Japan's Updated Strategies and Approaches for Scaling-up Climate Finance from 2014 to 2020

Japan is pleased to respond to the request in Decision 3/CP.19 for Parties to make its biennial submission on the updated strategies and approaches for scaling up climate finance for the period from 2014 to 2020. This submission builds on previous submissions from Japan including the fast-start finance reports, strategies and approaches, and biennial reports.

[KEY MESSAGES]

As a leader in the field of climate change, Japan continues to emphasize the importance of supporting developing countries in the implementation of the Paris Agreement. Japan will continue to provide this support through ODA, OOF and private finance towards the "Action for Cool Earth 2.0(ACE 2.0)".

Japan believes the Green Climate Fund (GCF) plays an important role in supporting developing countries as they strive to implement critical climate change measures. In order for the GCF to fulfill its primary function of promoting the paradigm shift towards low-emission and climate-resilient development pathways, it is imperative for the Fund to be administered and managed in an effective and efficient manner. Japan is fully prepared to make contributions to this end.

Japan recognizes that capacity-building plays a key role in enabling developing countries to build a climate-resilient society effectively and in concert with their developing development planning. Japan will continue to support developing countries in the implementation of their respective NDCs and national adaptation plans. In addition, Japan believes a robust transparency system is indispensable for the effective implementation of the Paris Agreement and will continue to enhance transparency in developing countries through bilateral corporation and multilateral contributions to initiatives such as CBIT.

1. Information to increase clarity on the expected levels of climate finance mobilized from different sources

Japan announced a new commitment, "Action for Cool Earth 2.0 (ACE2.0)[1]"at COP21 and pledged to provide approximately 1.3 trillion yen of public and private climate finance to developing countries in 2020; The breakdown of the 1.3 trillion will be decided based on the requests from or needs of recipient countries. Japan's climate finance is comprised of public finance Official Development Assistance (ODA), Other Official Flows (OOF) and private finance. The ODA programmes are implemented by Japan International Cooperation Agency (JICA), a governmental agency which coordinates and implements official development aid in collaboration with other relevant government ministries and agencies. ODA includes grant assistance, loans, technical cooperation and contributions to international organizations. OOF is mainly provided by Japan Bank for International Cooperation (JBIC), a policy-based financial institution, and Nippon Export and Investment Insurance (NEXI), a governmental agency which provides trade and investment insurance. These institutions mobilize private finance by co-financing and providing trade insurance. In 2015 and 2016, Japan provided developing countries with approximately 23.3 billion USD through ODA, OOF and private finance. Japan will continue to provide and mobilize climate finance through these organizations.

[1] https://www.mofa.go.jp/ic/ch/page24e_000119.html

2. Information on Japan's policies, programmes and priorities as well as on actions and plans to mobilize additional finance

In order to scale-up Japan's climate finance, Japan continues to implement the following policies, programmes, actions and plans in line with the ACE2.0 towards 2020.

(1) Programmes by Japan International Cooperation Agency (JICA)

JICA is the implementing agency carrying out international cooperation through Japan's Official Development Assistance (ODA) and has been playing an important role in providing support responding to climate change. JICA issued its Climate Change Cooperation Strategy[2] in September 2016 with an emphasis on integrating climate actions under the Paris Agreement into development efforts to achieve Sustainable Development Goals (SDGs). The strategy states JICA's commitment in expanding its support to climate actions and facilitates, aiming for the transformation to a low-carbon and climate-resilient society in developing countries. Four priority areas include: (i) promoting low-carbon, climate-resilient urban development and infrastructure investment; (ii) enhancing climate risk assessment and countermeasures; (iii) supporting climate policy and institutional development; and (iv) enhancing conservation and management of forests and other ecosystems. These priority areas are to be achieved through the three cooperation approaches also noted in the strategy: (i) integrating climate actions and development; (ii) building global partnership with diverse stakeholders and; (iii) taking the best of Japan.

(2) Finance Provided by Japan Bank for International Cooperation (JBIC)

JBIC is a policy-based financial institution which is a driving force to mobilize private finance. In July 2018, JBIC launched a new Global Facility to promote Quality Infrastructure Investment for Environmental Preservation and Sustainable Growth (QI-ESG). The objective of the QI-ESG is to provide a wide range of financing support for infrastructure development which is expected to help preserve the global environment through partnership with the private sector. Examples of eligible projects include:

(a) renewable energy,
(b) energy savings,
(c) green mobility solutions (such as a modal shift in transportation and electric vehicles),
(d) air pollution prevention,
(e) water pollution prevention and water supply, and
(f) waste disposal.

