

Regional Cooperation in Northeast Asia related to the Issue of Climate Change

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1. Recent situations related to the issue of climate change

COP15 failed to produce a legally binding protocol, but it is necessary to establish a more comprehensive and dynamic framework than the first commitment period of the Kyoto Protocol in order to further enhance the activities to address the issue of climate change, as we note the following points:

- a In terms of carbon dioxide emissions, India overtook Japan in 2006 and China became the largest emitter in 2007, overtaking the U.S., which makes the role the Asian region plays in the activities to reduce the carbon dioxide emissions increasingly important.
- b Before the start of COP15, China and India announced their voluntary reduction target of greenhouse gas emissions and now there seems to be a three-layer structure consisting of developed countries with emission reduction commitments, newly emerging countries with voluntary targets, and developing countries without set targets.
- c Financial and technical support provided by developed countries to developing countries, which was not mentioned in the Kyoto Protocol, has become one of the important issues.
- d Japan has set up an ambitious target to cut emissions by 25 percent from the 1990 levels by 2020. Many think that Japan will be required to purchase a substantial amount of emission credits, if the policy is maintained.

2. Lessons of the Kyoto Mechanism

- a There is criticism that the projects under the Kyoto Mechanism have so far been implemented disproportionately in a small number of countries such as newly emerging countries. As long as the market mechanism is used, the above result is inevitable, in a sense, when seen from a practical perspective. On the other hand, the United Kingdom is dominant among the buyers of emission credits. As for Japan, there are many cases where Japan has purchased indirectly through professional buyers located in the U.K. Japanese companies are expected to be active in developing projects directly in cooperation with project operators to further promote regional cooperation in the future.
- b The expectation is high on Japanese technologies that contribute to energy saving and energy efficiency improvement to be effective for saving fossil fuels. They will be especially effective in the Asian region that is the growth center. Past experiences show, however, that it has been extremely rare that Japanese technologies have played a major role in an emission credit project.

3. Promotion of regional cooperation

The momentum toward the promotion of regional cooperation has been gaining since this past financial crisis. Cooperation in the area of energy and environment is a theme that should be addressed urgently as a common issue, when the long process to establish a community is put into perspective. On the other hand, based on the lessons learned in the financial crisis, it is necessary to establish a mechanism to help mobilize financial resources within the region and at the same time to provide effective investment opportunities to take advantage of the funds. It is difficult to state that the past emission credit business has played a sufficient role as a tool for the above. A comprehensive system of regional cooperation that enables respective players to play their respective roles must be developed, in which the

private sector reviews investments, provision of technologies, and export of facilities as a business, the public sector works to set up an environment for the effective promotion of the above, and the financial sector provides required funds under the improved investment environment, and, as a result, emission credits are created.

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