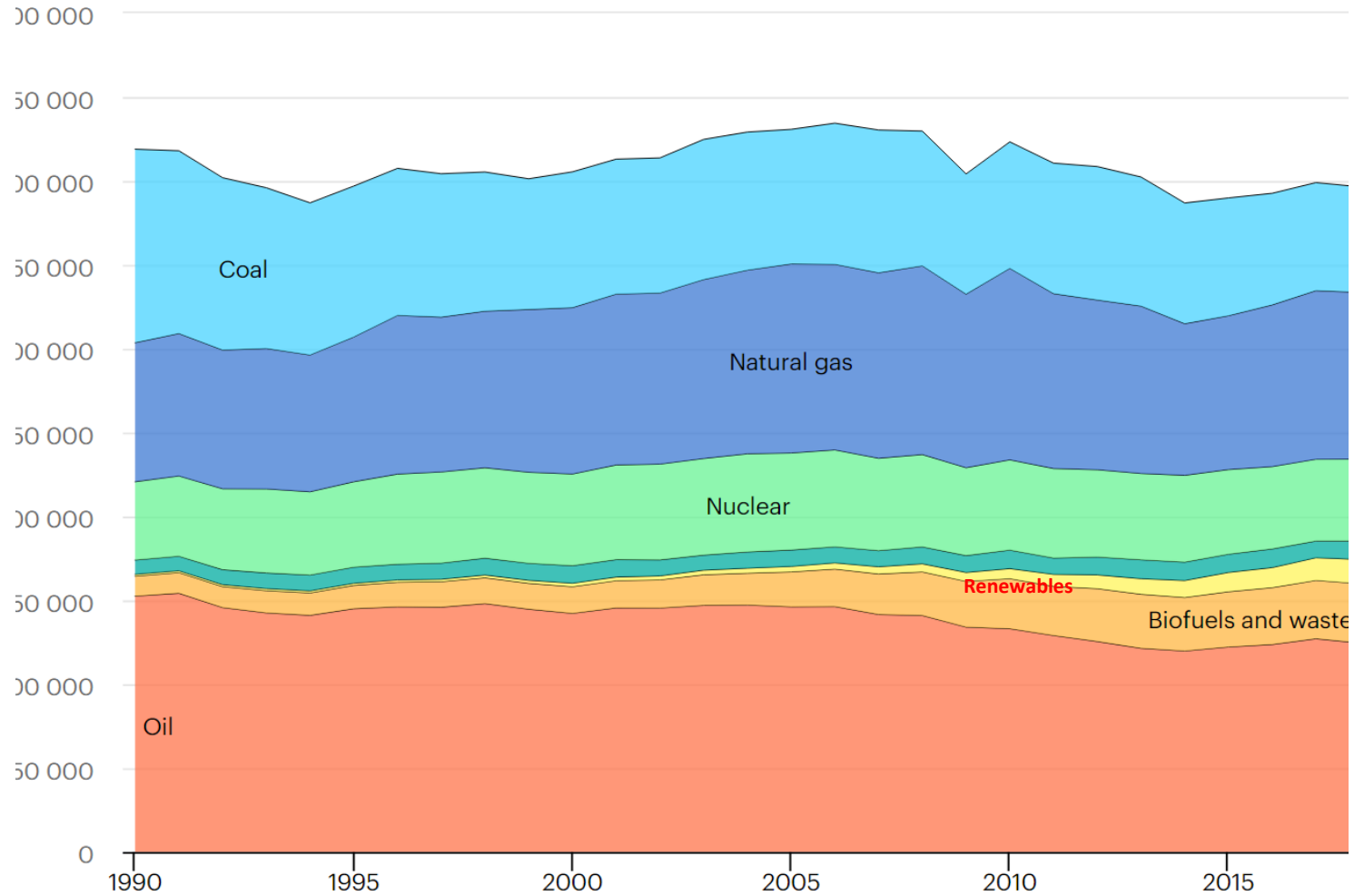


European Green Deal toward Carbon Neutrality by 2050

The 58th Annual US–Japan Business Conference
Energy and Infrastructure Breakout Session

