



IEEJ e-NEWSLETTER

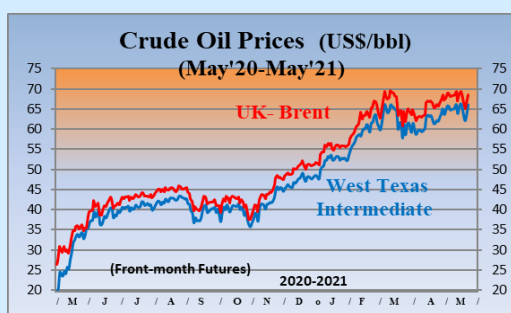
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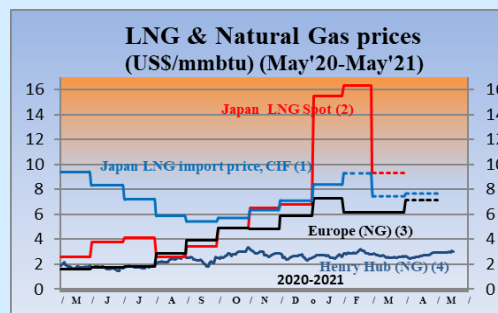
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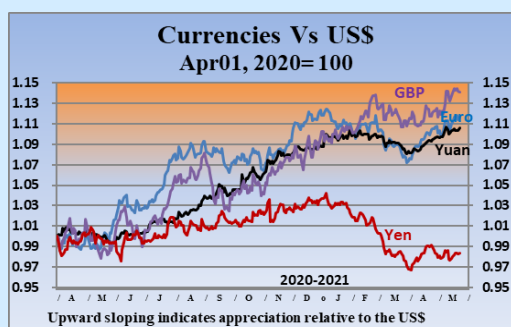
(As of May 24, 2021)



Sources:
 (1) DOE-EIA
 (2) Investing.com



Sources:
 (1) Ministry of Finance "Japan Trade Statistics"
 (2) Ministry of Economy, Trade and Industry (arrival month basis)
 (3) Estimated by World Bank (Netherland Title Transfer Facility)
 (4) DOE-EIA, NYMEX (Front-month Futures)



Source: x-rates.com



Sources:
 (1) Finance. Yahoo.com
 (2) Investing.com

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Summary

【Global Monitoring】

1. US: Infrastructure Investment Plans Set Back by Deep Partisan Conflict

Amid attention on how the US will achieve its 2030 GHG reduction target of 50–52%, the confrontation between the Democrats and Republicans is deepening, making it difficult to gain consent on infrastructure investment plans.

2. EU: Decarbonizing through Building Renovation

The European Commission released a tentative analysis of the LTRS of 13 member states and shared good practices. Attention must be paid to the subsidy schemes to be launched and technological development in European countries in the area of buildings and air-conditioning decarbonization.

3. China: Can China Lead the Global Trend toward Decarbonization?

China is simultaneously stepping up domestic efforts and international cooperation toward achieving net-zero carbon emissions. Whether China can stand at the forefront of decarbonization will depend on whether it can live up to its words. The ability of its leaders is being tested.

4. ME: Political Unrest in Jordan

The political unrest in Jordan seems to have been due to a crackdown by the administration to contain the frustration of the people, rather than an attempted coup by the former Crown Prince.

5. Russia: Tensions on the Ukrainian Border and Tighter US Sanctions

A build-up of Russian troops along the Ukraine-Russia border is fueling tensions between Russia and the West. The United States has imposed sweeping new sanctions, and deliberations on a new bill that includes tougher sanctions on Nord Stream 2 are also under way.



1. US: Infrastructure Investment Plans Set Back by Deep Partisan Conflict

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At the Leaders Summit on Climate held on April 22, the United States announced a target to reduce GHG emissions by 50–52% from 2005 levels by 2030. Both the President and the Vice President, Special Presidential Envoy for Climate John Kerry, the Secretaries of State, Energy, and the Interior, the Administrator of the Environmental Protection Agency, the Secretaries of Treasury, Agriculture, Homeland Security, and Transportation, and the US Trade Representative took the podium at the Summit, stressing that the US will fully undertake a wide range of efforts to reduce GHG emissions and mitigate and adapt to climate change.

Attention is focused on how the US will achieve this ambitious target, which far exceeds that of the Obama administration. The administration has already announced the American Jobs Plan, a 2.2 trillion-dollar investment plan focusing on infrastructure resilience and decarbonization. The fact sheet released by the White House prior to the Climate Summit states that “There are multiple paths to reach the emissions reduction goals, and we have many tools available to work with civil society and the private sector to mobilize investment,” indicating the government’s confidence in attaining the goal even if Congress does not approve the American Jobs Plan. Specific initiatives for reaching the goal will apparently be released in the national climate strategy to be issued by the National Climate Task Force later this year.

