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## sustainable japan

## 2023 notes: Japan stepping up its efforts on energy, emissions

SHUNICHI SUZUKI

MINISTER OF STATE FOR FINANCIAL SERVICES

I would like to offer my heartfelt New Year's greetings to the readers of The Japan Times.

This year, Japan will serve as chair of the Group of Seven nations. This year's summit will take place in Hiroshima, and it will be the first G7 summit to be held in a former site of an atomic bombing. I believe this will emphasize sending a message for peace that is stronger than ever as Russia's invasion of Ukraine continues.

In order to properly lead discussions at the G7 as chair, I believe it is important for Japan to step up our initiatives on issues related to energy, decarbonization and biodiversity and at the same time let our efforts be known in Japan as well as abroad.

As government ministries and agencies work on making wide-ranging policy measures related to sustainable finance, I also believe it is very important for them to coordinate efforts to present a road map on the government's overall sustainable finance initiatives, update it in a timely manner and make it known widely.

Russia's invasion of Ukraine triggered a dramatic change to the energy situation of the world. Even as global energy's



supply-demand structure undergoes major change, we are faced with the needs to both promote decarbonization and strengthen energy security. We in Japan now need to revise our decarbonization and energy policies. In order to overcome the current situation, and from a long-term perspective, we need to accelerate all the efforts to convert our socioeconomic and industrial structures to ones centered on clean energy.

In addition, in order to realize the "new capitalism" ideas advocated by Prime Minister Fumio Kishida, an issue facing the public and private sectors this year is for each, playing their respective roles, to pursue a sustainable economy that creates a virtuous circle of growth and distribution

and to also work to resolve social issues.

For our growth strategy, since we are facing the global trends of digitalization, climate change and economic insecurity, I think we must work on the issues that Japan must overcome in the new era in the spirit of making them into future growth areas so we can turn any weaknesses into the growth engines for the new era.

As one policy for realizing the new capitalism, the government has adopted a program to double people's income from assets, part of its efforts to encourage a shift from savings to investments. The program requires improving people's financial knowledge. Education on investing is a key issue. As it is important to help people acquire correct knowledge about corporate pensions and ESG investing from a long-term perspective and gain the ability to make correct decisions, we hope to offer classes and seminars and disseminate information, reaching as many interested people as possible.

This year again, we will remain committed to the revitalizing of the nation's financial markets and working with market insiders both in Japan and overseas to promote not only financial education, but also sustainable finance, aiming to maintain a financial system that can be trusted by the Japanese people. I would appreciate your understanding and cooperation.

## CDP Cities: A paradigm shift for the sustainable future of Japan

MICHIO MORISAWA

CDP JAPAN DIRECTOR

During the 2022 disclosure cycle, nearly 20,000 organizations — including more than 18,700 companies, representing half of global market capitalization, and over 1,100 local governments — disclosed information through CDP on climate change, forests and water security. From Japan, 171 local governments and more than 1,700 companies responded to CDP questionnaires.

CDP holds the largest environmental database, and its data and insights are used on the financial markets, as well as by wide-ranging stakeholders including policymakers.

CDP works with multiple stakeholders, including national governments, international organizations, investors and companies, has numerous consultations with them, revises questions, and encourages those that disclose the information to think of what they need to do now and in the future and take action.

CDP not only encourages companies and cities to disclose information on their environmental impact and efforts and disseminate the results of its evaluations, but also works to encourage respondents to take subsequent action. It is necessary for a broad range of stakeholders — including local governments, companies and financial institutions — to work together to enhance the sustainability of the economy, society and environment. To realize



a paradigm shift toward a sustainable society, collaboration is essential. Strengthening collaboration to accelerate transition plays a critical role in developing solutions, achieving a 1.5-degree Celsius pathway and a nature-positive world.

Around the world 122 cities, including five in Japan, were named as leaders in environmental action and transparency in 2022 by CDP. Cities, representing up to 70% of global emissions, and with 50% of the world's population living within them, have a key role to play. It is encouraging that Japan's local governments are working to expand environmental information disclosure in accordance with international standards.

The number of Japan's local governments that have made it onto CDP's Cities

A List has been steadily increasing.

Along with disclosing information and setting science-based targets, another important way in which local governments can address climate change is to work with their partners, including the national government and entities in the private sector, share ideas, provide resources and promote innovation. In particular, the financial service sector is an important partner in the efforts to address climate change.

Our wish is that through CDP, more of Japan's local governments and companies will work on environmental measures, set science-based targets and, for future generations, contribute to the conservation of the global environment through engagement.

