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Carbon Offsetting in Japan
Carbon offsetting primarily encourages individuals/businesses to (1) know their GHG emissions, (2) reduce the emissions, (3) purchase credits, invest projects, or act on reducing GHG emissions, and (4) offset their emissions.

What is Carbon Offsetting?

(1) Awareness of their GHG emissions

(2) Efforts to reduce GHG emissions

(3) Offsetting the unavoidable emission by purchasing credits, investment, or other action

Balancing the emission and the offset
Number of Carbon Offset Products and Services in Japan

Figure: Increase in the number of domestic carbon offsetting products & services etc.
MOE’s Initiatives on Carbon Offsetting

Feb 2008 Guidelines for Carbon Offsetting in Japan

Oversight of offsets
- Carbon offsetting model projects
  - 9 projects approved in Aug 2008
  - 8 projects approved in Sep 2009
- Technical Guidelines
  - Oct 2008 Guidelines for calculating GHG emissions for offsetting
  - Guidelines for information provision
- Third party certification
  - Started in March 2009

Offset credits
- J-VER certification
  - Program started in Nov 2008
  - First certification issued in Dec 2008
  (J-VER: Japan Verified Emission Reduction)
- J-VER model projects
  - 6 projects approved in Dec 2008
  - FY2009 candidate projects called for in Sep 2009

Organizations for promoting offsets
- Certification Center on Climate Change, Japan (4CJ)
- Japan Carbon Offset Forum (J-COF)
- Carbon Offset Network (CO-Net)
- Japan Carbon Action Network (JCAP)
Panel meetings on guidelines for carbon offsetting in Japan were held five times from September 2007.

After hearing public comments, guidelines for carbon offsetting in Japan were announced on February 2\textsuperscript{nd} 2008.

\textit{<Objectives of the guidelines>}

- Define the clear concepts of carbon offsetting and share the ideas in our society.
- Promote carbon offsetting activities by the private sector offering minimal and appropriate guidelines.
- Ensure credibility of carbon offsetting activities.
- Establish a base for promoting carbon offsetting activities.
Challenges for promoting carbon offsetting

- Promote awareness and activities of carbon offsetting among citizens, companies, NPO/NGOs, and central and local governments
- Share information on carbon offsetting activities and expand their related markets
- Establish credibility of carbon offsetting activities

1. Calculating emissions to be offset
2. Ensuring the certainty, permanency and accuracy of emission reductions or removals by sink
3. Avoiding double-counting of the credits to be offset
4. Ensuring transparency of the activities of offset providers
5. Sharing the awareness that offsetting does not justify taking no actions to reduce their GHG emissions
[Third-party Certification Scheme for Carbon Offsetting]

- Certification and labeling scheme was launched in order to meet the needs to avoid such problems as double counting, and support those who provide carbon offset-related goods and services to increase their credibility, while consumers can recognize credible goods and services.

[Carbon Offset Providers’ Disclosure Program]

- This program reviews whether offset providers run their business along the guidelines for carbon offsetting introduced by MOEJ as a part of Third-party Certification Scheme for Carbon Offsetting. The secretariat monitors the transaction of carbon credits by offset providers intensively and discloses monitoring results on web site. The Disclosure Program also contributes to conducting a smooth third party certification process. Carbon offset providers participate in the Disclosure Program on voluntary basis.
Offset certification: basic concepts

Requirements
(1) Become aware of emissions
(2) Make efforts to reduce emissions
(3) Establish purchase volume and purchase method for offsetting
(4) Cancel or retire credits
(5) Provide information

Scope
I-1 Offsetting the use of products and services
Example 1: Offsetting emissions produced during beverage manufacture
I-2 Offsetting meetings and events
Example 3: Offsetting CO₂ emissions produced in holding meetings
I-3 Offsetting business activities
Example 4: Offsetting CO₂ emissions produced by businesses in their own buildings

II Support for offsetting personal activities
Example 5: Retail businesses selling beverages attached with a 1 kg credit, allowing consumers to offset a kilogram of emissions produced during their daily lives
Organizational structure of Certification Scheme

**Carbon Offset Certification Scheme**

- **Steering Committee**
  - Operation of carbon offset Certification scheme and document management etc.

- **Monitoring Committee**
  - Monitoring of carbon offset verification scheme etc.