Regarding infrastructure investment, the Democrats and Republicans have agreed on the need to improve the aging infrastructure and make it resilient, but have failed to reach a consensus on the scale and sources of government funding since at least the Obama era. The American Jobs Plan is facing particularly tough opposition from the Republican Party as it will end the current corporate tax reduction, one of the greatest achievements of the Trump administration. Republican lawmakers have complained that the Biden administration is expanding the established definition of infrastructure to include climate change countermeasures (such as strengthening transmission networks, installing EV chargers, renovating buildings, and expanding public housing). Instead, they formulated a 568 billion-dollar infrastructure investment bill of their own for water supply and sewerage systems, power grids, and telecommunication networks in addition to transportation infrastructure. Even though this amount is ambitious given that an infrastructure bill worth around 300 billion dollars was rejected during the 2019–2020 term, Democratic lawmakers immediately rejected the bill, indicating that partisan conflict is intensifying even under President Biden who advocates unification and integration.

Meanwhile, ahead of the Summit, progressive (greener) Democrats resubmitted the Green New Deal Resolution which was first submitted in 2019. The Resolution demands that the Federal government, at its own responsibility, promote decarbonization by decarbonizing the electricity and transportation departments and expanding renewables, as well as strengthen the domestic manufacturing industry and create jobs, achieve environmental justice, raise the minimum wage and ensure the right to join a union, and increase local resident participation in the decision-making process for development plans. Democratic lawmakers have also submitted a bill to reform energy tax credits aiming to reduce and abandon carbon. The bill does not exclude the clean use of fossil fuels from the scope of tax deduction but newly includes adherence to federal labor and wage standards as a condition for eligibility.

Even if investment in clean energy infrastructure overcomes partisan conflict and makes progress under the Biden administration, companies seeking business opportunities in the US must consider the risk of higher labor costs including wages and welfare benefits in addition to manufacturing, procurement, and employment costs.



2. EU: Decarbonizing through Building Renovation

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In the EU, 40% of energy consumption and 36% of energy-related GHG emissions come from energy use by buildings. It is therefore essential to boost the energy efficiency of buildings in order to achieve the 2050 climate neutrality target, and so the European Commission published the Renovation Wave Strategy in October 2020 and indicated plans to make existing buildings more energy-efficient. To achieve the goal of reducing GHG emissions by 55% by 2030, the GHG emissions of buildings must be reduced by 60%, final energy consumption by 14%, and energy consumption for air-conditioning by 18%, all from 2015 levels.

Based on the Energy Performance of Buildings Directive, the member states are required to submit Long-Term Renovation Strategies (LTRS) for up to 2050 to the European Commission. The LTRS must contain numerical targets, and necessary investments and initiatives for decarbonizing buildings by 2050. In March 2021, the European Commission released a tentative analysis of the LTRS of 13 member states and shared good practices, including setting a mandatory minimum energy performance for buildings, enhancing the energy performance certificate system, aggregating projects to make loans easier to obtain, tax incentives, and educational activities. Ending the use of inefficient technologies and fossil fuels in air-conditioning was named as one of the three key areas for building renovation, and as good practices, initiatives such as prohibiting the use of oil and gas heating in private homes and public facilities and switching to electricity and other fuels were indicated.

Recently, the media reported that on April 1, the Danish Energy Agency launched a scheme to subsidize the introduction of and switching to electric heat pumps by covering up to 15% of the designated costs, in order to reduce the use of fossil fuels for generating heat for the regional heating network. Further, the UK announced in August 2020 a grant scheme for the cost of improving energy efficiency, including air source heat pumps and ground source heat pumps as low carbon heating measures. In Germany, a demonstration experiment to integrate a large heat pump into the community heating network has been conducted. Future subsidy schemes and technological developments in European countries regarding the decarbonization of buildings and air-conditioning must be monitored.

There are various other interesting moves in Europe apart from building renovation. Examples include the signing of a memorandum by transmission network operators heading toward launching the Eurobar initiative, which links Europe-wide offshore wind farms to Europe's transmission networks efficiently and reliably; the announcement of the construction of the EU's first waste recycling facility for EV batteries and other metals; and the publication of a vision to build a hydrogen network by 2040 under the European Hydrogen Backbone initiative. Alongside these decarbonization efforts in the private sector, concrete moves in Europe including the scheduled submission of relevant laws deserve attention.