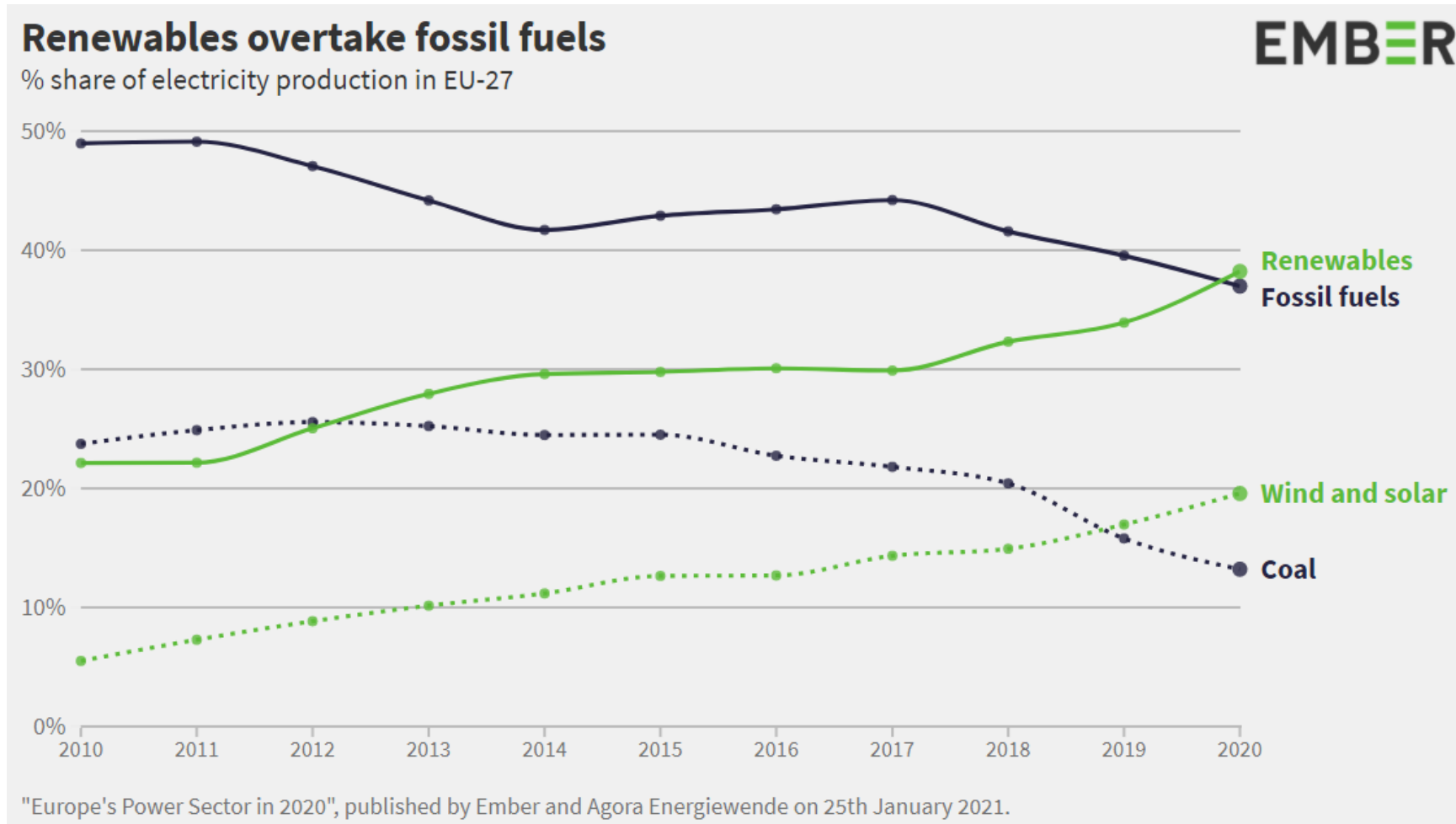
- October 1, 2021
- **Yasuo Tanabe**
- Councilor, The Institute of Energy Economics, Japan
- Managing Director, The EU–Japan Centre for Industrial Cooperation

