

# Carbon Offsetting in Japan

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# What is Carbon Offsetting?

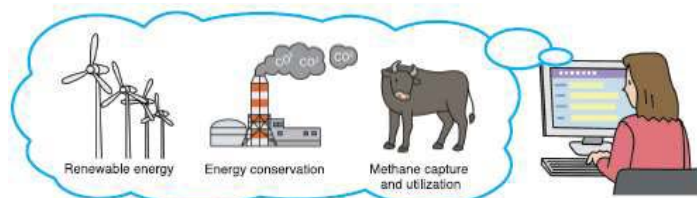
Carbon offsetting primarily encourages individuals/businesses to (1) know their GHG emissions, (2) reduce the emissions, (3) purchase credits, invest projects, or act on reducing GHG emissions, and (4) offset their emissions.



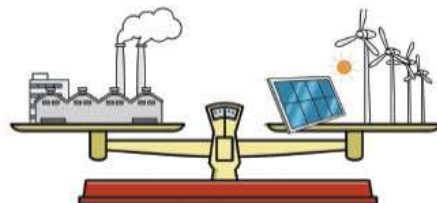
(1) Awareness of their GHG emissions



(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

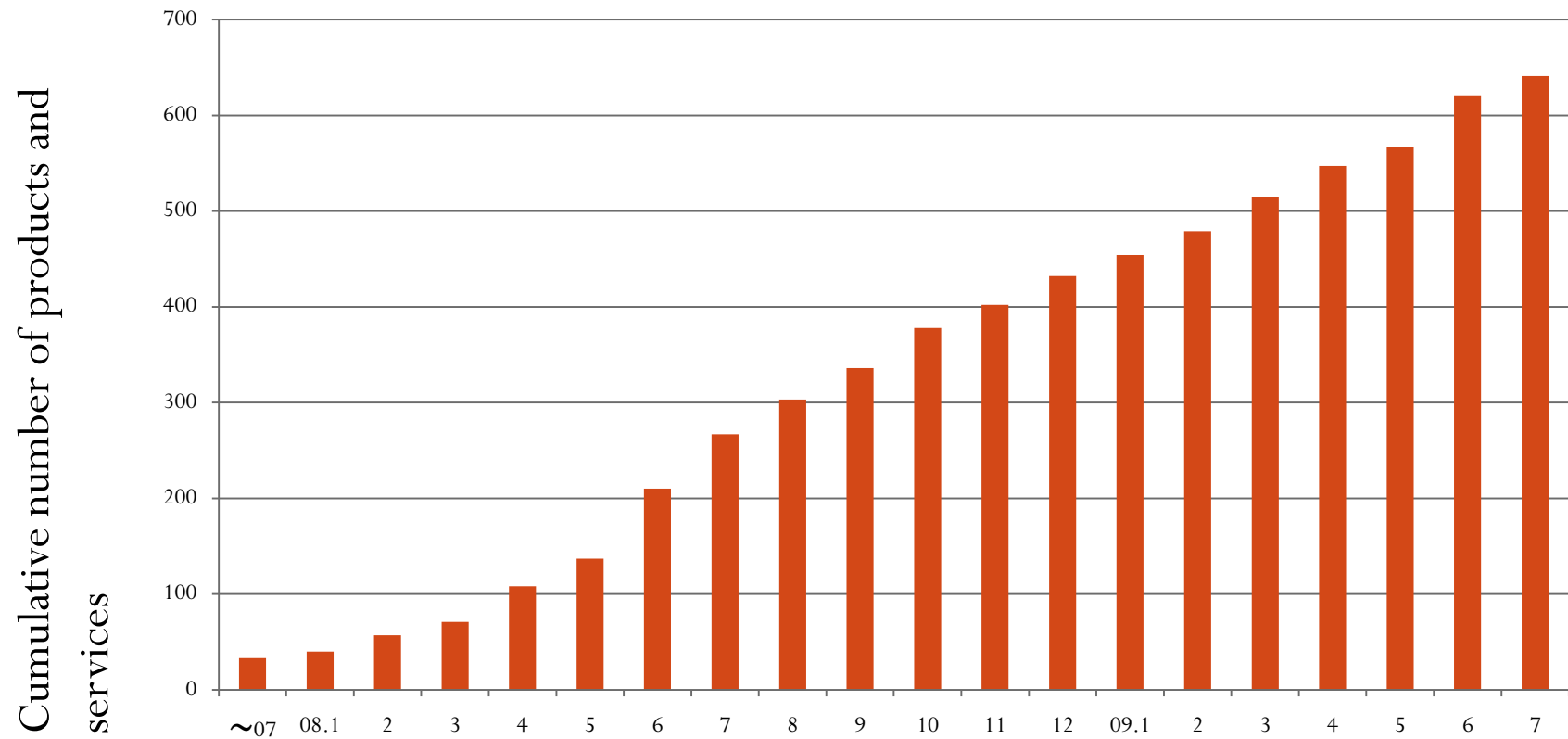


Figure: Increase in the number of domestic carbon offsetting products & services etc.