3. China: Can China Lead the Global Trend toward Decarbonization?

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Decarbonizing is a global trend. China is seeking to stand at the forefront of this trend by simultaneously stepping up domestic efforts and international cooperation.

In September 2020, at the UN General Assembly, President Xi Jinping declared that China aims to reach peak CO₂ emissions before 2030 and achieve net-zero carbon emissions before 2060. At a UN meeting in December, he announced that China will raise its 2030 Nationally-Determined Contribution (NDC), specifically, its CO₂ emissions per unit GDP (emission intensity), from 60–65% to at least 65% compared with 2005 levels, and the ratio of non-fossil energy in primary consumption from 20% to 25%.

Inside the country, the Five-Year Plan for National Economic and Social Development and the Long-Range Objectives through the Year 2035, the first milestone toward “net-zero emissions,” was adopted at the National People’s Congress that ended on March 11. The following targets were set for 2025: (1) reduce energy consumption per unit GDP by 13.5% from 2020 levels, (2) reduce the emissions intensity by 18%, and (3) increase the non-fossil energy ratio to 20%. Even if these targets are met, to achieve the NDC, it will be necessary to raise the non-fossil energy ratio by 1 point per annum and lower the emission intensity by at least 3.7% per annum for five years from 2026. This will not be easy. However, on March 15, at the Central Financial and Economic Affairs Commission hosted by President Xi himself, he declared that “net-zero emissions” is a critical strategic decision by the Communist Party of China (CPC) Central Committee that affects the sustainable development of the Chinese people and the common destiny of humankind. Further, he emphasized that the economic and social systems must be transformed fundamentally and that the targets must be achieved as declared. Attention must be paid to whether area-specific plans for energy conservation, renewable energy development, etc. to ensure that the targets are achieved will be formulated by the end of the year.

Efforts toward international cooperation are also gathering steam. On April 16, President Xi Jinping had online talks with French President Emanuel Macron and German Chancellor Angela Merkel. While pledging that China will make sure to achieve “net-zero emissions” and strengthen ties with France and Germany, President Xi requested that developed countries set ambitious targets and provide financial support, technological transfer, and capacity building assistance to developing countries. On the 20th, in a video speech at the Boao Forum for Asia held in China, he expressed his ambition to promote international cooperation on climate action and resolve the problems of developing countries in financing, technology, and capacity building. Further, on the 22nd, he participated in the Leaders Summit for Climate hosted by President Biden held online. He welcomed the US’ return to the Paris Agreement, and called on the country to work together to protect and improve the Earth’s environment. At the same time, without citing names, he stressed that “one should not change their mind so quickly” and “one should refrain from making promises one will not keep.” Thus, amid the intensifying conflict between the US and China, the Chinese government indirectly criticized the US, which seeks to demonstrate leadership in decarbonization despite not ratifying the Kyoto Protocol and temporarily leaving the Paris Agreement. At the Summit, China pledged to reduce its coal consumption, which is essential for achieving “net-zero emissions” in 2026 or beyond. Despite the deepening US-China rift, there are high hopes for their collaboration on climate change.

Whether China can stand at the forefront of decarbonization will depend on whether it can live up to its words. Its leadership skills are being tested.



4. ME: Political Unrest in Jordan

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In early April, what was thought to be an attempted coup d'état occurred in Jordan in the Middle East, capturing the world's attention. This was the first report of political unrest in the country since King Abdullah ascended to the throne in 1999. The incident came to light when it was reported that more than 10 former senior government officials had been arrested on April 3, and that former Crown Prince Hamzah (the King's younger stepbrother), who had been criticizing the administration, was under house arrest. Apparently, however, nobody from the Jordanian military or intelligence agencies had been arrested and Prince Hamzah had made no coup attempt or grab for power. The incident ended two days later, at least on the surface, with Prince Hamzah pledging allegiance anew to the King. Frustration with the administration has been mounting among the Jordanian public in recent years due to rising unemployment and deteriorating living standards. It appears that the administration was alarmed by Prince Hamzah, who spoke for the public, and took heavy-handed measures to contain the criticism. Though small, Jordan is a cornerstone of the region surrounded by unstable Syria and Iraq, and Palestine, and so instability in the country could have a significant impact on regional stability. Public frustration stemming from economic conditions and restrictions on free speech has not been resolved, and the stability of the country must continue to be watched.