Total energy supply in Europe



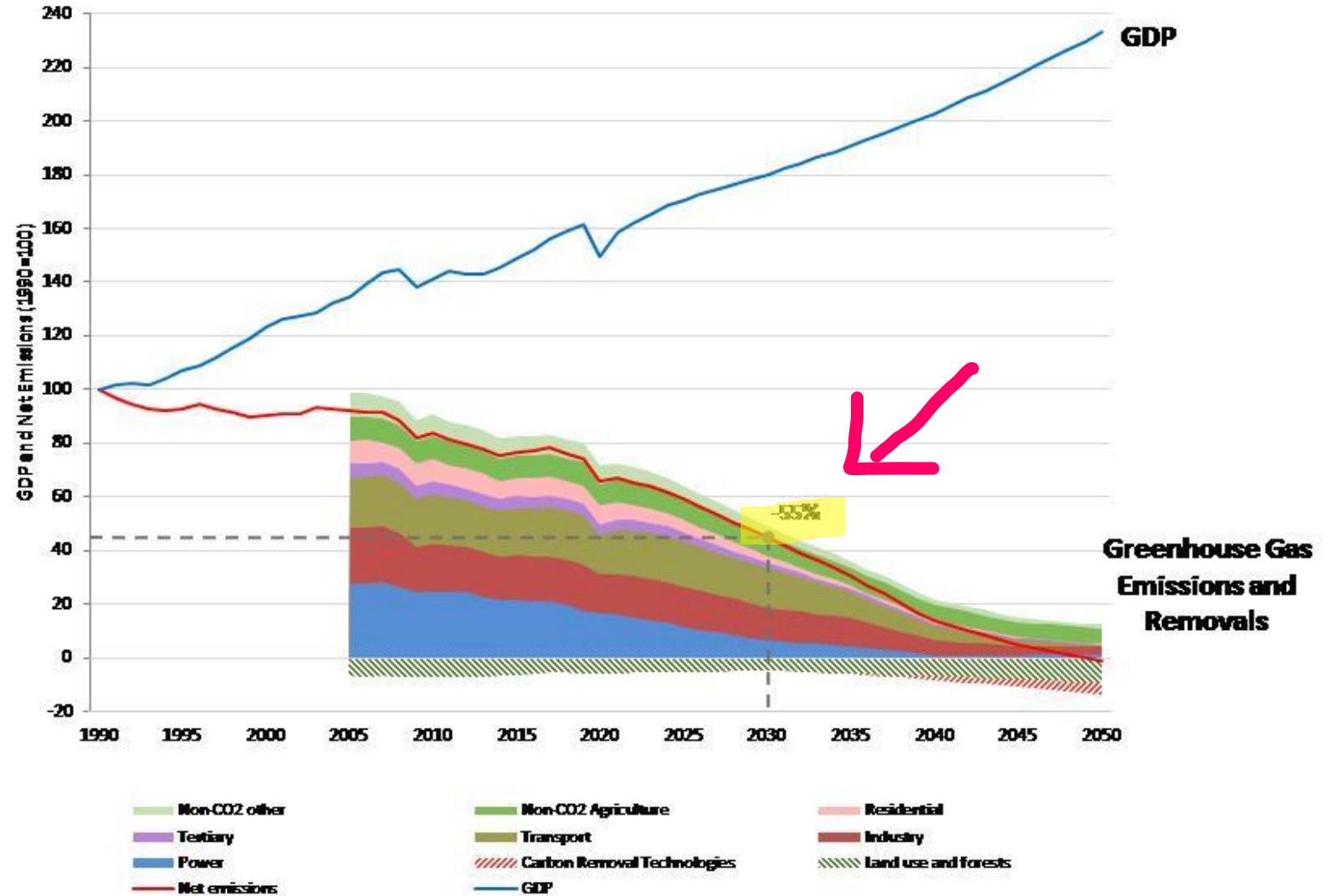
● Coal
 ● Natural gas
 ● Nuclear
 ● Hydro
 ● Wind, solar, etc.
 ● Biofuels and waste
 ● Oil