## About CDP

CDP is a nonprofit organization that runs the global disclosure system for investors, companies, cities, states and regions to manage their environmental impact. CDP's vision is for a thriving economy that works for people and planet in the long term.

CDP Cities is a program to assess cities' efforts to combat climate change, and evaluated by experts. CDP's annual report and dataset are used by institutional investors to make ESG investment decisions and are one of the most referenced data sources in the world.



## Tokyo: Accelerating actions



Yuriko Koike

have been scored for climate action, and some cities in the Global South also got onto the A List for the first time this year.

We are very pleased the city of Tokyo has been named to CDP's A List, the highest rating, for the second year in a row.

According to CDP, more than 1,000 municipalities

It is very important that cities continue to disclose their environmental information and begin to act more boldly.

At COP27, held in November, participating countries reached an important set of agreements, including the creation of a fund to support developing countries. On the other hand, we are far from achieving the target of limiting the temperature increase to 1.5 degrees Celsius. I have been communicating Tokyo's progressive measures and calling for the international community to confront this issue

together.

The Tokyo Metropolitan Government will accelerate its actions. We are currently proposing to the Tokyo Metropolitan Assembly a bill regarding the Environmental Security Ordinance that would require major housing providers to install solar power generation equipment in newly built small and medium-size buildings, including houses.

Now is the TIME TO ACT. Let's work together to develop effective policies and realize a sustainable future.

## Kyoto: Not waiting for 2050



Daisaku Kadokawa

sion, the entire citizenry has been working together to address global warming through our practices of community

Kyoto city is where the Kyoto Protocol was signed and the Intergovernmental Panel on Climate Change's Kyoto Guidelines were adopted.

With this sense of pride and mis-

development, as represented in a 53% reduction of garbage in the last 21 years and a 31% decrease in energy use.

The transformation necessary to achieve "zero by 2050" is positioned as Kyoto's growth strategy. We are calling for ESG investments and loans from Japan and abroad, supporting new businesses that contribute to the achievement of the SDGs and promoting green finance.

Kyoto has been selected as one of the Decarbonization Leading Areas by the Japanese government. Kyoto's unique

local communities, temples, shopping districts, universities and residences will continue to work together to achieve zero emissions by 2030, rather than waiting until 2050.

As a city of universities, students and startups, we aim to collaborate with citizens and businesses to bring about innovation.

We will also work hard to achieve the four "zeros" that the World Expo 2025 in Osaka aims for: zero carbon, zero waste, zero food loss and zero fashion loss.

## Fukuoka: Hydrogen pioneer



Soichiro Takashima

To achieve this goal, we need to work in partnership with various other entities and implement innovations in society. Fukuoka opened the world's first hydrogen station that supplies hydrogen for fuel cell vehicles from biogas generated in the sewage treatment process eight years ago. We are also collaborating with Toyota Motor Corp. in

The city of Fukuoka has set itself the challenge of achieving net-zero emissions by 2040, and our action plan calls for a 50% reduction by 2030, which is higher than the national target.

converting school lunch delivery vehicles and garbage collection vehicles to run on fuel cells. The city and Fukuoka University have jointly developed the Fukuoka Method, a waste landfill technology that reduces the generation of methane gas. The method has been introduced in 21 countries and was recently promoted by the Japanese government at COP27. We will continue to work with U.N.-Habitat and other organizations to further promote this technology. Team Fukuoka, an industry-academia-government promotion organization, aims to attract 14 asset management companies from Japan and abroad to create a better financial environment. We will continue to endeavor to do what we can now for future generations.

## Niigata: Wetland City



Yaichi Nakahara

Convention on Wetlands in recognition of our wetland conservation activities. Much of the land being below sea level, we strongly feel the need to promote both mitigation and adaptation measures.

Due to its location, Niigata is often considered as not having enough sunlight for solar power generation. But in fact,

the amount of sunlight Niigata receives is about 90% of that of the Kanto region.

To achieve both decarbonization and the revitalization of the local economy, the city partially funded and established a new power company in 2019 called Niigata Swan Energy Corp. It generates power at a waste treatment facility and combines it with other electricity from renewable sources.

Through the Niigata Region Partnership Conference for Promoting a Decarbonized Society, established in 2020 with local businesses, civic groups and financial institutions, we will share ideas about potential new businesses related to renewable energy and decarbonization.