# 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)

## Guidelines for carbon offsetting in Japan

- 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<sup>nd</sup> 2008.

### <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

# Carbon Offsetting Certification Scheme

[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

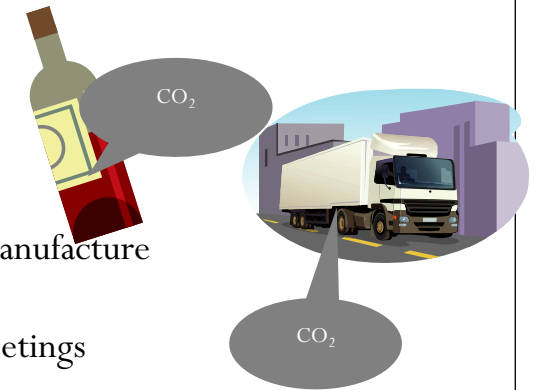
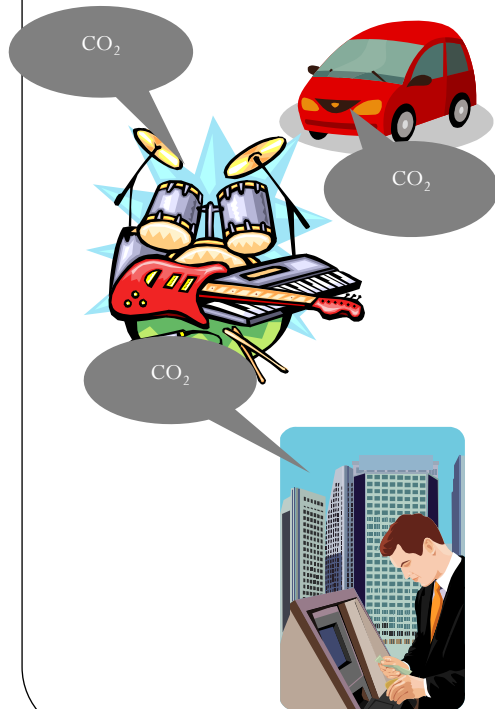
Example 3: Offsetting CO<sub>2</sub> emissions produced in holding meetings

### I-3 Offsetting business activities

Example 4: Offsetting CO<sub>2</sub> emissions produced by businesses in their own buildings