% share of electricity production in EU



EU's pathway to 2050

Aims to achieve both sustained economic prosperity and climate neutrality



"European Green Deal"

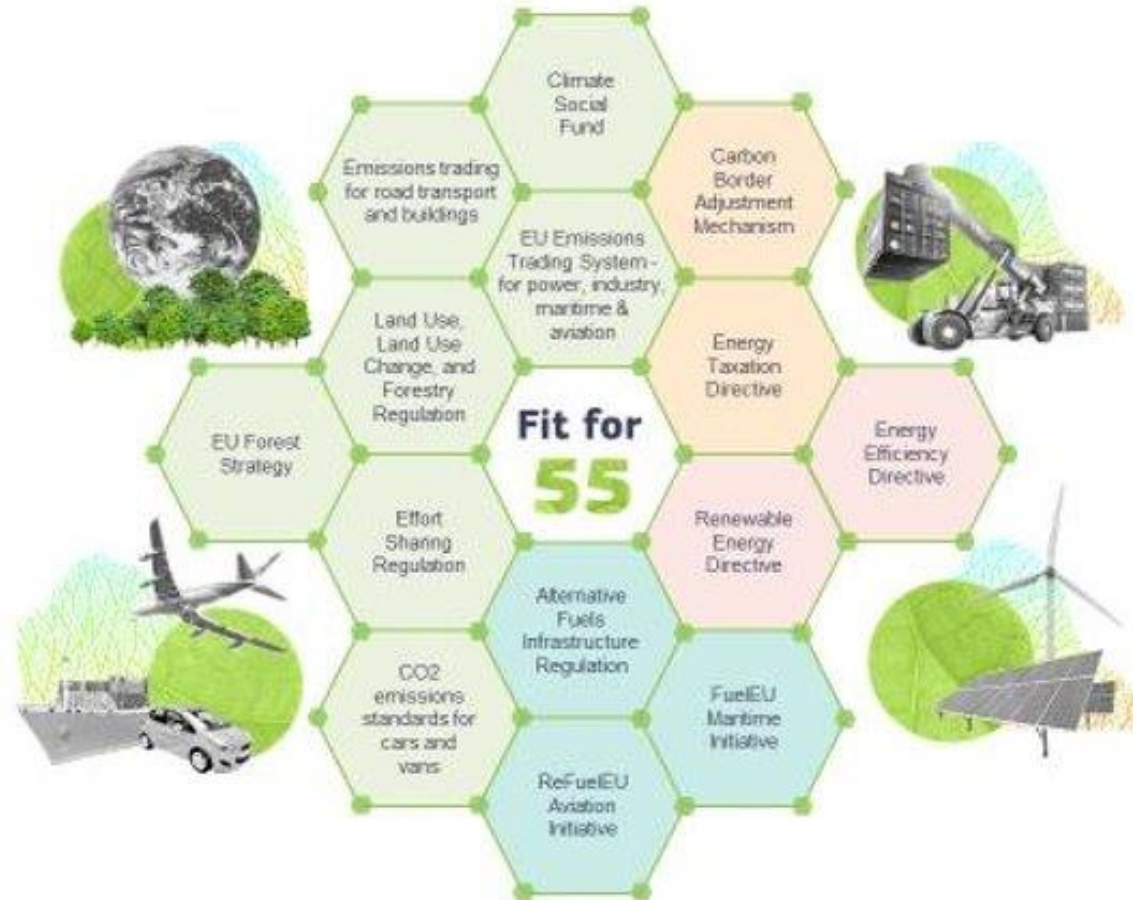
A big picture published in Dec-2019 by von der Leyen President of European Commission

Blueprint for EU's transformational change toward the first climate neutral continent in the world



