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PaSTI Interview

Promoting private sector engagement

The Partnership to Strengthen Transparency for co-Innovation (PaSTI) invited specialists from various sectors and organizations to discuss MRV and GHG transparency at corporate level.

In order to scale up efforts through sharing international experiences regarding activities to strengthen transparency in the ASEAN region, The Ministry of the Environment, Japan jointly with its partners, held a side-event at Japan Pavilion in UNFCCC COP26. International experts in the field of climate change shared their views and experiences on the engagement of the private sector and potential ways to increase incentives to strengthen future efforts. To build upon the useful discussion, interview sessions with specialists were held to obtain their inputs for private sector engagement.

Dr. Mari Yoshitaka shared her perspectives, responding to some key questions.



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GHG Transparency is a business opportunity

- *Questions: In order to achieve the Paris Goals, the engagement of the private sector is becoming more important. What kind of role will ASEAN companies play and how can PaSTI encourage them in GHG transparency actions? Are there any insights from Japan's experiences?*

In Japan there are several companies which have actively engaged in GHG transparency activities as their own investment, being positioned in the first tier of the global supply chain. Some medium-sized enterprises are about to begin full-fledged efforts because they are already integrated into the supply chains in the second tier, and the demand by first tier companies are increasing. But taking efforts to meet this demand is an extra burden for small and medium-sized enterprises (SMEs), especially outside of the capital region, as most SMEs just begun to take action. In such cases, it is interesting to see how they have started taking actions.

It is crucial to determine industrial structures of respective countries first, and then consider how the private sector will be involved effectively. The global supply chain is a key to promote private sector engagement, but it is also difficult to presume that the influence of global supply chains are strong enough in ASEAN countries. For example, to discuss institutional designs of MRV

systems, it is very difficult to just copy Japan's MRV systems. I think it is necessary to first look at the big picture and discuss the systems thoroughly, by identifying where the cut line of reporting facilities is, which depends on respective countries' situations. Mindful of the various status of countries, it would be difficult to simply drive a regional approach. So, I believe that it is important to match the pace with each country and start with things that they can do.

Businesses would not respond if only cost and risk aspects are emphasized. It needs to be linked with incentives. In this regard, I think ASEAN companies should disclose their GHG transparency information, and adopt a growth strategy that will encourage international companies and investors to be attracted to their business. In other words, the GHG transparency is a business opportunity, and they would miss out, if they don't disclose.

Climate action will be a solid part of their business

- *Question: How will Japanese SMEs engage in GHG transparency in the near future? Are there any ideas that we can replicate in the ASEAN region?*

Some local banks have now started developing GHG management software/systems for SMEs. Since Japanese SMEs have very close relationships to such banks, the SMEs will also follow on the trend, if banks work on this.

As SMEs in ASEAN may not have as close ties to the local banks, the roles of banks may be different, but in terms of developing software/systems, ASEAN countries might

advance more quickly than Japan. Now that the Financial Service Agency of Japan has issued an administrative policy for financial institutions to integrate climate change risk in their financial portfolios, I believe climate transparency will be a part of a solid business in Japan, and this trend will also be found in the ASEAN countries.

Encourage behavioral change of the private sector

- *Question: As a part of cooperation with ASEAN countries, PaSTI is sharing experiences with Japan's Mandatory GHG Accounting and Reporting System. What is the significance of the system?*

Japan's mandatory reporting system supports visualizing GHG emissions of each company and is a very effective way to encourage behavioral change for them to become more environment friendly. It is useful to introduce a similar reporting system in ASEAN to enable companies to report GHG. It will help companies to increase self-recognition on their current situation on climate action, as Japanese companies have done.

There are further discussion of GHG information disclosure internationally, namely plans to achieve net-zero emissions and contributions to NDCs. So far, the discussion is still in process, and we have not found the right answer on how to present relevant information. On this topic, collaboration work between ASEAN countries and Japan may provide a good insight, and I am looking forward to seeing it.

(Interviewed in March 2022)