- **Certification Center on Climate Change, Japan (c/o OECC)**
  - Secretariat for carbon offset certification scheme, and information disclosure scheme for offset provider

- **Application**
  - Business
  - Carbon offset provider

- **Information Disclosure**
  - Certification/label

- **Adjuration**
  - Examination, certification, approval for issuance of carbon offsetting labels, and issuance of carbon offset label, and information disclosure scheme for offset provider
**Types of credit:** (in *Guidelines for Carbon Offsetting in Japan (Policy)*)

- Kyoto Mechanism Credits: Four types of credit (AAU, ERU, CER, and RMU) issued based on procedures set forth in the Kyoto Protocol
- Emissions rights that follow the MOEJ Japan Voluntary Emissions Trading Scheme (commonly called JPA)
- **VER (Verified Emission Reduction)**
  Credits other than those issued under the Kyoto Protocol, the European Union Emission Trading System, or other legally binding scheme

**About VER:**

There is a need for an official verification scheme to ensure that credits used for carbon offset fulfill set requirements. These requirements would ensure, for example, that emissions are actually reduced/removed and that the same emissions reduction/removal activities are not double-counted—thus establishing the reliability of Carbon offset initiatives.

- However, no such official VER verification scheme existed in Japan.
- In response, MOEJ set up a review commission in March 2008 to look into VER (Verified Emission Reduction) certification standards. The verification scheme has since been reviewed over the course of several more review commissions.

In November 2008, MOEJ set up the **Offset Credit (J-VER) Scheme**, a verification scheme for credits generated through the reduction/removal by sink of greenhouse gases carried out via domestic projects. It is expected that the scheme will vitalize domestic projects (promote local industry) by channeling funds back into Japan’s emissions reduction/removal projects.
[ Japan Verified Emission Reduction (J-VER) Scheme ]

- Japan Verified Emission Reduction (J-VER) Scheme was established to encourage GHG reduction/sink projects through generating carbon credits by the Ministry of the Environment, Japan in November 2008. In order to meet international standards, the Scheme is designed with verification and certification process according to ISO14064-2, 14064-3, and ISO14065.

- Credits (J-VER) are issued in 4CJ-managed registry, and may be used for carbon offsetting and other purposes by business as well as governmental institutions. As a co-benefit of J-VER projects it is expected that revenue from carbon credits accelerate local environmental protection, as well as local economic development. 4CJ supports the J-VER Scheme as the Secretariat of the Executive Board, the Methodology panel and the Third Party Independent Panel.
What is the Offset Credit (J-VER) Scheme?
(Launched November 14, 2009)

**CO₂ reduction or removal by sink**
- Project planners
  - Examples of projects to reduce emissions or remove them by sink

**Use of renewable energy**
- (under consideration)
  - (including Energy Green)

**Forest management**

**Use of woody biomass**

**Companies emitting GHGs**
- Use J-VER for carbon offsetting (J-VERs used for carbon offsetting are canceled in the registry)

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**Offset Credit (J-VER) Certification and Steering Committee**
(Secretariat: Certification Center on Climate Change, Japan (4CJ))

1. Design and announce a positive list* and methodology
2. Apply after preparing application form according to methodology
3. Acceptance, validation, and registration
4. Monitoring
5. Verification
6. Certification
7. Credit issuance

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Money

J-VER registry

J-VERs in the registry

Acquire J-VER in a registry account

Submit a verification report

Submit a monitoring report

<ISO compliance>

**Verification Agency**

(5) Verification

(6) Certification

(7) Credit issuance

(1) Design and announce a positive list* and methodology

(2) Apply after preparing application form according to methodology

(3) Acceptance, validation, and registration

(4) Monitoring

(5) Verification

(6) Certification

(7) Credit issuance

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* Positive list: A list of projects that are eligible for J-VER certification.
Organizational structure of J-VER Scheme

**Offset credit (J-VER) Certification and Steering Committee**
(Established by MOEJ)

- Certification of GHS emissions reduction/removal by sink and issuance of J-VER etc.

**Certification Center on Climate Change, Japan**
(c/o OECC)

- Secretariat of this scheme (Entrusted by MOEJ) etc.

**Third party Committee**

- Monitoring J-VER Scheme etc.

**Methodology Panel**

(established by Offset credit (J-VER) Certification and Steering Committee)
Offsetting Credit (J-VER) Scheme Project No. 1:
“Wood Biomass Utilization Project in Kochi”

This project certifies reduced GHG emissions as equivalent credits by replacing fossil fuels used in cement factory boilers with unused trees in the forest.