Furthermore, in order to promote global environmental preservation and encourage the transition to low-carbon societies, JBIC is working closely with the international community and co-financing initiatives with Multilateral Development Banks (MDB). In October of 2018, JBIC signed the first Asian QI-ESG project finance loan agreement, which is a 600 USD million-worth Gas to Power project in Indonesia.

(3) Insurance Provided by Nippon Export and Investment Insurance (NEXI)

NEXI is an official export credit agency which provides trade and investment insurance to promote Japanese exports and overseas investment. Taking into account of importance to prevent global warming, NEXI established in 2009, the special insurance programme to promote renewable energy technology transfer and advancements combatting global climate change. This special insurance policy increases the country risk coverage to 100% if a project or an export of instruments is related to the reduction of GHG emissions through one of the following categories:

[2] https://www.jica.go.jp/english/our_work/climate_change/c8h0vm00005rzelb-att/strategy_01.pdf

(a) Energy Efficiency
(b) New Energy
(c) Nuclear
(d) Uranium Development
(e) The Joint Crediting Mechanism (JCM)
(f) The Clean Development Mechanism (CDM)
(g) The Carbon Capture and Storage (CCS)
(h) Afforestation

Under this special insurance policy, 20 projects have been implemented since 2009. However, this insurance policy has ended since the new Quality Infrastructure Initiatives has been providing the same support programs. However, NEXI continues to support these projects contributing to the preservation of the global environment and has implemented 12 projects by September of 2018.

An example of a NEXI-insured project promoting the use of sustainable energy solutions is the construction of a 98.0 MW photovoltaic power station in Huatacondo, Chile. NEXI has provided loan insurance for 47.2 million USD financing provided by Japanese commercial banks. The project, located in the Atacama Desert region of northern Chile, is one of many initiatives the Chilean Government is implementing in order to meet their national goal of 70% renewable energy sources by 2050. NEXI's support not only directly contributes to the reduction of global GHG emissions, but also promotes Japanese industries' international competitiveness and innovation in the field of sustainable technology.

(4) Contributions through the Green Climate Fund (GCF) and the Global Environment Facility (GEF)

Prime Minister Abe announced the contribution of USD 1.5 billion to the Green Climate Fund (GCF) at the G20 Summit held in November 2014. After the approval of a bill stipulating the necessary measures for the contribution, Japan signed an agreement with the GCF secretariat to contribute 1.5 billion USD, enabling the GCF to start funding. Furthermore, in 2017, JICA and Mitsubishi UFJ Financial Group (MUFG) Bank were officially accredited entities of GCF. With this accreditation, JICA and MUFG Bank are now eligible to develop and implement projects and programs to address climate change in developing countries using GCF funding. In order for the GCF to fulfill its primary function of promoting the paradigm shift towards low-emission and climate-resilient development pathways, it is imperative for the fund to be administered and managed in an effective and efficient manner. Japan is fully prepared to make its contribution to this end.

Japan pledged 637 million USD for the Green Environment Facility (GEF) in 2018. Japan has been a member of the GEF council and will continue to participate actively in discussion of the GEF .

(5) Partnership Through the Joint Crediting Mechanism (JCM)

Japan has established and implemented the JCM in order to appropriately evaluate Japan's GHG emission reductions. The mechanism allows for reductions to be documented in a quantitative manner and also captures the diffusion of low carbon technologies in developing countries that are then attributed towards Japan's emission reduction target.

The JCM is a market mechanism which functions in the context of Article 6.2 of the Paris Agreement and has already issued credits from the projects in five countries (Indonesia, Mongolia, Palau, Vietnam and Thailand). While maintaining objectivity in Measurement, Reporting and Verification (MRV), JCM enjoys flexibility and timely decisions taken by the two countries (Japan and each partner country).

The Japanese government has signed bilateral memorandums on JCM with 17 countries and already implemented more than 130 projects. The cumulative emissions reduction and absorption by these projects will reach approximately 9 million tons of CO_2 (direct effect up

to FY 2030) in total. Through the JCM, government-run projects will contribute to the reduction and absorption of international emissions in the range of 50 million to 100 million tons of CO_2 by FY 2030.

