

**Keynote Speech  
in Session 1**

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Thank you for allowing me the time to speak at such a conference today. My name is Koizumi Shinjiro, and I am the Minister of the Environment. A number of distinguished former directors-general of the Environment Agency are also present at the conference today, and so I am delighted that the Prime Minister's declaration on carbon neutrality by 2050, which we at the Ministry of the Environment have long been working for, has come to fruition, and that we are able to hold this GEA conference. However, don't let this declaration be a mere formality. Actions are required in order to drive its realization. Therefore, today, I would like to talk about what the Ministry of the Environment is working on. Today, I will use slides to deliver my speech.

This first slide shows the broad concepts that the Ministry of the Environment is currently considering. First of all, we are currently facing two crises, namely, a climate crisis and the COVID-19 crisis. In this context, we think that we need to take this opportunity to redesign our socio-economic system to be more sustainable and resilient by promoting three transitions: the transition to a decarbonized society, the transition to a circular economy, and the transition to a decentralized society.

As described on this second slide, our Ministry of the Environment holds a position and role that are different from the Ministry of Economy, Trade and Industry, which has jurisdiction over energy policies; so, we are primarily in charge of decarbonization in the lifestyle area. This is due to the fact that about 60 percent of these CO<sub>2</sub> emissions is attributable to lifestyle-related sectors such as housing and transportation. In this pie chart, the pink sections correspond to lifestyle, with food accounting for 12 percent, housing 17 percent and transportation 12 percent. In this way, 60 percent of emissions comes from lifestyle-related sectors. We have to do something to bring this number down.

As part of this, we have to keep in mind how to shift away from fossil fuels. One of the keys to this, I think, is this sizable number. Currently, Japan pays about 17 trillion yen a year to foreign countries for the import of fossil fuels: coal, oil and natural gas. Moreover, the 1,700 local governments across Japan have an energy deficit. We aim to change and shift from this situation by creating a society in which people consume locally produced goods, including renewable energy. We hope to increase local governments' energy self-sufficiency and revitalize regional economies.

Incidentally, one thing that has been growing at a remarkable rate at the local level is the number of zero-carbon cities. When I took office as minister, only four local governments had declared they would be carbon neutral by 2050, but now that number has grown to more than 180, representing a population of more than 80 million.

Today, I would like to talk about three points in particular. The first point is electric vehicles: EVs and FCVs. The second point is the decarbonization of housing. And the third point is renewable energy and the implementation of innovation. I will briefly present these three points.

To begin with, I have summarized this into a single slide in a way that is easy to understand. Currently, the world is rapidly moving away from gasoline-fueled cars. Here are Norway, China, Germany, England, France, the US, and Japan is at the bottom. As described in the policies' section shown on the right, in the near future, Norway will ban the sale of gasoline-fueled cars in five years. Then, in 2030, 2035 and 2040, each of the other countries will ban the sale of gasoline-fueled cars. Recently, Japan too has begun to discuss what it will do amid such an expanding market. Last week, the governor of Tokyo announced that the sale of gasoline-powered cars will be banned in 2030.

However, as you can see from the penetration rates, compared to other countries around the world, Japan is lagging far behind in terms of penetration. It says 0.9 percent, but looking at EVs alone, EVs account for only 0.5 percent of this. Regarding how we can expand the penetration of EVs in such a situation, as described in this paper, it is needless to say that incentives to make EVs more affordable are essential. France and Germany are close to doubling the overall subsidy for purchases of EVs as part of a "green recovery" from the coronavirus pandemic. As for Japan, we are currently providing incentives of 400,000 yen per vehicle, but the Ministry of the Environment is making final adjustments in the supplementary budget for economic measures to double this 400,000 yen incentive. Moreover, we are currently considering making the procurement of renewable energy a condition for doubling this incentive. Including renewable energy as a pre-condition for subsidies is a first for Japan. I will announce specific details at tomorrow's press conference.

