An overview of Japan’s environmental policy

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The importance of greening the market
Market greening measures

Why green the market?

- Nowadays environmental problems such as global warming, waste and biodiversity loss are rooted in a production and consumption structure which premises mass production, distribution, consumption and disposal.
- To combat this, it is imperative to change our current socio-economic system itself into one which is able to develop sustainably.

"Decoupling" of economic expansion and environmental impacts by taking advantage of market mechanisms.
- Creating highly eco-efficient technology and products
- Expanding new economic activity
- Developing environmental technology and progress in environmental protection

Realization of virtuous circle for environment and economy

As a result, in the realm of "product, service, and finance", which are the cornerstones of a socio-economic system, people will choose the below options and the chance of sustainability will be increased.

- Environment-friendly products and services
- Environment-friendly companies

Improvement of market greening and sustainability
Mechanism of promoting the green economy

- The businesses’ environmental activities are evaluated by market mechanisms, efficiently developing further greening.
- Environmentally friendly companies will enjoy benefits leading to further environmental initiatives, imperative for the virtuous cycle of environment and economy.

"Environmental management Actions"
Companies implement environmental management
↓
"Disclosure of environmental reporting"
Status of environmental management is disclosed
↓
"Evaluating environmental management"
Evaluation of environment information by third parties
↓
"Environmentally aware consumption and finance"
Environmentally friendly companies can obtain economical benefits

Those four should go hand-in-hand organically.
MOE estimated the environment-related business market size based on OECD classification of the environmental industry consisting of:

A. Environmental Pollution Control which has long history with pollution control measures,
B. Environmental load reducing technology and products which includes energy saving vehicles,
C. Effective utilization of resources which contains recycling, renewable energy, and natural environment conservation.

### Status of market greening in Japan (environment-related market)

<table>
<thead>
<tr>
<th>Environmental industry classification</th>
<th>YR 2009</th>
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<tbody>
<tr>
<td><strong>A. Environmental Pollution Control</strong></td>
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<tr>
<td>Producing devices and materials for pollution controls</td>
<td>11,935</td>
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<tr>
<td>Air pollution control</td>
<td>3,926</td>
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<tr>
<td>Wastewater treatment</td>
<td>4,811</td>
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<tr>
<td>Waste treatment</td>
<td>2,918</td>
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<tr>
<td>Soil cleanup and water purification (includes groundwater)</td>
<td>70</td>
</tr>
<tr>
<td>Noise and vibration control</td>
<td>25</td>
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<tr>
<td>Environment monitoring, analysis, assessment</td>
<td>185</td>
</tr>
<tr>
<td><strong>Service offering</strong></td>
<td>45,074</td>
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<tr>
<td>Wastewater treatment</td>
<td>8,767</td>
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<tr>
<td>Waste treatment</td>
<td>29,198</td>
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<tr>
<td>Soil cleanup and water purification (includes groundwater)</td>
<td>1,475</td>
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<tr>
<td>Analysis, Data collection, measure, assessment</td>
<td>2,276</td>
</tr>
<tr>
<td>Education, training, information offering</td>
<td>1,202</td>
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<tr>
<td>Others</td>
<td>2,156</td>
</tr>
<tr>
<td><strong>Construction and installing devices</strong></td>
<td></td>
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<tr>
<td>Wastewater treatment facility</td>
<td>23,844</td>
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<tr>
<td>Waste treatment facility</td>
<td>745</td>
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<tr>
<td>Noise and vibration control facility</td>
<td>718</td>
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</tbody>
</table>

### (Currency Unit : Hundred million Yen)

<table>
<thead>
<tr>
<th>Environmental industry classification</th>
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</thead>
<tbody>
<tr>
<td><strong>B. Technology and product helping to reduce environmental load</strong></td>
<td></td>
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<tr>
<td>Technology and process helping to reduce environmental load and Resource conservation</td>
<td>94,864</td>
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<tr>
<td>Product helping to reduce environmental load and resource conservation</td>
<td>171,938</td>
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<tr>
<td><strong>C. Effective utilization of resources</strong></td>
<td>367,386</td>
</tr>
<tr>
<td>Room air pollution prevention control</td>
<td>3,313</td>
</tr>
<tr>
<td>Water supply</td>
<td>28,039</td>
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<tr>
<td>Recycled materials</td>
<td>159,480</td>
</tr>
<tr>
<td>Renewable energy facility</td>
<td>6,360</td>
</tr>
<tr>
<td>Energy saving and energy control</td>
<td>20,668</td>
</tr>
<tr>
<td>Sustainable agriculture and fishery</td>
<td>12,799</td>
</tr>
<tr>
<td>Sustainable forestry</td>
<td>12,779</td>
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<tr>
<td>Eco tourism</td>
<td>18,337</td>
</tr>
<tr>
<td>Others (Nature protection, ecotop, biodiversity)</td>
<td>105,611</td>
</tr>
<tr>
<td><strong>Grand Total</strong></td>
<td>716,504</td>
</tr>
</tbody>
</table>

Environment business market size

| YR 2009 | 72 trillion Yen |

□ GDP of Japan: 474 trillion Yen (2009)
Policies for market greening

Policy examples

- Perspective of the current policy of market greening
  - encourage environmentally conscious activity through
    Supply side (upstream), Demand side (downstream)
  - Incentives granted to bodies forming the market (economic – social)

Economic incentives

- Tax break (Business activities)
- Subsidy (Business activities)
- Interest subsidy

- Tax break (Consumer activities)
- Subsidy (Consumer activities)
- Eco lease
- Home appliance Eco-point
- Eco action point

Social incentives

- Green purchasing
- Green contracting (Vehicle, ESCO etc.)
- Environmental label (Eco mark etc.)
- Carbon offset (Products etc.)