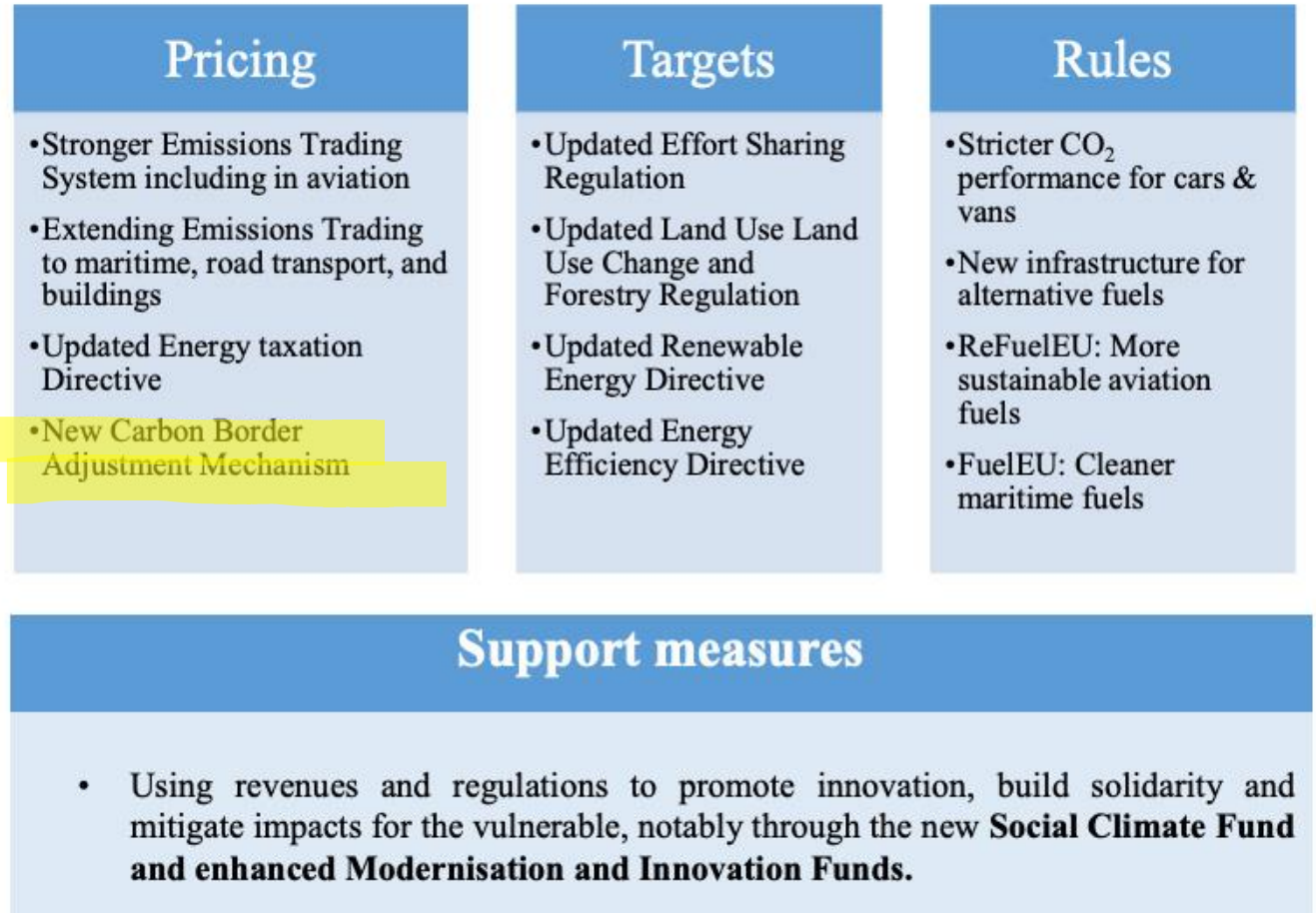
EU "Fit for 55" package

Legislative package published on 14 July by European Commission to ensure EU becomes "**fit for**" delivering its GHG reduction commitment to **55%** (compared to 1990) by 2030