At the end of March, Chinese Foreign Minister Wang Yi visited Saudi Arabia, Turkey, Iran, the UAE, Bahrain, and Oman to discuss cooperation in a wide range of economic areas, in addition to energy, with each country. The repression of the Uyghurs by the Chinese government is a delicate issue for Middle Eastern Muslim countries, but all their governments wish to maintain mutual noninterference on the issue of human rights and are keen to deepen economic ties with China. As the US-China rift intensifies, China seeks to cement relations with anti-US countries and build new ties with countries facing difficult relations with the US. Based on statements after the talks, China's intentions have mostly been met. Furthermore, the country is ramping up its cooperation and assistance in science and technology, which was once a strength of Japan, mainly in response to the new Coronavirus.

The discussions to "rebuild" the Iran nuclear deal (JCPOA) began in Vienna, and an indirect dialog between Iran and the US took place. With the return to the JCPOA, the US is aiming to reach a longer and stronger nuclear deal that includes missiles and Iran's regional activities, for which returning to the deal is essential. Iran is demanding the reopening of oil exports, normalization of financial transactions, and unfreezing of its overseas assets, and the Biden administration is apparently considering lifting some of the sanctions in these areas. An explosion occurred at the Natanz nuclear facility in Central Iran during the talks in Vienna, reportedly with the involvement of Israel according to reports by Israeli media. The nuclear talks continued despite the attack, and an official of the Iranian government has already announced that the rebuilding of the JCPOA, including the (partial) lifting of US sanctions, is only a step away.



5. Russia: Tensions on the Ukrainian Border and Tighter US Sanctions

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In early April, Russian troops were deployed in large numbers along the country's border with eastern Ukraine, fueling tensions between Russia and Ukraine and the Western countries backing it. Clashes between the Ukrainian government forces and the pro-Russian forces have increased in the region in the past few weeks, and the Russian government has stated that it is responding legitimately to the risk of a larger military clash, and has no intention to withdraw. As tensions rose among the countries, the United States notified its NATO allies that it would mobilize two battleships to the Black Sea by May 4. The G7 foreign ministers and the High Representative of the EU expressed deep concern over the build-up of Russian military forces on Ukraine's borders in a joint statement issued on April 12, and called on Russia to immediately de-escalate tensions and calm the situation.

On April 15, US President Biden signed an executive order to mobilize sweeping new sanctions in retribution for Russia's cyberattacks and more. With the order, the Department of Treasury designated 16 organizations and 16 individuals as sanction targets for intervening in the 2020 US presidential election, and 3 organizations and 5 individuals for their involvement in Russia's annexation of Ukraine's Crimea in 2014 and subsequent repression. Further, the US Treasury prohibited US financial institutions from participating in the primary market for bonds issued after June 14 by the Central Bank, the National Wealth Fund, or the Ministry of Finance of the Russian Federation, and from lending funds to these three entities. Furthermore, six technology companies and organizations were newly sanctioned for their involvement in extensive cyberattacks on US government agencies and companies via software of US SolarWinds. The White House has determined that the Russian Foreign Intelligence Service was involved in the cyberattacks, and announced the expulsion of 10 diplomats, including representatives of Russian intelligence services, from the country. Meanwhile, on April 16, Russian foreign minister Sergei Lavrov announced the expulsion of 10 US diplomats from the country in retaliation to the sanctions. He further released a list of eight top US officials to be newly sanctioned, prohibiting eight incumbent and former top US officials including the Directors of the Federal Bureau of Investigation and the National Intelligence, the US attorney general, and the Secretary of Homeland Security from entering Russia. However, the country will not shut down the channels for dialog with the US and did not rule out the possibility of summit talks between the two countries.

On April 19, the Russian authorities decided to transfer currently imprisoned Kremlin critic Alexei Navalny to a prison hospital. He had been on a hunger strike since March 31 demanding appropriate medical treatment by external physicians. With speculation that his health was rapidly failing, with even the risk of death, his supporters had been asking the public to join nationwide protests on the 21st, when the president would deliver a state-of-the-nation address. Western countries had also issued strong demands to President Putin that Mr. Navalny be given appropriate medical treatment, and the US in particular had warned that there would be consequences were Mr. Navalny to die. On the 23rd, Mr. Navalny announced that he would end the hunger strike.

On April 21, the US Senate Foreign Relations Committee passed the Ukraine Security Partnership Act, a new bill submitted by six bipartisan Senators. The bill includes 300 million dollars in foreign military financing to help Ukraine strengthen its defenses, and calls for an investigation of 20 companies involved in the construction of the Russia-Germany gas pipeline Nord Stream 2, which may threaten Ukraine's gas transit income, including the pipeline operator owned by Gazprom. The bill must be approved in both the Lower and Upper House plenary sessions and be signed by President Biden to be legislated. On April 22, the Russian defense minister indicated that troops would be withdrawn from the Ukrainian borders by May 1. It is not clear whether this will ease the tension.



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