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Outlook and Challenges for Climate Change Policies

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Global situation

1. COP26, which was to be held in Glasgow, UK in 2020, was rescheduled to November 2021 due to the spread of Covid-19. The points of focus heading toward COP26 are the discussions on the guidance on cooperative approaches that involve the use of internationally transferred mitigation outcomes (ITMOs) referred to in Article 6, paragraph 2, of the Paris Agreement, and the rules, modalities and procedures for the mechanism for mitigation activities established by Article 6, paragraph 4, of the Agreement. The EU has updated its 2030 greenhouse gas (GHG) reduction target from 40% to 55%. China plans to update its target by the end of 2020, and the US aims to communicate its 2030 target in time for COP26. The details of these targets and the timing of their submission deserve attention.

Situation in each country

2. When inaugurated, the US Biden administration will set a target to achieve a 100% clean energy economy and net-zero emissions no later than 2050. How the Biden administration will change the US' environmental and energy policies and how this may impact the world must be watched. In particular, major challenges for the administration are whether it can introduce and enforce energy efficiency and clean electricity standards in the power sector and ambitious fuel standards in the auto sector, and deliver a \$2 trillion clean energy investment. In the area of external policy, stopping China from subsidizing coal power exports is the focus. This policy is also a concern for the US in relation to its China strategy, and it could be a source of more pressure on Japan.
3. China has declared that it aims to achieve carbon neutrality by 2060. What kind of roadmap China will formulate to reach this target deserves attention. The first points of focus are what kinds of indicators will be set for its Fourteenth Five-Year Plan, particularly, whether limiting total energy-related CO₂ emissions to 10.5 billion tonnes will be set as an absolute target.

4. In the EU, a recovery plan for Europe and an increase of the 2030 target from 40% to 55% were agreed on. The EU is scheduled to present the draft amendments and enhancements to an emissions trading system, the Effort Sharing Regulation (which sets targets for each member for sectors not covered by the emissions trading system) and the CO₂ standards for automobiles to achieve the new target, and a legislative proposal for its carbon border adjustment mechanism, all by June 2021, which must be closely watched.
5. In India, in November 2020, Prime Minister Modi said that India's energy plan will have seven drivers including accelerating efforts to move forwards a gas-based economy. Whether the economy's shift to natural gas will be incorporated in the energy plan, and if so, how, deserve attention.

Japan's challenges for the future

6. In Japan, a review of global warming countermeasures has been launched, and in October 2020, Prime Minister Suga declared that Japan will aim for net-zero emissions by 2050. Challenges for achieving a carbon-neutral society by 2050 include setting specific and detailed measures for disruptive innovation and R&D, and what kind of policies to formulate for renewable energy, nuclear power, and fossil fuel power plants, and how to combine them.

Upstream emissions and carbon offset for oil and gas

7. Several energy companies have announced targets of achieving net-zero emissions and the sale of carbon-neutral fossil fuels has started. This has made it necessary to establish methodologies for accounting upstream emissions and enhance carbon offset markets. Methodologies of accounting upstream emissions are being proposed, while the Taskforce on Scaling Voluntary Carbon Markets (TSVCM) led by the private sector is discussing carbon offset. Developments in these proposals and discussions must be watched and considered.

Hydrogen and carbon recycling

8. Regarding hydrogen, the Japan-Saudi initiative on blue ammonia made progress in 2020. Furthermore, several European countries and the EU announced their hydrogen strategies, and Russia also showed an interest in producing and transporting hydrogen. Regarding carbon recycling, the Circular Carbon Economy (CCE) approach as an integrated approach to managing emissions, built on the four Rs (Reduce, Reuse, Recycle, and Remove), was proposed. Efforts for expanding hydrogen production and CO₂ utilization deserve attention.