"Fit for 55" at glance

1. Carbon **Pricing**
2. Setting tighter **Targets**
3. Stricter **Rules**
4. Enhanced financial **Support** for people and industries affected



"CBAM"

Carbon Border
Adjustment Mechanism

Mirror EU **carbon pricing** through new mechanism for imports into EU

Complement the EU's **Emissions Trading System (ETS)** measures



Comply with WTO and be fully in line with international trade rules

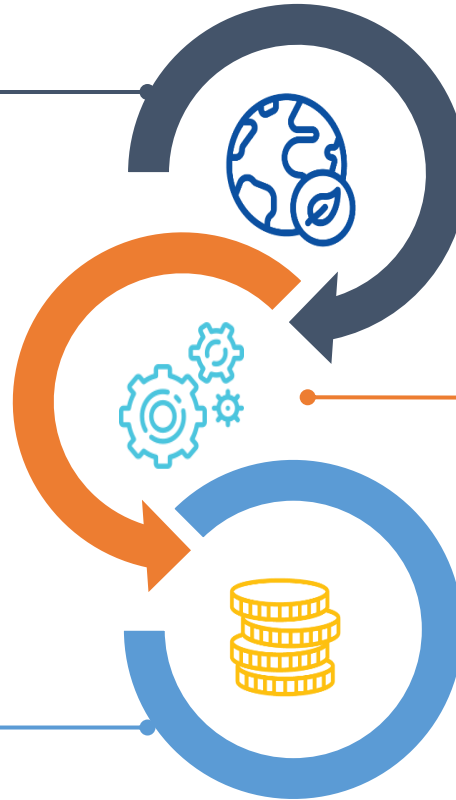
Focus on **carbon intensive sectors**



CBAM Objectives

Prevent carbon leakage to ensure effectiveness of EU climate policy

Generate revenues
Possible EU Own Resource



Change behaviours

- Incentivise 3rd country producers to **reduce their emissions**
- Incentivise 3rd countries to adopt **green policy frameworks**

Source: European Commission

CBAM

How does it work?

Who do what

- EU businesses (EU importers) will need to pay a carbon adjustment for imports of certain goods, corresponding to the price they would have paid if the goods had been produced under the EU's carbon pricing rules (ETS).

Carbon Pricing already paid in originating countries

- If a non-EU producer can show that they have already paid a carbon price for the production of the imported goods in a third country, that amount can be fully deducted for the EU importer.

