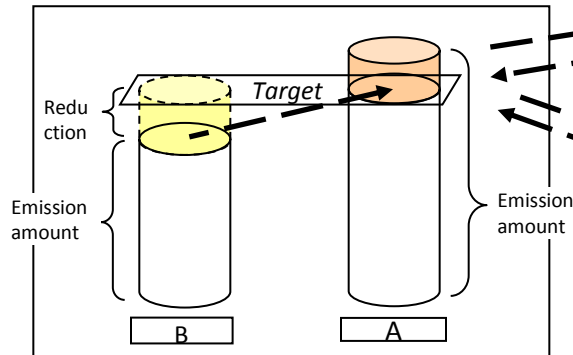


Experimental Introduction of an Integrated Domestic Market for Emissions Trading

Integrated Domestic Market

Experimental emissions trading scheme

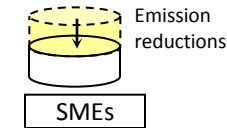
- Participating corporations set their own emission reduction targets (absolute- or intensity-based).
- Allowances and specified credits can be used to achieve the targets.
- Target is set consistently with Voluntary Action Plans. Government examines each target's validity.
- Monitoring and Reporting are required. Verification is required for Trading.



JVETS is incorporated into this scheme as one of the participating options.

Domestic Credits

Joint reduction projects by large corporations and small- and medium-scale enterprises (SMEs)



Domestic credits

Kyoto Mechanism Credits

GHG reduction from projects abroad

- Achievement of targets is to be reflected in the "voluntary action plan" and contribute to the Kyoto target.
- Continued by the current government with necessary changes, though it will not form the basis of mandatory cap and trade system.

Results of Experimental Emissions Trading Scheme in FY2010

- Of 109 participants who cleared their emission reduction targets, 10 participants retired 2,530,000t-CO2 of allowances borrowed in FY2009. 105 participants banked 5,750,000 million t-CO2 of allowance surplus.
- Of 43 participants who failed to clear their targets, 5 participants retired 3,650,000t-CO2 of allowances banked in FY2009. 10 participants retired external credits. 21 participants borrowed 21,140,000 t-CO2 of allowances.
- 14 participants of above 43 participants and 2 participants who failed to retire allowances borrowed in FY2009 and 2008 by surplus in FY2010 (the 16 participants are declaring their intention not to attend in FY2011 and 2012) ended up not achieve their target.

Cleared(emission-based) 109 (8.28 million t-CO2)

How to Use Allowance Surplus	Num	Amount (thou t-CO2)
Sold	0	0
Retired Borrowed Allowances※1	10	2530
Banking	105	5750
Banked All of Surplus in FY2010	98	5220
Banked Surplus of Allowances Remained After Retiring Allowances Borrowed in FY2008 and 2009	7	530

※1: 2 participants borrowed 3,420,000t-CO2 of allowances again, which were borrowed in FY 2008 and 2009.

Total of FY2008, 2009 and 2010

Banking (Total)	108	32.61 million t-CO2
Borrowing (Total)	26	50.81 million t-CO2
Non-achiever(Total)	16	470 thousand t-CO2

Failed 43 (72.42 million t-CO2)

How to Offset Deficits	Num	Amount (thou t-CO2)
Allowances Borrowed in FY2008 and 2009※2	5	3650
Purchased Allowances	0	0
External Credits	10	47600
Borrowing※3	21	21140
Borrowed All of Deficits in FY2010	15	230
Borrowed Deficits Remained after Retiring External Credits	6	20910

※2: 3 participants banked 1,969,000t-CO2 of remained allowances.

※3: 14 participants borrowed 2,625,000t-CO2 of allowances borrowed in FY2008 and 2009.

Note: Of 32 JVETS participants who cleared their targets, 5 participants sold 3,000t-CO2. 25 participants banked 18,000t-CO2. 7 participants cancelled 1,000t-CO2. 36 participants who failed to clear their targets purchased 25,000t-CO2 of allowances, As a result, every participants complied their targets.