(6) Innovative Finance Approach: Disaster Reduction Insurance

Another useful instrument that Japan has employed to help manage the adverse effects of climate change is Disaster Risk Insurance. In 2013, Japan worked with the World Bank to establish the Pacific Catastrophe Risk Assessment and Financing Initiative (PCRAFI), a natural disaster risk insurance program specifically catered to Pacific Island Countries (PICs). The objective of PCRAFI is to support PICs which are vulnerable to natural disasters such as typhoons and to provide rapid and efficient response financing to those countries in the immediate aftermath of a natural disaster.

In 2018, Japan agreed to establish the Southeast Asia Disaster Risk Insurance Facility (SEADRIF) with technical support from the World Bank. SEADRIF aims to provide climate and disaster risk financing and insurance solutions including a regional catastrophe risk insurance pool for the participating ASEAN member states.

(7) Cooperation among Cities and Sub-governmental Authorities

According to the Paris Agreement, the participation of various stakeholders, including cities and other subnational authorities, was recognized as an integral part to tackle climate change. Japan has recognized the important role which local governments play in the implementation of mitigation and adaptation measures among cities and the value of cooperation amongst them. For instance, the Ministry of the Environment(MOE) has been holding an annual seminar since 1991 called the Asia-Pacific Seminar on Climate Change to provide a forum not only for government officials but also city officials to discuss climate change actions. At least 18 cities from Japan and the Asia-Pacific region participated.

Moreover, Japan supports city-to-city collaboration programme for low-carbon society. Through cross-sectional partnerships among local public bodies, technology providers, research institutions, and other relevant organizations, these studies are used to determine the feasibility of low-carbon project packages at the city or regional scale. Furthermore, the feasibility studies contribute to the creation of a master plan for low carbon societies.

The list of projects for FY2018 is shown below:

PROJECT DESCRIPTION	MUNICIPAL GOVERNMENT & HOST COUNTRY	JAPANESE MUNICIPAL GOVERNMENT
Energy saving technologies, Solar PV system installation and retrofit of waste collection truck	Quezon City, Philippines	Osaka City
CO2 emission reduction and “Smart Port” Projects	Bangkok and Laem Chabang, Thailand	Yokohama City
Support for a development of local climate change action plan	Davao City, Phillipines	Kitakyushu City
Low carbonization in transportation and green production fields	Phnom Penh City, Cambodia	Kitakyushu City
Green building and green power optimization	Jakarta City, Indonesia	Kawasaki City
Introduction of energy saving equipment in industry sector	Semarang City, Indonesia	Toyama City
Utilization of energy and energy saving in wholesale market	Yangon City, Myanmar	Kawasaki City
Green building and optimization of renewable energy utilization in Industrial Parks	Batam City, Indonesia	Kawasaki City

Promoting energy efficiency equipment in water supply system	Ho Chi Minh, Vietnam	Osaka City
Support for Tourism Future City	Bali, Indonesia	Toyama City
Feasibility of low-carbon industrial area and promotion of activities	Ayeyarwady Region & Sagaing Region, Myanmar	Fukushima City
Project to accelerate low carbonization in newly industrial estate	Chiangmai Province, Thailand	Kitakyushu City
Low carbonization project through Eco Park in Vietnam	Hai Phong City, Vietnam	Kitakyushu City
To realize low carbonization in Mandalay region in the field of Waste & Energy	Mandalay, Myanmar	Kitakyushu City

Cities are individually leading the charge with low carbon technology initiatives. Through partnership with private industries they are capitalizing on the expertise and capacity of the private sectors' experience in creating eco-cities. For example, Kitakyushu city was certified by the Japanese Government in July of 2008 as an "Eco-Model City" based on its successful reduction of CO_2 emissions by 50% from 2005 levels and its aggressive plans to further reduce CO_2 emissions by 150% by the end of 2050. Kitakyushu also established the "Kitakyushu Asian Center for Low Carbon Society[3]" in 2010 to disseminate low carbon technology through international markets by (a) assisting technology transfer, (b) fostering specialists, and (c) conducting surveys and researches, and disseminating information.

Another example is Yokohama city, which started a new international cooperation project called "Yokohama Partnership of Resources and Technologies (Y-PORT)[4]" in 2011. This program was developed to address various urban issues faced by emerging cities due to rapid population growth. Yokohama City is also engaged in promoting the best use of innovative sustainable solutions such as low carbon technologies, solid waste treatment, waste water treatment, etc. For instance, Yokohama City has made the "Memorandum of Understanding on Technical Cooperation for Sustainable Urban Development" with Cebu City[5], by which joint surveys are conducted in Cebu with private companies. The joint efforts were instrumental in the development of the long-term master plan titled, "Mega Cebu Roadmap 2050" which was formulated under the support of JICA. This master plan resulted in the development of several key projects by Yokohama-based SMEs as well as surveys for construction of sewage treatment plants in Cebu. The city has also built partnerships with Da Nang City of Vietnam, Bangkok Metropolitan Administration of Thailand, and Batam city of Indonesia.