### II Support for offsetting personal activities

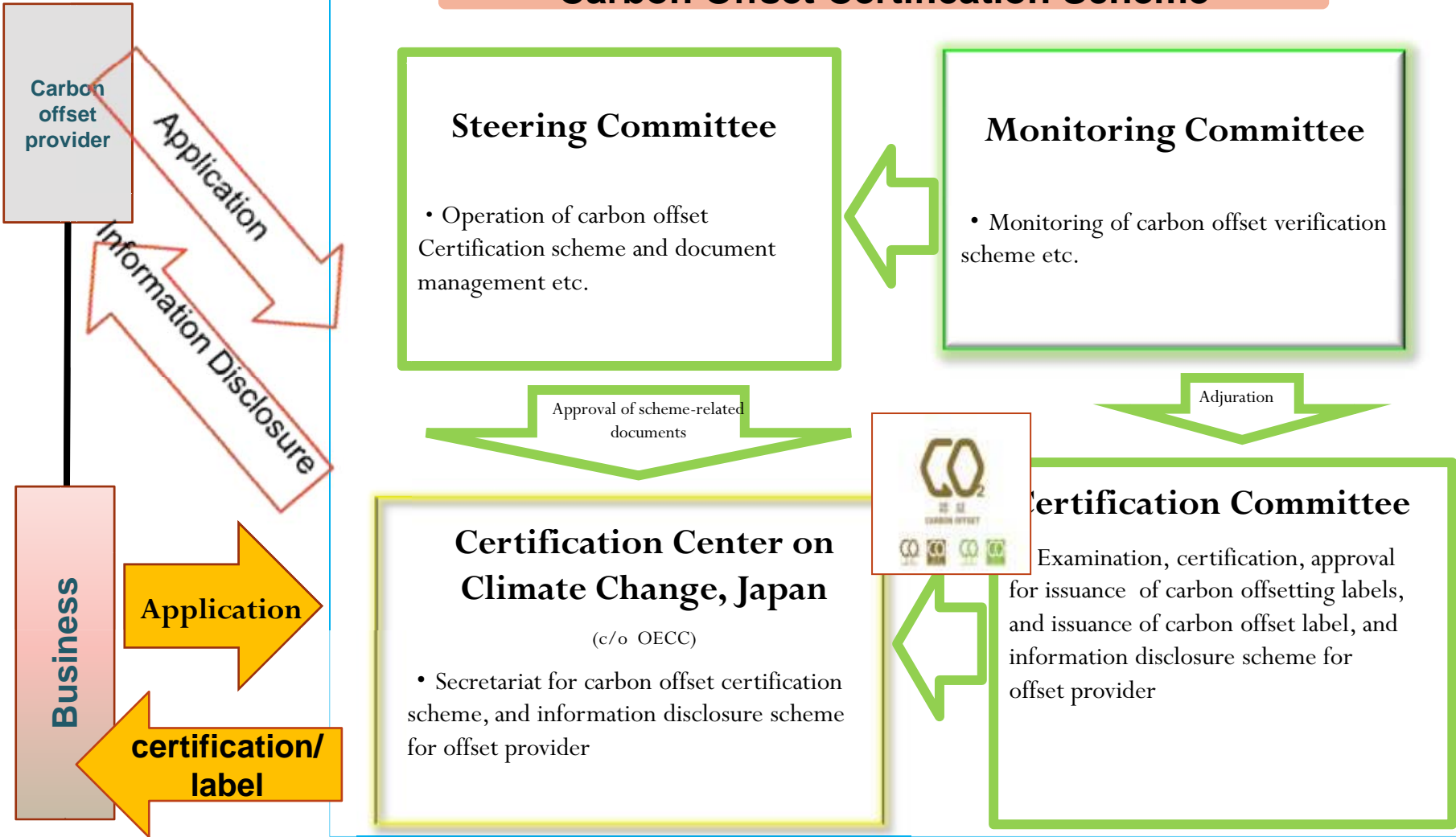
Example 5: Retail businesses selling beverages attached with a 1 kg credit, allowing consumers to offset a kilogram of emissions produced during their daily lives