- National movement, Environmental education (Business activities)
- Eco first certification, prize-giving

Upstream phase (Encourage supply side activities)

Downstream phase (Encourage demand side activities)
The aim of market greening policy

Accomplish virtuous circle of environment and economy
Environmental activities are evaluated through the market, leading to a greener society

Upstream phase
- Eco Action 21
- Interest subsidy
- Expanding the demand for eco-friendly products and services promotes suppliers' environmental considerations.

Downstream phase
- Demand side
- Supply side
- Promoting demand side environmental considerations drives environmental considerations on the supply side.

Economic incentives
- Tax break (Business activities)
- Subsidy (Business activities)
- Expanding the demand for eco-friendly products and services by giving economical incentives.

Social incentives
- Green purchasing
- Green contracting (Vehicle, ESCO etc.)
- Environmental label (Eco mark etc.)
- Carbon offset (Products etc.)
- National movement, Environmental education (Business activities)
- National movement, Environmental education (Consumer activities)
- Eco first certification, prize-giving

Tax break (Consumer activities)
- Subsidy (Consumer activities)
- Eco-lease
- Home appliance Eco-point
- Eco action point

Expanding the demand for eco-friendly products and services promotes suppliers' environmental considerations.
Policy measures to promote both demand and supply side actions (case examples)
**Goal**
- Encourage the global warming fight
- Economic rejuvenation
- Spread TVs compatible with digital broadcasting

**Implementation period**
- Home appliance eco-point issuance period: Purchased from 15 May 2009 to 31 March 2011

**Budget**
- Total: About 693 billion Yen

As of end of July 2011
- About 45.5 million accepted applicants
- 638.6 billion yen of issued points
Utilize no-down payment leasing for households and corporations (SMEs) who find it difficult to bear the huge initial investment of introducing low-carbon equipment. This promotes the prevalence of low-carbon equipment and also creates a pleasant, environmentally friendly way of life.

Specifically, 3% subsidy of lease fees in cases when low-carbon equipment is introduced via leasing.

Examples of eligible low-carbon items
For households: Electric vehicles, Solar Panels for housing, etc...
For corporations: High-efficiency boilers, lights, air-conditioners, solar panels, electric vehicles etc...

Outline

What's the effect?
- Reduced about 260,000 tons of CO2 (Reduced about 50,000 households emission per year)
- Promoted environmental investment about 65 billion yen
- Created about 2,000 jobs

ECO-Leasing for Households and Corporations

Lease
- No-down payment leasing helps package installation
- Popularization of low-carbon equipment

Designated leasing company
- Lease contract
- Reduction in lease payments

Leasee

Corporations (Public offering)
- Application for subsidy
- Application judgment and delivery of subsidy
- Subsidy

Government (MOE)
Challenge 25 campaign

- For the 25% CO2 reduction goal both the government and people got together and launched the “Challenge 25 Campaign” to prevent global warming and transition into a low carbon society. The campaign was launched by the prime minister and environment minister of Japan.

- The "Challenge 25 campaign" proposes 6 challenges to the people and broadly calls for their implementation at home, office and community.

- As of 15th September 2011:
  - Individual challengers -- 858,869 declarations
  - Companies & Group challengers -- 21,895 groups

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Call to replace appliances with energy saving alternatives

- 6 challenges call for choosing energy saving products
- SUPER COOLBIZ calls for switching to energy saving home appliances
- Saving electricity! calls for energy-saving home appliances and lighting equipment.

Participate in Community activities to prevent global warming
The MOE has formulated EMS guidelines for medium and small-sized companies based on the ISO 14001 Environmental Management Systems (EMS) standard.

- 20,357 organizations are ISO 14001 certified as of 1st OCTOBER 2010. (Japan Accreditation Board for Conformity Assessment (JAB))

To implement Eco Action 21, the MOE formulates guidelines explaining requirements and a checklist.

In addition to controlling and reducing use of greenhouse gases (GHG), waste and water use, and control of chemical substances, green purchasing and reduction in environmental load released from products are promoted. EA21 also allows companies to publicly report environmental results.
To promote environmental reporting, the MOE formulates reporting guidelines which will assist with environmental management and improve quality of public reports.

Out of 455 publicly held firms in Japan with revenues over ¥100 billion, 83.1% issued environmental reports.