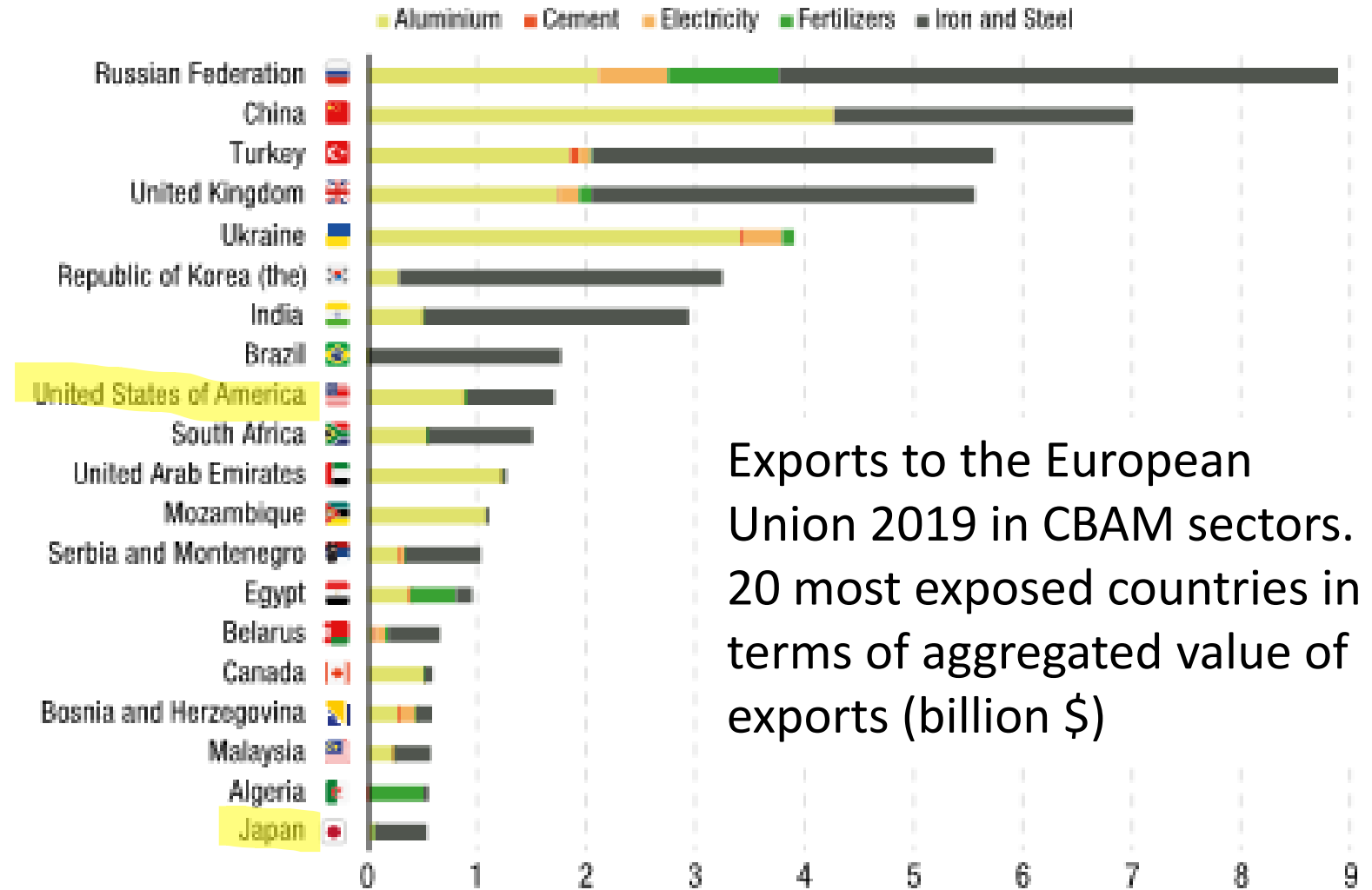
Gradual phase-in

- CBAM gradually and progressively introduced with transitional phase of 2023-25 to allow businesses to adapt.

(Summarized based on European Commission publications)

CBAM

Who would be impacted?



Exports to the European Union 2019 in CBAM sectors. 20 most exposed countries in terms of aggregated value of exports (billion \$)

Source: UNCTAD based on UN COMTRADE. The list does not include Iceland, Norway and Switzerland because they participate in, or are linked to, the ETS. Therefore, it is likely that these countries are exempt from the mechanism.

CBAM on Japan?

Frans Timmermans (EVP, European Commission) said;



"Given the fact that Japan is actually aligned with the European Union in its ambition to decarbonize its economy by 2050, I think it is highly, highly unlikely that we would ever have a discussion about CBAM between the European Union and Japan because [of] the risk of carbon leakage," he said in an interview. "If you all move in the same direction at more or less the same pace, the risk of carbon leakage is absent."

(Asia Nikkei, September 23, 2021)

STAY TUNED with EU-Japan Centre for Industrial Cooperation

- ✓ UPCOMING ZOOM EVENT: "WHAT IS CBAM?" on Oct 6, 2021 (16: 00-17: 00 Tokyo)
<https://www.eu-japan.eu/what-eus-carbon-border-adjustment-mechanism-cbam>
- ✓ EU POLICY REPORT (Japanese only): <https://www.eu-japan.eu/ja/eu-policy-insights>
- ✓ Facebook in English: <https://www.facebook.com/EU-Japan-Centre-for-Industrial-Cooperation-159077020788643/>
Facebook in Japanese: <https://bit.ly/3jf0iQc>