Next, I would like to address housing. Housing also has very important implications in the area of decarbonization. The insulation performance of existing houses in Japan is, unfortunately, very low at the moment, with as much as 70% of housing at or below 1980 standards. Furthermore, as shown on the right, unfortunately, as many as 20,000 people die each year while bathing, including from heat shock due to this low insulation performance. As of today, in Japan, approximately 2,000 people have died from COVID-19, about 3,000 people die in traffic accidents, and about 20,000 people die in bathing-related incidents. To tackle this issue, and to protect the health and lives of our citizens, we will be supporting improvements in the insulation performance of housing. This will also result in air-conditioners being used less, which will lower the cost of utilities and be beneficial to family budgets.

Next is renewable energy. As you can see in this photo, the Ministry of the Environment is currently implementing floating offshore wind power turbines in Goto City, Nagasaki Prefecture, as part of our offshore wind power. As the photo shows, the part of the shaft that is standing, or floating, in the sea also acts like a reef that attracts fish. It is an example of a project that has been very well received by the local community, with both locals and the fishermen's association asking for more to be erected. In terms of installed capacity, this puts Japan second in the world. As for offshore wind power fixed to the seabed, since foreign manufacturers are dominating the market, unfortunately, Japanese manufacturers will have to compete very hard from now on. However, with Japan currently placed second in the world for floating wind turbines, we will be backing this development.

Turning to what is key for the future, just as Europe is actively pursuing policies based on the two pillars of digital and the environment under its green recovery plan, the Suga administration in Japan is also making the environment and digital the two pillars of our policies. One project that

truly connects these two is the building of zero-emission data centers that use 100-percent renewable energy. The Ministry of the Environment is currently building a zero-emission data center in Ishikari City, Hokkaido. Our plan is to expand the construction of data centers that use 100-percent renewable energy so that, even as Japan's digitization continues and demand for data centers grows, it will not lead to an increase in CO<sub>2</sub> emissions.

As shown on this slide, Japan is prone to a lot of natural disasters. Last year, Chiba Prefecture was hit by a massive typhoon resulting in a major power outage. Nevertheless, despite blackouts in the surrounding areas, in Mutsuzawa Town, the lights stayed on. In this town, by utilizing gas that flows naturally in the local area plus renewable energy, storage batteries and micro-grids to build a decentralized and self-reliant energy system, they were able to create a community that never experiences blackouts. We plan to build more decentralized energy systems like this one.

Most importantly, when we look at global markets in the future, it is anticipated that the global decarbonization market will require investments totaling \$130 trillion by 2050. Countries all over the world are making considerable investments in this market. The EU, China, the US and other countries are planning to invest significantly in the future. The EU is planning to spend about 70 trillion yen. China is planning to increase its renewable energy at a huge rate of 100 million kilowatts per year. In terms of scale, this is equivalent to 73 million Japanese households, or about 1.2 times the number of households in Japan, every year. In the US, where the Biden administration is expected to take office, they are announcing a massive 200 trillion yen worth of green investments over four years.

Japan's business community, some of whom are represented here today, has also started to move. Megabanks have, in principle, suspended new investments in coal-fired thermal power. Major life insurers and non-life insurers have also done the same. Toshiba has also withdrawn from coal and is investing in renewable energies. While each company has its own approach, one initiative that I recently found interesting was that Seven & I Holdings and some other companies have linked executive remuneration to reductions in CO<sub>2</sub> emissions. Considerable progress has also been made in such ESG investments. Reacting constructively to such moves, we, as a government, feel that our actions must reflect our intentions.

Finally, we recently put forward the idea that carbon pricing, is essential for achieving carbon neutrality by 2050. Going forward, I would like to begin discussing how we can establish new growth industries in Japan by formulating a roadmap toward carbon neutrality and setting price incentives. Next year—even at the beginning of the year—the Ministry of the Environment will start expanding our discussions on how we can implement a carbon pricing system in a way that contributes to growth. In any case, next year, I will do my best to implement these specific actions to achieve Carbon Neutrality by 2050, as announced by the Prime Minister this year. Some of the initiatives presented today, including carbon pricing which has not been at the forefront of discussions so far—are being considered in various sectors. I will do my best to gain the understanding of as many people as possible so that Japan and the international community can say, “Japan is back. Japan has been restored as an environmentally advanced country.” Thank you all very much for your attention.