Proportion of corporations publishing environmental reports (3036 responses)

- 2001: 20.0%
- 2002: 21.9%
- 2003: 26.6%
- 2004: 31.7%
- 2005: 34.7%
- 2006: 37.8%
- 2007: 35.9%
- 2008: 38.3%
- 2009: 35.9%

2010 MOE survey of Environmental actions by corporations.
Mr. Takejiro Sueyosi (special adviser of UNEPFI) established the drafting committee in September 2010, with 25 financial institutions voluntarily participating as first members. In October 2011, the drafting committee adopted “Financial principles of conduct for forming sustainable society (21st Century Financial Principle of Conduct)”.

Principles
1. With the recognition of one’s role and responsibility and taking a precautionous approach, make best efforts toward promoting a sustainable society through business.
2. The development of “industries contributing to a sustainable society” lead by environmental industry, and the offering of financial products and other services spurring competitiveness, to form a sustainable global society.
3. In order to develop regions and promote sustainability, corporations (SMEs) considering environment, citizens raising awareness for environmental issues, preparing for disasters, and community activities should be supported.
4. To form a sustainable society, it is important for stakeholders to work together and not only participate but play a proactive role.
5. Not only observing environmental laws and regulations but also reducing environmental burdens proactively as working on energy and resources conservation, and furthermore continuing to try to reach out to suppliers.
6. Recognizing boosting sustainability in society as a business challenge, and continuing to disclose information.
7. In order to implement above mentioned activities proactively in daily operations, executives and employees should improve their awareness of environmental and social issues.
The Minister of the Environment operates “Eco-First system” for Corporations, which promotes initiatives for environmental conservation. It is a system promising always to take initiative for the environment, ie: global warming, prevention and measures for waste and recycling.

38 corporations certified since 2008.

**Outcome** (how corporations utilize the system)

- Use of Eco-First mark by certified corporations, for example in environmental report, product brochure, leaflet, business card, CM etc.. (registration system)
- Certified corporations collaborated activities made the system active etc...

**Voice of certified corporations**

- Thanks to the “Promise to the Minister of the Environment”, executives and employees easily embraced the system.
- Using Eco-First mark has strong appeal to customers and competitors.
- Good chance for certified corporations to work together for environmental related businesses.

< Example: Use of Eco-First mark >

(ANA airplane with green Eco-First mark)
To promote businesses’ environmental activities, MOE offers various commendations and awards:

- **Green Purchasing Award** (Host: Green purchasing network [GPN])
  Disseminating case examples widely and promoting green purchasing, the green purchasing award has been given to nation-wide organizations since 1998.

- **Eco Products Awards** (Host: Eco Products Awards promotion Committee)
  In order to promote environmentally friendly products and services (eco-products in Japan), awards go to eco-friendly yet practical, creative, and socially acclaimed products since 2004.

- **Environmental Communications Awards** (Host: Global Environmental Forum (GEF), MOE)
  Awarding outstanding environmental communication since 1997.

- **Eco Japan Cup** (Host: the Ministry of the Environment, Ministry of Internal Affairs and Communications, Development Bank of Japan, Sumitomo Mitsui Banking Corporation, Environmental Business Women)
  A contest to find growing eco-businesses and award model corporations, SMEs and venture companies for outstanding environmental business plans (including self-employed and NPO) since 2006.

- **Nikkei Advertising Awards Commendation Ceremony** (Host: Nihon Keizai Shimbun Inc.)
  Recognizing excellent advertising that is ahead of its time and a trend-setter for others since 1952.
  (Nikkei Awards include Environment Minister’s Award as one section)
3. Current issues and policy direction
### Visibility of Environmental Policy

(n= 20574 )

<table>
<thead>
<tr>
<th>Home Appliance &amp; Household Eco Point</th>
<th>Able to explain What it is</th>
<th>Know what it is</th>
<th>Heard of it, but don't know what it is</th>
<th>Never heard of it before</th>
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<tbody>
<tr>
<td>Eco-lease</td>
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<td>Eco Action Point</td>
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<td>Eco-Fund (Environment finance)</td>
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<td>Eco Action 21</td>
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<td>Environment Report</td>
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<td>Environmental Accounting</td>
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<td>Green Purchasing</td>
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<td>Green Contract (Environmental Considerations Contract)</td>
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<td>ESCO Project</td>
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<td>Carbon Offset</td>
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<td>Carbon Footprint</td>
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<td>Water Footprint</td>
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<td>Eco Mark</td>
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<td>Top Runner Standard</td>
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<td>Challenge 25 Campaign</td>
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<td>Eco-First</td>
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Direction of Policy

(1) To promote medium-and-small-sized business’s (SMEs) environmental management
In light of global perspective, further promoting SMEs environmental management to create a system contributing to the growth of Japanese economy.

(2) Criteria for superior eco-friendly products
Giving the opportunity for leading companies to differentiate own products and services to others and make an appeal their spirit of innovation, which promotes constant green innovations.

(3) Provide easy to understand environmental information to users
Examine how to provide easy to understand information on the environmental activities of businesses to consumers, investors, etc.
Further examine how to make use of information technology (ICT)

(4) Policies should be coordinated for optimal effect
Initiatives for environmental financing, environment reporting, green purchasing, and economic incentives should work together towards the same goal.

Creating a mechanism where environmentally conscious businesses can benefit
Thank you for your attention