(Date of application: December 3, 2008, certified on March 10, 2009.
Estimated emissions reduction: 1,039t, from April to September 2008)

Kochi Prefecture

Use of unused thinned woods left in the forest

Reduction of GHG emissions by replacing fossil fuels with woody biomass fuels

Forestry cooperative

Wood chipboard, etc.

Contract to use thinned wood

Sumitomo Osaka Cement)

Application  Certification  Money  Credit  J-VER

Environmentally-advanced businesses

Offsetting Credit (J-VER) Certification and Steering Committee
Various Bodies Promoting Carbon Offsetting

**Japan Carbon Action Platform (JCAP)**
(Network between central government and local municipal entities for global warming campaign using market mechanisms)

**MOEJ**

**DECC, UK**

**Local municipal government**

**Certification Center on Climate Change, Japan (4CJ)**
(C/O OECC)
Third party certification of carbon offset/
Secretariat for J-VER scheme

**Commission (Partly)**

**Japan Carbon Offset Forum (J-COF)**
(C/O OECC)
Dissemination, prevailing and support by consultation carbon offset J-VER scheme

**Suggestions, etc**

**Carbon Offset Network, Japan (CO-Net)**
(Network of businesses promoting carbon offsetting)
Certification Center on Climate Change, Japan (CCCCJ or 4CJ) was established in October 2008. It aims to ensure transparency and reliability by playing secretariat’s role for carbon offsetting through the “Public Certification Scheme”, the “Offset Providers’ Disclosure Program” and the “Japan Verified Emission Reduction (J-VER) Scheme” in line with the guidelines introduced by Ministry of Environment Japan (MOEJ).

Secretariat of:

- Certification Scheme for Carbon Offsetting
- Carbon Offset Providers’ Disclosure Program
- Japan Verified Emission Reduction (J-VER) Scheme

http://www.4cj.org/index.html
Following the Guidelines for Carbon Offsetting enacted in February 2008, Japan Carbon Offset Forum (J-COF) was established to ensure the credibility and transparency of carbon offsetting activities.

- Help desk, information center as a non-business, neutral organization
- J-COF Advisors, the experts from broad areas
- Organizing the workshop panel consists of Japanese academics, lawyers, local government, certification, and organizations’ experts.

http://www.j-cof.org/index.html
Carbon Offset Network (CO-Net)

(What is CO-Net?)

CO-Net is a network consisting mainly of businesses. Its purpose is to recognize carbon offsetting as an effective means of vitalizing Japan’s transition into a low-carbon society, while aiming at sustained and constructive activities for popularizing and promoting carbon offsetting.

Companies in the council (In alphabetical order)

- Aeon Retail Co., Ltd.
- All Nippon Airways Co., Ltd.
- Asahi Kasei Corporation
- Dentsu Inc.
- DOWA Holdings Co., Ltd.
- Japan Post Service Co., Ltd.
- Kajima Corporation
- Marubeni Corporation
- Mizuho Trust and Banking Corporation
- ORIX Corporation

- Sompo Japan Insurance Inc.
- Sony Corporation
- Suzuyo Holdings & Co., Ltd.
- Tokyo Electric Power Company

Administrative companies (In alphabetical order)

- Deloitte Tohmatsu Evaluation and Certification Organization Co. Ltd.
- Mitsubishi UFJ Research and Consulting Co., Ltd.

(Principal CO-Net businesses and activities)

- Collaboration with other schemes and proposals for expanding the use of carbon offsetting
- Insistence on boosting and forming markets related to carbon offsetting efforts
- Development of carbon offsetting products and services as well as support for improving reliability
- Creation of projects to generate highly reliable carbon credits for GHG reduction/removal by sink and support for project utilization

http://www.carbonoffset-network.jp/
Japan Carbon Action Platform (JCAP): MOEJ
Organize regular meetings, provide/distribute information by website

- Local public agencies
  - Certification and implementation of emission reduction projects
  - Carbon offsetting at organized events
  - Emission transaction by binding schemes

- Local companies
  - Planning and distribution of carbon offsetting products
  - Intermediacy of credits
  - Implementation of emission reduction projects
  - Implementation of verification, certification, etc.

- Local private groups
  - Carbon offsetting at organized events
  - Implementation of emission reduction projects

- J-COF
  Consulting business regarding carbon offsetting, etc.

- Certification Center on Climate Change, Japan (CCCCJ)
  - Certification and issuance of offsetting credits
  - Third-party certification for carbon offsetting

Concrete carbon offsetting actions between entities

- Issuing carbon offsetting credits
- Carbon offset
- Cap and Trade