

Establishing Guidelines for Carbon Offsetting in Japan

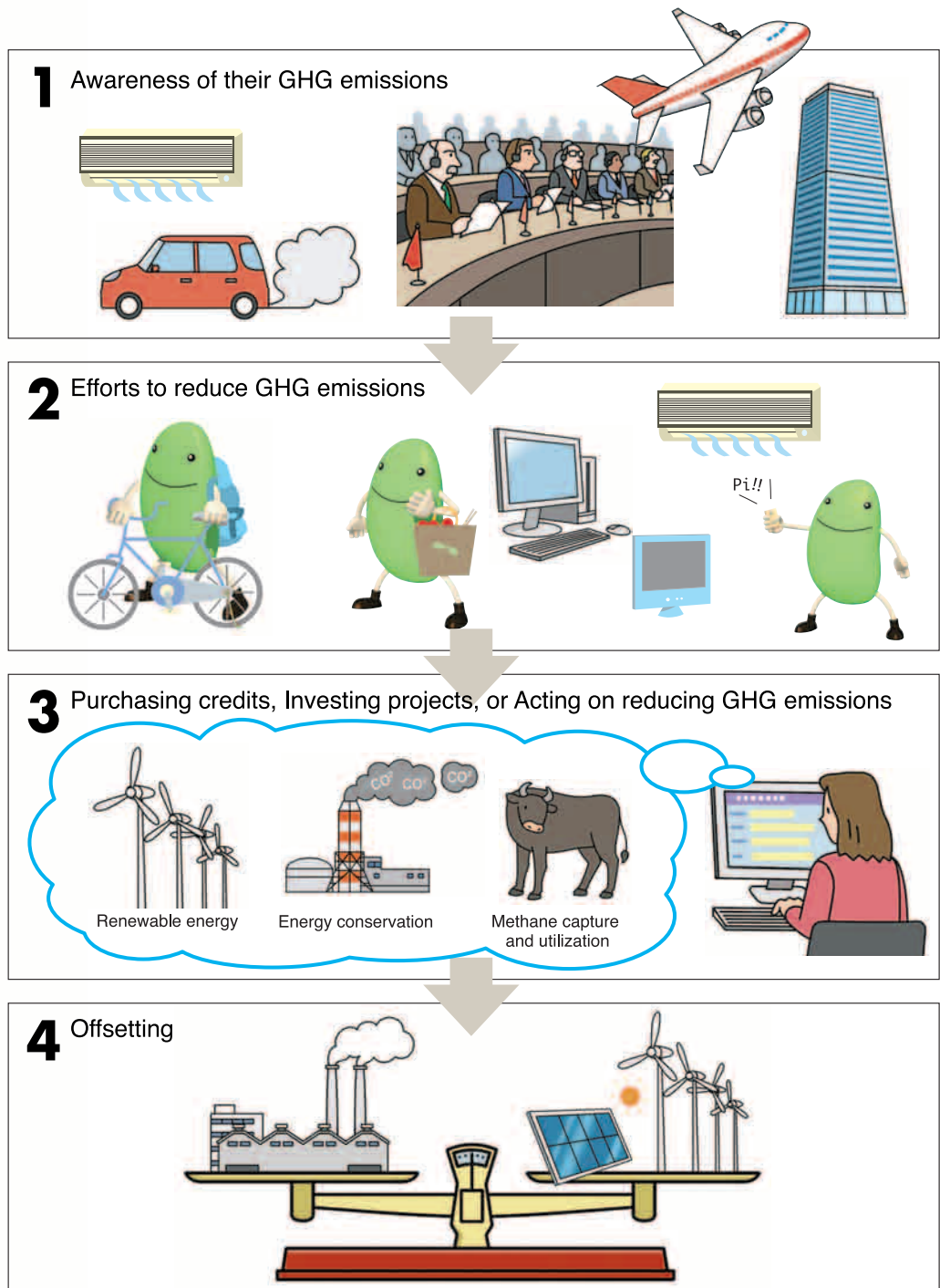
Public Consultation on Draft Guidelines
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Ministry of the Environment, Japan

1 The Background of Establishing Guidelines for Carbon Offsetting in Japan

1. What is Carbon Offsetting?

Carbon offsetting primarily encourages individuals/businesses to become aware of the greenhouse gas (GHG) emissions they emit and to act to avoid/reduce them. Offsetting is a way of mitigating the unavoidable emissions by purchasing “credits” * equivalent to the total or partial amount of GHG emissions.