Through cooperation with various stakeholders such as cities, private sectors, and research institutions, Japan has optimized its available resources and will continue to lead the international community through its contribution to climate financing and the prevention of global climate change.

[3] http://asiangreencamp.net/eng/
[4] http://www.city.yokohama.lg.jp/kokusai/en/
[5] http://www.city.yokohama.lg.jp/kokusai/yport/en/city/

3. Information on how developed country Parties are ensuring the balance between adaptation and mitigation, in particular the needs of developing countries that are particularly vulnerable to the adverse effects of climate change

Japan will strive for ensuring the balance between adaptation and mitigation measures to be made available to developing countries' needs to address adverse effects of climate change. Japan has been taking the following measures to be more responsive to the needs of the developing countries in the area of adaptation.

(1) Coordination with local Embassies

Japan places much emphasis on grasping the needs of developing countries through close coordination with Embassies of Japan in respective countries l and JICA local agencies. More than 50% of Japan's climate-related grant aid portfolio for developing countries is focused on adaptation. Japan will continue to provide this critical support based on the clearly articulated needs of developing countries.

(2) The Green Climate Fund

The GCF aims for a balance between mitigation and adaptation investments over time and strives to allocate at least 50% of adaptation funding to the most vulnerable countries including LDCs, SIDS, and African States. As a board member, Japan will continue to actively participate in discussions regarding the GCF and will closely monitor to ensure the GCF fulfils this objective.

(3) Adaptation Business Activities

The United Nations Environment Programme (UNEP) estimates the potential global cost of adaptation measures may reach as much as 300 billion USD annually after 2025 and 500 billion USD annually by 2050 based on projections of the climate controlled to 2 degree Celsius from pre-industrial revolution levels. These estimates indicate considerable business opportunities may be generated in the effective management of adaptation requirements. Despite these projections, there is still a lack of support needed to invigorate the adaptation market and encourage corporate investments.

To overcome this situation and promote the knowledge and awareness of adaptation business activities, Ministry of Economy, Trade and Industry (METI) has conducted feasibility studies with vulnerable countries in the field of adaptation measures. For example, in 2017, METI supported efforts such as the project to develop climate index insurance for farmers in Myanmar and the feasibility study on groundwater water purification systems in India.

4. Information on steps taken to enhance enabling environments

In order to effectively scale up climate finance, enabling the environment in Japan and developing countries is also important. Japan will take steps to enhance enabling environments to scale up climate finance.

(1) Various Initiatives for making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development

Japan continues to be actively engaged in the promotion of ESG investments. In 2017, the Ministry of the Environment(MOE) summarized the "Introduction to Investment" and hosted the "High Level Meeting on ESG Finance". In this meeting, major players in the financial industry had unfettered discussions and the recommendation from the meeting was announced to promote green finances and shift toward ESG financing for the strategic shift to a decarbonized society.

(2) Various measures for disclosing climate-related risks and opportunities for investors corporations and governments

The TCFD (Task Force Climate Disclosures) was established at the request of the Finance Ministers and G20 Central Bank Governors to encourage voluntary private-led disclosure of climate-related financial information to capture the "risks" and "opportunities" caused by climate

change.

Japan strives to assist companies in their understanding of financial markets and the importance of disclosure in measuring and responding to climate change risks. For instance, the Financial Services Agency (FSA) of Japan supported private companies and financial institutions which are trying to engage in disclosure of climate-related information based on the TCFD recommendation. In addition, METI decided to establish the Study Group on Implementing TCFD recommendation for mobilizing green finance through proactive corporate disclosure in order to support dissemination and branding efforts of companies that have outstanding low-carbon technologies, products, and services, and to promote information disclosure toward efforts to combat climate change. The first meeting of this study group was held on August, 2018.

MOE has been implementing a project to support private companies for scenario analysis of "risks" and "opportunities" caused by climate change, make efforts to fulfill the environmental reporting guidelines, and develop the “ESG Dialogue Platform”, a platform for disclosure of environmental information aligned with TCFD recommendations.