# Organizational structure of Certification Scheme

## Carbon Offset Certification Scheme



# Credits used in Carbon Offsetting

## 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.

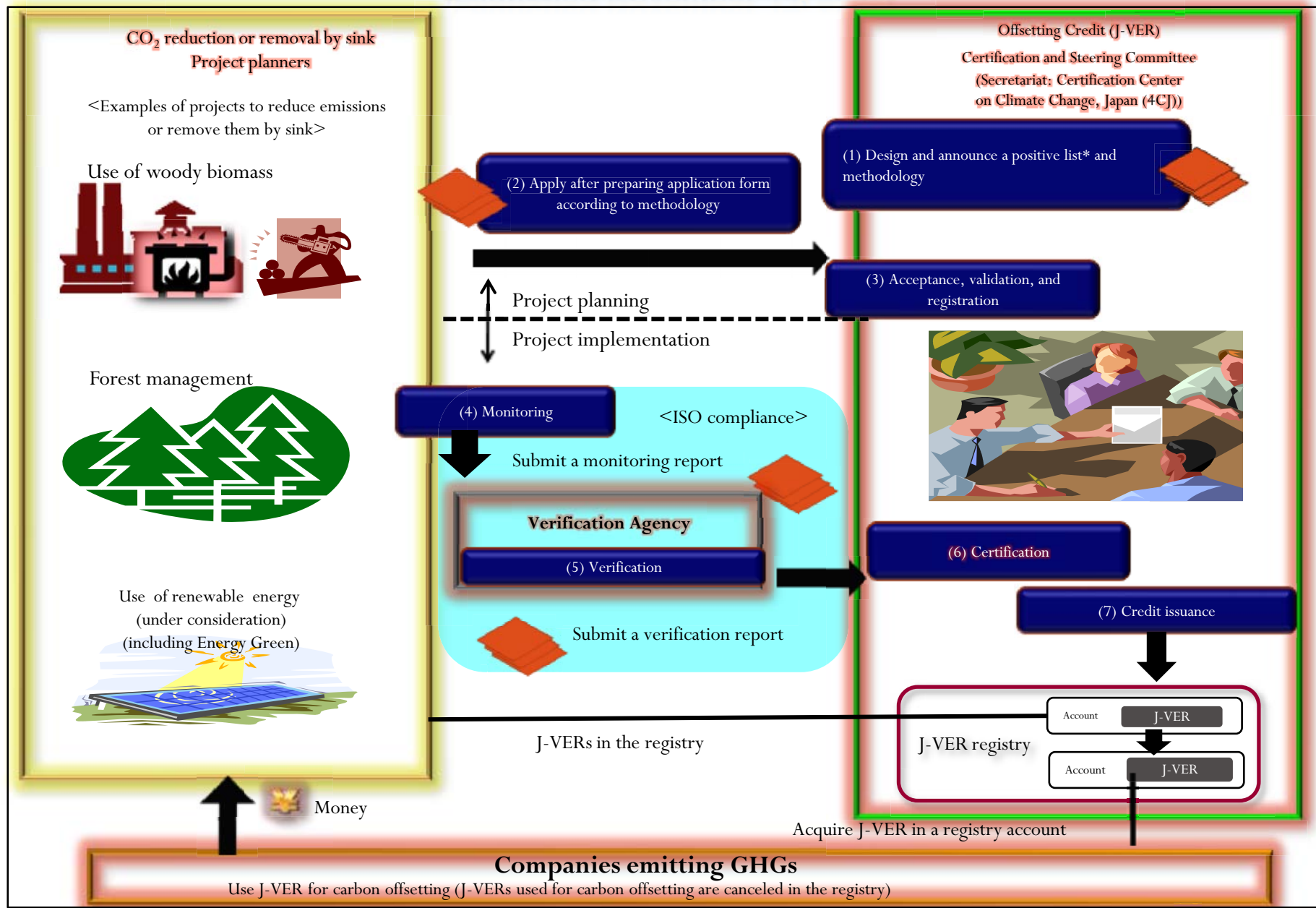
## Offsetting Credit Scheme

[ Japan Verified Emission Reduction (J-VER) Scheme ]