* Hereafter emission reduction units (volume of emission reduction) will be referred to by the general name of “credits”. Credits that have reduced/removed carbon emissions by projects need to be regulated and verified. The eligible types of credits are mentioned below.

2. The Idea of Accelerating Carbon Offsetting and its Expected Effects

- To enable individuals and businesses to make active choices about carbon offsetting as an effective tool for taking action on GHG emission reductions.
- To materialize the idea that GHG emissions are a cost in our daily lives or production as a basis of the Low Carbon Society that Japan is aiming toward in 2050.
- To expand investment for projects that address climate change concerns through emission reductions (or removals by sinks), especially projects simultaneously achieving GHG emission reductions and the need for sustainable development (“Co-benefits projects”) such as renewable energy or appropriate municipal solid waste management.

3. Issues on Carbon Offsetting

- Sharing the idea and benefits of carbon offsetting with a wide range of stakeholders.
- Estimation of emissions to be offset.
- Ensuring the certainty and permanency of emission reductions or removals by sinks.
- Proper estimation of emission reductions or removals by sinks from projects supported.
- Avoiding double-counting of the credits to be offset.
- Ensuring transparency of the activities of offset providers.
- Sharing the awareness that offsetting does not justify not actually taking steps to reduce their GHG emissions.

2 | The Aims for Establishing Guidelines for Carbon Offsetting

- Encouraging individuals and businesses to take actions towards carbon offsetting.
- Providing an appropriate and basic framework of carbon offsetting to boost private sector activities.
- Ensuring the reliability of carbon offsetting activities.
- Establishing a basis for accelerating carbon offsetting.

3 | The Role of Guidelines for Carbon Offsetting in Japan

1. Types and Basic Elements of Carbon Offsetting

The types of offsetting can be roughly classified into two categories; (1) Market-oriented offsetting, and (2) offsetting among designated individuals and businesses.

(1) Market-oriented offsetting

Market-oriented offsetting activities can be divided into three types as follows.

A) Offsetting products and services

Products or services with offsetting credits equivalent to the total or partial amount of GHG emissions resulting from the use of specific products or services (at the stakeholder's option).

Example: Purchasing or leasing offset products tied with electric products for home and office use.