## Sagamihara: Goes regional



Kentaro Motomura

To strengthen our efforts to flexibly respond to the impact of climate change. We are also promoting the use of renewable energy to reduce emissions. These efforts based on the declaration of our determination to achieve net-zero emissions in 2050, as stipulated in the Sagami Declaration of Climate Emergency announced in September 2020.

A powerful typhoon that hit Sagami in 2019 caused numerous landslides, mainly in hilly and mountainous areas, bringing damage on an unprecedented scale.

In August 2021, the city formulated the Sagami Decarbonization Roadmap, which outlines the city's direction and path toward net-zero and aims to create a "regional recycling symbiosis zone" that covers both inside and outside the city to achieve decarbonization in a broader area.

It is important to accelerate the decarbonization of society. To do that, we need to enhance collaboration outside the city, with various stakeholders complementing each other, and take advantage of regional characteristics. Our slogan "Switch to the Future! Zero Carbon Sagami" helps raise people's awareness. The entire city will continue to work together to achieve "Zero Carbon Sagami."

## Regional efforts to help local society transition using public and private funds

MAIKO MURAOKA

CONTRIBUTING WRITER

In the panel discussion of a CDP symposium held in December, officials from the Tokyo Metropolitan Government and the city of Kyoto, as well as from a newly established public-private fund, the Japan Green Investment Corporation for Carbon Neutrality (JICN), discussed regional efforts to effectively utilize both public and private funds for local society, including for businesses to transition to net-zero emissions. Tokyo and Kyoto were named to CDP's A List for two consecutive years in 2021 and 2022.

Kaori Nakamura, in charge of the Global Financial City: Tokyo project in the Office of the Governor for Policy Planning, explained that Tokyo's green finance efforts have been consolidated in the Tokyo Green Finance Initiative, one of the three pillars of Global Financial City: Tokyo, which has been developed since 2017. Tokyo was the first munic-

pal government in Japan to issue green bonds in 2017, and it also launched social bonds in 2021.

The Tokyo Metropolitan Government also subsidizes the costs incurred when companies issue green bonds, including external review and consulting fees. It supports financial institutions that offer loans whose interest rates are linked to the extent of achieving ambitious sustainability targets set by borrowers, especially small and medium-size enterprises.

Tokyo Sustainable Navi, a portal website run by the metropolitan government, is also intended to support small and medium-size enterprises by sharing information on sustainable management and related subsidies as well as examples of sustainability efforts by some of the more advanced enterprises.

"Among some of the public-private investment funds that we engage in, the Sustainable Energy Fund, established in 2022, invests into renewable energy generation plants and



From left: Eriko Yamashita, Ken Tanaka, Kyoko Narita, Kaori Nakamura, Aya Nagata, Michio Morisawa, Takuya Harada and Satoru Iino

other clean energy facilities," Nakamura said.

The city of Kyoto issued green bonds for the first time in 2022. Aya Nagata, director of the Energy Policy Department at the city's Global Environment Policy Office, pointed out that less than 30% of big companies and not even 4% of small and medium-size enterprises in Kyoto have received ESG

investments and loans. "A survey shows that about half of all companies recognize that decarbonization is a must, but about 80% of SMEs do not even know how much carbon they are emitting. We need to promote green finance among local financial institutions," she said.

She said that when sales representatives

of local banks become familiar enough with ESG investments and loans to speak about them in their own words, these financial products will start to become a regular part of managing local industries and companies.

To accelerate the decarbonization transformation in an area home to many cultural heritage sites, a shopping district and homes, the municipal government is working on the launch of local green impact financing. "We aim to visualize how the impact brought about by decarbonization contributed to solving some of the regional issues," Nagata said.

Satoru Iino, who leads JICN's Department of Management Planning and General Affairs, said one important theme is the other values that will arise from efforts to achieve net-zero emissions. "The ultimate goal is that the charm of the region will be polished through such efforts, attracting people, money and businesses," he said. This is a core concept of JICN itself to promote

new technologies and business models, and encourage dialogue with regional stakeholders — evaluating not only contributions to decarbonization but also the impact on economic growth and regional revitalization — and to share insights and know-how gained from the investment process with broader stakeholders in society.

He stressed the importance of collaborating with municipalities and private financial institutions so that each region's particular challenges, timeline and resources can be considered in investment decisions. "We also need to think about how to evaluate the transition period when a company tries to do something that cannot be done overnight or does not have an answer right now, instead of simply evaluating cans and cannots," he said.

The discussion was concluded with remarks from the three speakers encouraging various stakeholders — especially local financial institutions — to come forward and join collaborations to promote green finance.