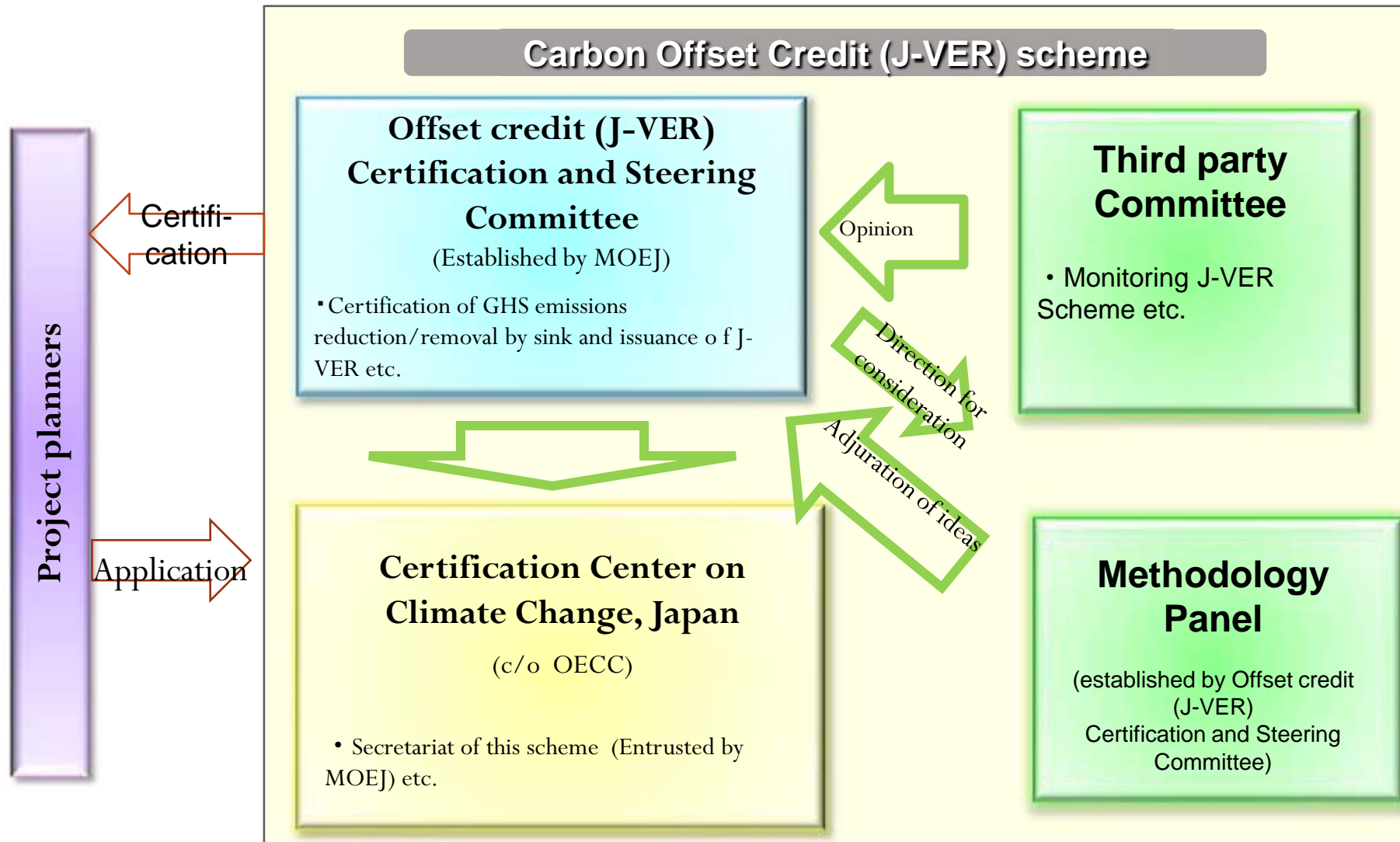
- Japan Verified Emission Reduction (J-VER) Scheme was established to encourage GHG reduction/sink projects through generating carbon credits by the Ministry of the Environment, Japan in November 2008. In order to meet international standards, the Scheme is designed with verification and certification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