(3) Support for Developing Countries on NDC and Adaptation Planning

In July 2018, Japan supported the United Nations Framework Convention on Climate Change (UNFCCC) and the United Nations University Institute for the Advanced Study of Sustainability (UNU-IAS) to conduct the expert meeting to enhance adaptation actions in the international community. During the meeting, Adaptation Committee(AC) members and about 70 experts from governments and related organizations including UN-affiliated agencies discussed adaptation indicators and the importance of synergy among national adaptation goals, Sustainable Development Goals (SDGs), and goals for the Sendai Framework for Disaster Risk Reduction (DRR) 2015-2030.

Japan is also capitalizing on its strengths and participating in a number of international partnerships in order to support development of their respective Nationally Determined Contributions (NDCs) and national adaptation planning in developing countries. For example, in July 2018, MOE held the 27th Asia-Pacific Seminar (AP seminar) in Thailand. The seminar targeted policy makers of climate change in the Asia-Pacific countries and expounded upon efforts made by each country towards the prevention of climate change. The seminar is specifically aimed at improving recognition and sharing experience on policies. Another critical forum in which Japan reaches out to developing countries on the development of their NDCs is the Workshop on Greenhouse Gas Inventories in Asia (WGIA). This event, hosted by Japan’s Ministry of the Environment and the National Institute for Environmental Studies, has occurred every year since 2003 and is primarily focused on improving the accuracy of greenhouse gas inventories in Asia.

Furthermore, MOE continues to promote the international cooperation for formulation of national adaptation plan and climate change impact assessment in Asian Pacific countries. In order to support implementation of adaptation actions based on scientific knowledge in developing countries under the Paris Agreement, Japan is preparing to establish “Asia-Pacific Adaptation Information Platform” by 2020.

The following are projects in JICA, which contribute to support NDCs and adaptation planning in developing countries. 1) From 2011 to 2015, JICA supported the development and implementation of the national and provincial mitigation and adaptation action plans, and enhanced capacity development of national and provincial governments for mainstreaming climate change in the development plans in Indonesia. JICA continues to support Indonesia in the monitoring phase to ensure the efforts aligned with Indonesia’s NDCs. 2) Furthermore, since 2017, JICA has supported the implementation of the Climate Change Master Plan in Bangkok, Thailand, drawing from the experience of city-to-city collaboration between Yokohama City in Japan and Bangkok. In addition, also from 2017, JICA has been supporting capacity development of implementation of climate change training sessions at the CITC (Climate Change International Technical and Training Center) in Bangkok, targeting enhancement of low-carbon and climate-resilient society in the Southeast Asia Region. 3) In Vietnam, JICA supported the nation in their implementation of NDCs through capacity development of the local

government (Ho Chi Minh City) and the central government, facilitating the establishment of NAMAs (Nationally Appropriate Mitigation Actions). 4) JICA is also currently supporting enhancing the capacity for improving GHG inventories in Papua New Guinea and Mongolia.

(4) Support for Improving Transparency in Developing Countries:

Japan have been collaborated with partner countries by utilizing Japan's advanced technology and know-how, create "co-innovation" reflecting on their challenges and needs, and contribute to the global reduction of the GHG emissions in order to accelerate the implementation of climate change measures and promote sustainable development in partner countries. Japan is going to incorporate the needs of each country with the seeds of technology and know-how acquired by Japanese private companies and local governments, and promote the specific projects, which can trigger co-innovation both in Japan and partner countries.

Moreover, further opportunities for co-innovation should be provided by visualizing those needs and seeds. It is important to develop institutions and capacities in partner countries and promote the engagement of private companies and local governments for implementing climate change activities. For this purpose, Japan established the "Partnership to Strengthen Transparency for Co-Innovation (PaSTI)" program at COP23 in 2017.

Also in 2017, Japan contributed over 5 million USD to the Capacity Building Initiative for Transparency (CBIT). This initiative was implemented to financially assist the institutional and technical capacities of developing countries to meet the enhanced transparency requirements of the Paris Agreement. Japan's contributions directly support the strengthening of developing countries capabilities related to the transparency framework of the Paris Agreement.

(5) Disseminate the importance of Innovation in the field of climate change

Since 2014, every year the Government of Japan has hosted the Innovation for Cool Earth Forum (ICEF).[6] ICEF is aimed at providing a global platform to promote discussions and cooperation among researchers, business persons, and policymakers form around the world in order to address climate change through innovation of energy and environment technologies.

[6] https://www.icef-forum.org/index.html