

**Act on Promotion of Contracts of the State and Other Entities, Which Show Consideration for Reduction of Emissions of Greenhouse Gases, etc.**

(Tentative translation)

Act No. 56 of May 23, 2007

(Purpose)

Article 1 The purpose of this Act is to clarify the responsibilities of the State, etc. concerning the promotion of contracts of the State, etc. which show consideration for reduction of greenhouse gas emissions, etc., while aiming to reduce greenhouse gases, etc. emitted by the State, etc. by formulating a Basic Policy and otherwise specifying necessary matters, thereby contributing to establishing a society that can develop sustainably with reduced environmental loads.

(Definition)

Article 2 (1) The term "Greenhouse Gases, etc." as used in this Act means greenhouse gases and other substances causing load on the environment (referring to the environmental load specified in Article 2, paragraph (1) of the Basic Environment Act (Act No. 91 of 1993); the same applies hereinafter).

(2) The term "the State, etc." as used in this Act means the State, incorporated administrative agencies, etc., local governments, and local incorporated administrative agencies.

(3) The term "Incorporated Administrative Agencies, etc." as used in this Act means incorporated administrative agencies (referring to Incorporated Administrative Agencies prescribed in Article 2, paragraph (1) of the Act on General Rules for Incorporated Administrative Agencies (Act No. 103 of 1999)) or special public corporations (referring to juridical persons directly incorporated by an act or juridical persons incorporated by a special juristic act for establishment based on a special act, to which the provision of Article 4, item (xv) of the Act for Establishment of the Ministry of Internal Affairs and Communications (Act No.91 of 1999) is applicable; the same applies hereinafter) specified by Cabinet order and whose capital is mainly or completely funded by the State or whose financial resources for expenses necessary for operating projects are mainly obtained from the State-issued grants or subsidies.

(4) The term "Local Incorporated Administrative Agencies" as used in this Act means Local Incorporated Administrative Agencies as prescribed in Article 2, paragraph (1) of the Local Independent Administrative Agency Act (Act No. 118 of 2003).

(5) The term "Heads of Ministries and Agencies" as used in this Act means the heads of

ministries and agencies as prescribed in Article 20, paragraph (2) of the Public Finance Act (Act No. 34 of 1947).

(Responsibility of the State and Incorporated Administrative Agencies, etc.)

Article 3 The State and Incorporated Administrative Agencies, etc. must, for the purpose of reducing emissions of Greenhouse Gases, etc., endeavor to implement reasonable and appropriate use, etc. of energy, and, while giving consideration to economic efficiency and various elements other than the price, endeavor to promote contracts of the State and Incorporated Administrative Agencies, etc. which show consideration for the reduction of emissions of Greenhouse Gases, etc.

(Responsibility of Local Governments and Local Incorporated Administrative Agencies)

Article 4 Local governments and Local Incorporated Administrative Agencies are to, for the purpose of reducing emissions of Greenhouse Gases, etc. endeavor to implement reasonable and appropriate use, etc. of energy, and according to the natural and social conditions of the areas of local governments or to the administration and undertakings of Local Incorporated Administrative Agencies, while giving consideration to economic efficiency and elements other than price, endeavor to promote contracts which show consideration for the reduction of emissions of Greenhouse Gases, etc. among them.

(Basic Policy)

Article 5 (1) The State must provide a basic policy for promoting contracts of the State and Incorporated Administrative Agencies, etc. which show consideration for the reduction of emissions of Greenhouse Gases, etc. (hereinafter referred to as the "Basic Policy")

(2) The Basic Policy is to provide for the following matters:

- (i) Basic orientation for promoting contracts which show consideration for the reduction of emissions of Greenhouse Gases, etc.;
- (ii) Basic matters concerning reduction of emissions of Greenhouse Gases, etc., under the following contracts where consideration needs to be emphasized on reduction of emissions of Greenhouse Gases, etc.;

  - (a) Electricity supply contracts
  - (b) Purchase contracts for products that emit Greenhouse Gases, etc. when in use.

- (iii) Basic matters concerning contracts related to energy conservation improvement projects (referring to projects where, for the purpose of energy conservation and with regard to expenses related to electricity and fuels, etc. resulting from using government buildings, a business operator assures the reduction of not less than the amount of

expenses required for designing, construction and maintenance, etc. related to improvements including structure and facilities, etc. of the government buildings (hereinafter referred to as "Designing, etc." in this item) and comprehensively conducts Designing, etc.; the same applies in Article 7);

(iv) Basic matters concerning reduction of emissions of Greenhouse Gases, etc. under contracts concerning buildings and other contracts of the State and Incorporated Administrative Agencies, etc., except for contracts listed in the preceding two items;

(v) Other important matters concerning promoting contracts which show consideration for the reduction of emissions of Greenhouse Gases, etc.

(3) In providing the Basic Policy, the State is to contribute to effective promotion of the implementation of the National Government Action Plan as provided in Article 20-2, paragraph (1) of the Act on Promotion of Global Warming Countermeasures (Act No. 117 of 1998), and give consideration to stable energy supply.

(4) The Minister of the Environment must, in advance and upon consultation with the Heads of Ministries and Agencies, etc. (the Heads of Ministries and Agencies in the case of the State, and the competent ministers in the case of Incorporated Administrative Agencies, etc.; the same applies hereinafter), prepare a draft of the Basic Policy and seek a cabinet decision.

(5) In consulting with the Heads of Ministries and Agencies, etc. under the preceding paragraph, the Minister of Environment is to conduct such consultation based on the draft prepared jointly by the Minister of the Environment and ministers with jurisdiction over the project related to contracts provided in the Basic Policy.