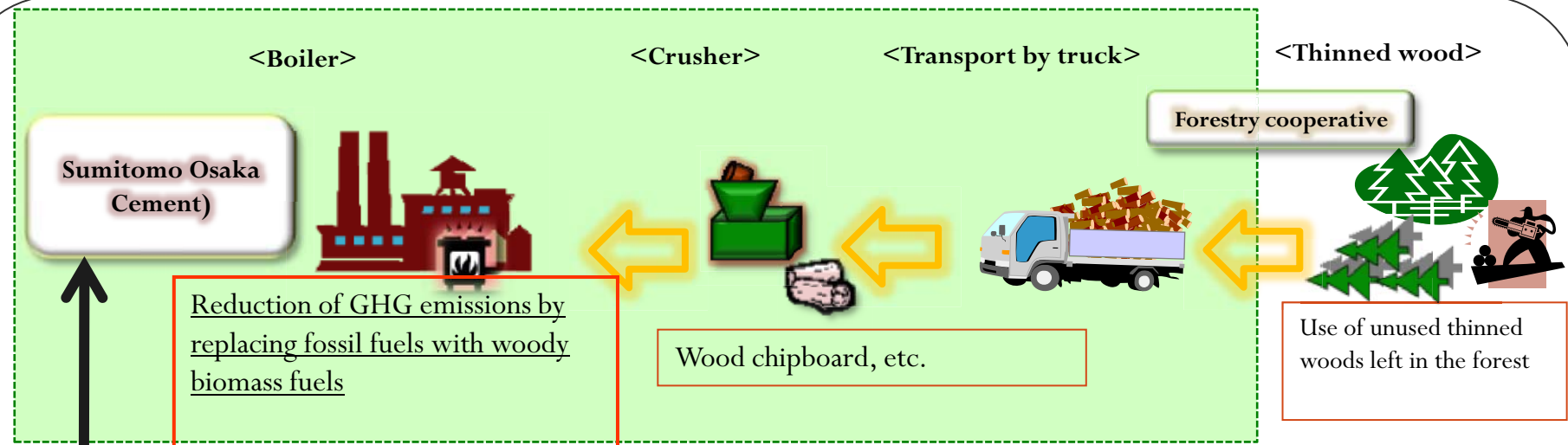
# Organizational structure of J-VER Scheme



