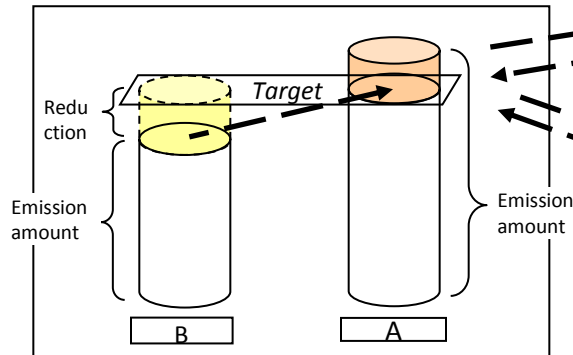


# Experimental Introduction of an Integrated Domestic Market for Emissions Trading

## Integrated Domestic Market

### Experimental emissions trading scheme

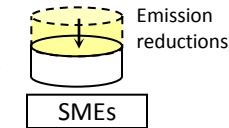
- Participating corporations set their own emission reduction targets (absolute- or intensity-based).
- Allowances and specified credits can be used to achieve the targets.
- Target is set consistently with Voluntary Action Plans. Government examines each target's validity.
- Monitoring and Reporting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



Financial, Tech. Resources

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.