(6) When a cabinet decision under paragraph (4) is made, the Minister of the Environment must make public the Basic Policy without delay.

(7) The provisions of the preceding three paragraphs apply, *mutatis mutandis*, to any revision of the Basic Policy.

(Promotion of Contracts Which Show Consideration for the Reduction of Emissions of Greenhouse Gases, etc. in Accordance with the Basic Policy)

Article 6 The Heads of Ministries and Agencies and the heads of Incorporated Administrative Agencies, etc. (if the Incorporated Administrative Agencies, etc. are special public corporations, the representatives thereof; the same applies hereinafter) must, as provided by the Basic Policy, endeavor to implement necessary measures for the purpose of promoting contracts which show consideration for the reduction of emissions of Greenhouse Gases, etc.

(State-Incurred Debt)

Article 7 If the State incurs an obligations regarding energy conservation improvement projects, the term of expenditure for the obligation is within ten years from the relevant fiscal year.

(Publication of Outline of Contract Conclusion, etc.)

Article 8 (1) At the end of each fiscal or business year, the Heads of Ministries and Agencies and the heads of Incorporated Administrative Agencies, etc. are to, without delay, prepare and make public an outline of conclusion records of contracts which show consideration for the reduction of emissions of Greenhouse Gases, etc., and notify the Minister of the Environment to that effect.

(2) The heads of Incorporated Administrative Agencies, etc. are to notify the Minister of the Environment pursuant to the provision of the preceding paragraph through the competent minister for the Incorporated Administrative Agencies, etc.

(Request of the Minister of the Environment)

Article 9 The Minister of the Environment may request the Heads of Ministries and Agencies, etc., to implement measures considered especially necessary for promoting contracts which show consideration for the reduction of emissions of Greenhouse Gases, etc.

(Arrangement of Information, etc. by the State)

Article 10 In order to contribute to the promotion of contracts which show consideration for the reduction of emissions of Greenhouse Gases, etc., the State shall arrange and analyze information on the status, etc. of the conclusion of contracts of the State and Incorporated Administrative Agencies, etc. which show consideration for the reduction of emissions of Greenhouse Gases, etc., and make the results thereof widely available.

(Promotion of Contracts of Local Government and Local Incorporated Administrative Agencies Which Show Consideration for the Reduction of Emissions of Greenhouse Gases, etc.)

Article 11 (1) Local governments and Local Incorporated Administrative Agencies are to endeavor to create a policy for promoting contracts which show consideration for the reduction of emissions of Greenhouse Gases, etc. among them.

(2) The policy referred to in the preceding paragraph is to provide for types of contracts which show consideration for the reduction of emissions of Greenhouse Gases, etc. according to the natural and social conditions of the areas of local governments or to

the administration and undertakings of Local Incorporated Administrative Agencies.

(3) Upon creating the policy referred to in paragraph (1), local governments and Local Incorporated Administrative Agencies are to, in accordance with the policy, endeavor to implement necessary measures for the purpose of promoting contracts which show consideration for the reduction of emissions of Greenhouse Gases, etc.

(4) Local governments and Local Incorporated Administrative Agencies are to endeavor to prepare and make public an outline of conclusion records of contracts which show consideration for the reduction of emissions of Greenhouse Gases, etc.

(Ensuring Fair Competition)

Article 12 In formulating and implementing measures for promoting contracts of the State, etc. which show consideration for the reduction of emissions of Greenhouse Gases, etc., the State, etc. is to give consideration to ensuring fair competition, such as not imposing unreasonable disadvantage on small and medium-sized enterprises.

(Consistency with Other Measures)

Article 13 (1) In formulating and implementing measures for promoting contracts of the State, etc. which show consideration for the reduction of emissions of Greenhouse Gases, etc., the State, etc. is to ensure consistency with other measures in relation to contracts of the State, etc.

(2) In formulating and implementing measures for promoting contracts of the State, etc. which show consideration for the reduction of emissions of Greenhouse Gases, etc., the State, etc. is to ensure consistency with measures based on the Basic Energy Plan under Article 12, paragraph (1) of the Basic Act on Energy Policy (Act No. 71 of 2002) and other measures in relation to the reduction of emissions of Greenhouse Gases, etc. of the State, etc.

Supplementary Provisions

(Effective Date)

(1) This Act comes into effect as of the date to be specified by Cabinet Order within a period not exceeding six months from the date of promulgation.

(Review)

(2) The government is to, after 5 years having lapsed from the enforcement of this Act, conduct a review concerning the status, etc. of the enforcement of this Act, and if it finds it necessary, implement appropriate measures based on the results thereof.

(3) While taking into consideration that electricity suppliers require a reasonable period of time for the technological development in reducing emissions of Greenhouse Gases, etc. and the like and for a change in the composition of power sources as well, the government is to review the method, etc. for deciding a successful bidder by comprehensively evaluating electricity prices under electricity supply contracts to be concluded by the State and Incorporated Administrative Agencies, etc., as well as coefficients indicating the degree of emissions of Greenhouse Gases, etc. and the status of initiatives for reducing environmental load (referred to as the "coefficients indicating a degree of greenhouse gas emissions, etc." in the following paragraph), and if it finds it necessary, implement appropriate measures based on the results thereof.

(4) With regard to electricity supply contracts to be concluded by the State and Incorporated Administrative Agencies, etc., until otherwise provided for by this act, the coefficients and so on indicating the degree of emissions of Greenhouse Gases, etc. are to be prescribed as a necessary qualification for participating, and the successful bidders are to be determined from among the tenderers based on the price of the offers.