Chief General Manager, Investment, Dai-ichi Life Insurance Company  
第一生命保険株式会社 執行役員 投資本部長 重本和之

**Masaaki Nagamura**, General Manager International Initiatives, Tokio Marine & Nichido Fire Insurance  
東京海上ホールディングス フェロー（国際機関対応）長村政明

**Moderated by: Natsuho Torii**, Senior Specialist, Policy, PRI  
モデレーター： PRI ポリシー シニア・スペシャリスト 鳥居夏帆

# The policy on responsible investment in FY2021

By your side, for life

DAI-ICHI LIFE

Dai-ichi Life Group

## Initiatives to realize carbon neutral in our investment portfolio

### Setting climate change as the top priority of the responsible investment to achieve Net-Zero greenhouse gas emissions in the investment portfolio

- ▶ Dai-ichi life has joined the Net-Zero Asset Owner Alliance, an international initiative in which institutional investors aim to transition to portfolios with net-zero greenhouse gas emissions by 2050

#### Setting mid-term investment goals every five years for transition to portfolios with net-zero greenhouse gas emission by 2050

- Setting goals for listed equities, corporate bonds, and real estate by 2025 in accordance with the Net-Zero AOA protocol (guidelines for setting reduction goals)
- Achieving RE100\* by the end of FY2023 for real estate (to be achieved within FY2021 for investment properties)

#### Strengthening engagement to support climate change initiatives and behavioral changes in investee companies

- Conducting engagement with high GHG emission companies on climate change response consistent with the Paris Agreement
- The result of engagement will be assessed and reflected to the investment process

#### Supporting transition to a low-carbon society and creation of environment innovations through investments

- Proactively making investment aimed at the transition to a low-carbon society, such as transition financing, investment on renewable energy power generation projects, green bond, and impact investment.

**Reducing GHG emission by 25% in listed equities, corporate bonds, and real estate by FY2025**

※Base line: at the end of FY2019

**Cumulative ESG thematic investment amount will be at least doubled by FY2023**

※Base line: at the end of FY2019

※A global initiative with the objective of achieving 100% renewable energy for electricity consumed by business activities

## Next session:



Climate policy and net zero: the road to COP26

27 May 2021 | 4:00pm BST