# 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)



Contract to use thinned wood

**Kochi Prefecture**

Application

Certification



Money

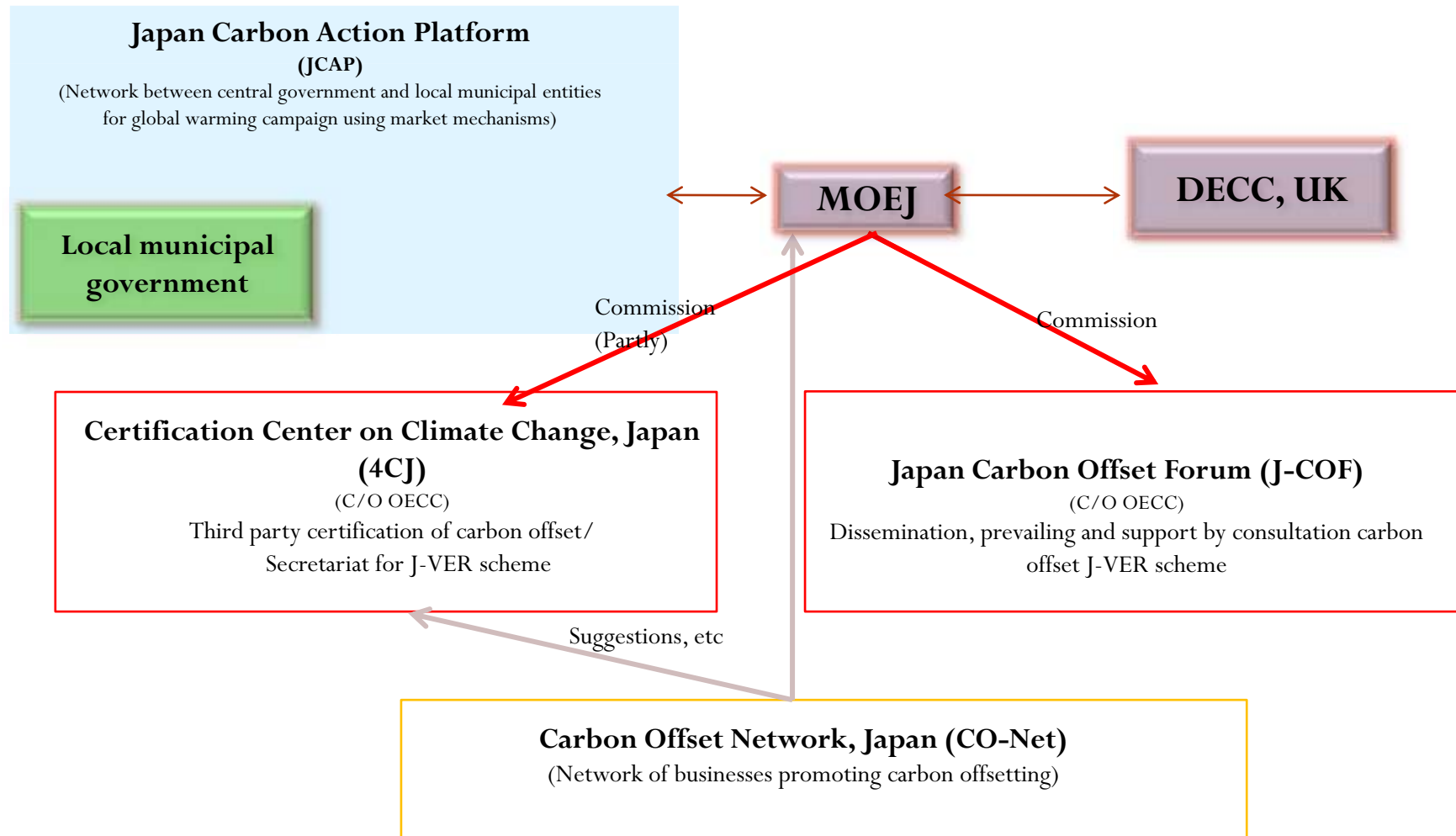
Credit

J-VER

Offsetting Credit (J-VER)  
Certification and Steering Committee

Environmentally-advanced  
businesses

# Various Bodies Promoting Carbon Offsetting



## Certification Center on Climate Change, Japan (CCCCJ or 4CJ)

- 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>



## Japan Carbon Offset Forum (J-COF)

- 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' etc.



<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
- ◆ Mitsubishi UFJ Trust and Banking Corporation
- ◆ ORIX Corporation
- ◆ Sampo Japan Insurance Inc.
- ◆ Sony Corporation
- ◆ Suzuyo Holdings & Co., Ltd.
- ◆ Tokyo Electric Power Company

### Administrative companies (In alphabetical order)

- Deloitte Tohmatsumi 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)

Japan Carbon Action Platform (JCAP): MOEJ  
 \*(MOEJHP) <http://www.env.go.jp/earth/ondanka/jcap/index.html>  
**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



**Information-sharing and opinion exchange**

**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

Distribute information to outside parties

Study Panel for VER

Study panel for domestic emission trading scheme