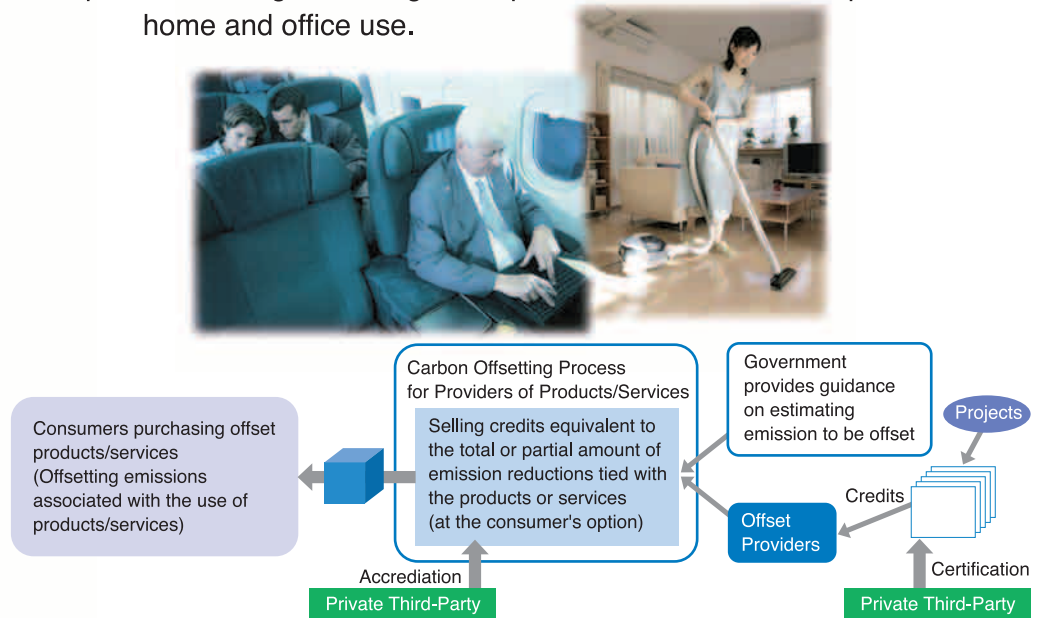


Figure 1: Example of offsetting products and services

B) Offsetting events

Promoters of international conferences, concerts, sports contests, etc. offset with credits the total or partial amount equivalent to the GHG emissions associated with the event (Promoters or participants pay the necessary expense for offsetting).

Example: Offsetting the emission associated with the electricity usage at a conference or an event or transportation use of the participants.



C) Offsetting GHG emissions from one's own activities

Individuals and businesses offset GHG emissions associated with their daily lives or business activities by purchasing credits (Individuals or businesses pay the necessary expense for offsetting).

Example: Offsetting emissions associated with the electricity usage in the corporate headquarters building.

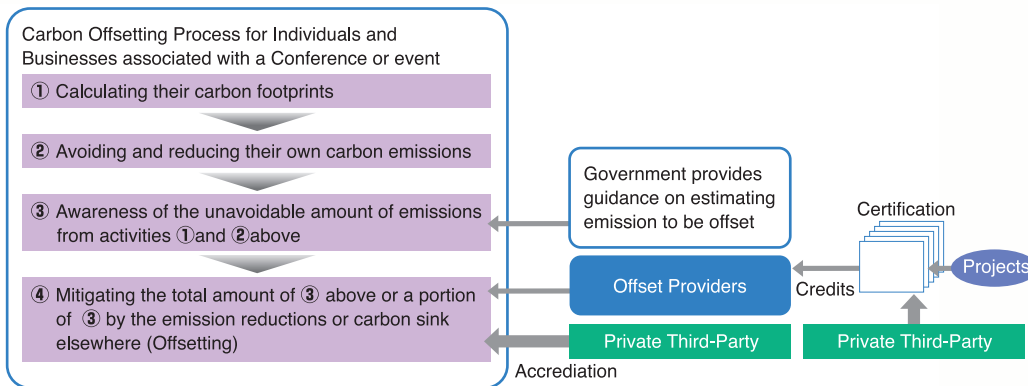


Figure 2: Example of Offsetting GHG emissions from one's own activities.

(2) Offsetting among designated individuals and businesses

Individuals and businesses offset GHG emissions by doing projects to reduce or eliminate GHG emissions on their own.

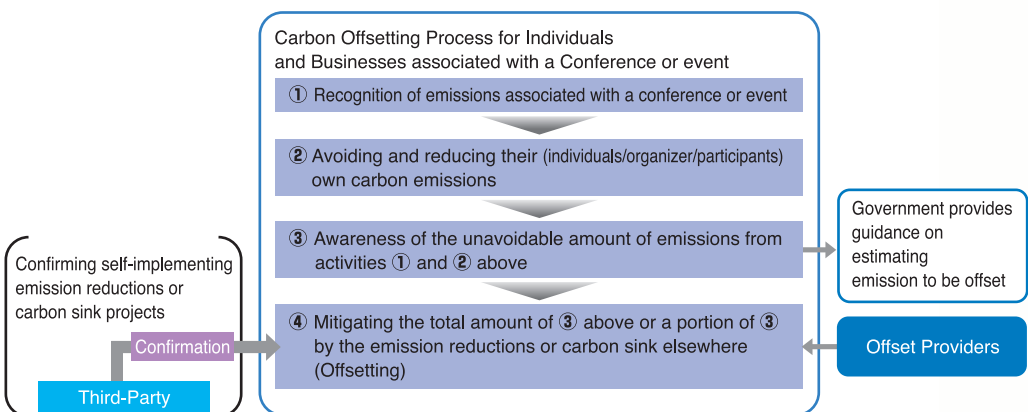


Figure 3: Example of offsetting among designated individuals and businesses.

