

Climate Change Policy Challenges in 2024
—Pathways to 2035 Reduction Targets and Addressing Emerging
Policy Challenges —
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Overview

1. The energy crisis in Europe, triggered by Russia's invasion of Ukraine in 2022, has affected the whole world. As a result, major advanced economies, including Japan, have implemented subsidy programs to reduce the burden of soaring energy prices on consumers. In addition, some advanced economies are becoming more careful about implementing policies that could increase energy costs. For example, in September 2023, British Prime Minister Sunak acknowledged that inadequate explanations had been given to the public regarding the high-cost policies put in place to date with the aim of achieving net-zero targets. He expressed a commitment to more practical measures, transparently disclosing the relevant costs, and seeking public consent for the implementation of measures. This change in approach by the UK, one of the world's climate change leaders, is significant when forecasting global climate change policies for 2024.
2. In 2024, the primary focus among international climate change-related events is on the submission of Nationally Determined Contributions (NDCs) for 2035 by member economies. These new NDCs will be formulated in response to the outcomes of the Global Stocktake (GST), as agreed at the 28th Conference of the Parties (COP28) to the UN Framework Convention on Climate Change (UNFCCC). Furthermore, the first post-Brexit European Parliament elections are scheduled to be held in June, while the U.S. presidential elections are scheduled to take place in November. The outcomes of these events may also have an impact on global climate change policies and the formulation of NDCs by each country.

3. With regard to Japan's agenda for 2024, the main policy event will be the reviewing and formulating policies that ensure the achievement of the NDCs target for 2035. In particular, the year 2024 will be crucial for intensive discussion on development of operational details for growth-oriented carbon pricing.

Overview of the 28th Conference of the Parties (COP28) to the UN Framework Convention on Climate Change (UNFCCC)

4. The focus of COP28, convened in Dubai, United Arab Emirates, was the first outcome of the Global Stocktake (GST) that assesses the progress of global efforts to achieve the long-term goals set out in the Paris Agreement.
5. In the GST, with regard to the 1.5°C target, a decision was adopted that “recognizes” the need to reduce global greenhouse gas emissions by 43% by 2030 and 60% by 2035, compared to 2019 levels, and to achieve net zero CO₂ emissions by 2050. With regard to coal-fired power generation, it was decided (as in COP27) that efforts will be made to “phase down” rather than “phase out” coal power generation, and text on promoting “transitioning away from fossil fuels in a just, orderly, and equitable manner” was included.
6. A decision was adopted to put into operation new financial measures (including funds) to address losses and damages, with the establishment of a new fund under the World Bank. Japan expressed its readiness to contribute US\$10 million toward the initiative.

Formulation of New DNC with goals for 2035

7. In 2024, countries around the world will be formulating their NDCs until 2035 based on the outcomes of the first GST. These NDCs are to be submitted to the UNFCCC secretariat by the first quarter of 2025, which is nine months before the convention of COP30 in 2025.
8. Looking at the trend for GHG emissions, while emissions are on a falling trend in developed countries, a gap exists between the GST pathways. On the other hand, in the “Advanced Technologies Scenario” presented in IEEJ Outlook 2024 that projects the maximum adoption of technologies and policies, there is a gap between emissions and the GST pathways. In emerging economies including China and India, an even greater gap exists between GST pathways and actual emissions.
9. As for Japan, even if the reduction trend in the 2030 NDCs were to be extended, there would still be a 6% gap with its GST pathway in 2035. Questions such as how to close this gap, and whether or not to set tougher targets, will be key topics in debates on energy and climate change policies in the coming year.

Perspectives on policy reviews in Japan's next NDCs

10. In 2024, it will be necessary to mobilize all expected policies that contribute to reduction measures when setting Japan's goals for 2035. In the process of formulating new policies, it is essential to first review existing policies for achieving efficient emission reduction measures. It is also crucial to consider the formulation of comprehensive strategies to address both domestic and international climate change issues.
11. When using powerful policy tools that could increase energy costs—a vital resource for citizens and a base for industrial activities—or that could significantly change society and lifestyles, it is essential to conduct thorough reviews and provide clear, careful explanations to the public. This is an indispensable process to gain society's support.

Growth-oriented carbon pricing system design

12. The Act for Promoting a Smooth Transition to a Decarbonized Growth-Oriented Industrial Structure (GX Promotion Act), enforced in May 2023, prescribes the introduction of growth-oriented carbon pricing. Looking ahead to the full-scale operation of the emission trading system (GX-ETS) in FY2026, there are plans to introduce a GX-Surcharge in FY2028 and a specified business operator contribution (the emission allowance paid auction scheme for the power generation) in FY2033.
13. 2024 will be an important year for establishing the operational rules for these systems. The detailed operational rules will become a focal point, for example, a review of measures toward further improving the GX-ETS participation rate, a review of private third-party certification to verify if targets are aligned with government guidelines, and measures to strengthen discipline (guidance and supervision, duty of compliance, etc.) for the steady operation of systems.

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