Applying this guideline in an appropriate manner is crucial, especially for market-oriented transactions, as this market is expected to get a great number of stakeholders involved, compared to offsetting among designated individuals and businesses.

2. Making Efforts to Take Actions for GHG Emission Reductions

- Encourage the individuals and businesses recognize the importance of avoiding and reducing GHG emissions before conducting carbon offsetting by visualizing GHG emissions from activities of their daily lives and enterprises.
- Establish accessibility for individuals and businesses to useful measures for GHG emission reductions to help them make decisions about which actions to take.

Cool Asia 2006

“Cool Asia 2006” performed in May 31 2006 in Tokyo. Many ambassadors of Asian countries and Cabinet members of Japanese government attended this eminent fashion- show



3. Measures of Calculating GHG Emissions to be Offset

- Determine the boundary of GHG emissions to be offset with flexibility for individuals and businesses.
- Establish accessibility to basic and simple measures for estimating GHG emissions, and specify reliable measures.

4. Emission Reductions/Removals by Sinks (Credits) Used for Carbon Offsetting

- Credits used for carbon offset should be verified by a third-party, who should be confirmed by the public sector, to ensure that one credit equals the reduction or removal of one ton of GHG.
- Credits used for carbon offsetting need “permanency in the case of removal” and “avoidance of retiring one credit for a different offsetting”.
- Specifically, eligible types of credits are the Kyoto Mechanism credits, the Japanese Voluntary Emissions Trading Scheme (JVETS credits), and other credits such as VER (Verified Emission Reduction), which meets certain standards.

- In addition, development of a registry system (an electronic system) is needed to administer the credits and to increase the credibility of the credits.

5. Procedures for Carbon Offsetting

- To guard against double-counting or double-use credits should be retired within the properly-managed systems once they have been used to offset emissions.
- The retirement or cancellation of credits is conducted by individuals/businesses and offset providers after a certain period of time. The retirement or cancellation should be completed just after the occurrence of emissions from activities or from using offsetting products and services, but for the time being, this could take from 6 to 12 months due to the limitation of credits in Japan. On the other hand, depending on the situation, when individuals and businesses have a sense of financial assistance in the projects this could be longer. On occasions such as this, funds should be well managed and reported to the investors in a transparent manner.

6. Ensuring Transparency in the Carbon Offsetting

To maintain credibility for the operation of carbon offsetting, disclosure and explanation of information on carbon offsetting activities are needed. The government will provide a framework to ensure transparency necessary to support the offsetting activities and provide information to the stakeholders.

7. The Third-Party Certification and Labeling of Offset Products and Services

- Obtaining third-party certification is recommended for carbon offsetting activities.
- Labeling of carbon offsetting activities will be effective to strengthen the reliability of carbon offsetting.

4 | Support for Carbon Offsetting Activities

In addition to providing guidelines, standards for calculation, and tools for emission reductions, it is necessary for the government to support the following activities to promote the offsetting activities. The following supporting ideas will be considered:

Establish a carbon offsetting platform which will collect and exchange general and specific information for those who wish to participate in the carbon offsetting activities, etc;

Invite public participation and grant awards for new carbon offsetting business models;



This photo shows "Team minus 6%", a national campaign for global warming prevention joined with sports events.

*This event did not implement carbon offsetting associated with the event.

Public Consultation

The public consultation period is from the end of November 2007 to the end of December 2007.

The Guidelines will be finalized taking into account results of public consultations and further discussion with a committee that will meet at the end of January 2008.



Stop Global Warming!

Team minus 6%

If you have any comments/questions please contact :

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