

Japan's information related to Article 9.5 of the Paris Agreement

Japan is pleased to respond to the request in Article 9.5 that developed country Parties shall biennially communicate indicative quantitative and qualitative information, as applicable, including, as available, projected levels of public financial resources to be provided to developing country Parties.

1. Overview

Climate finance, as one of the core tools of climate change measures, now gains growing importance as the Paris Agreement entered into its full implementation in 2020. Recognizing such critical role of climate finance, Japan has provided a broad array of financial support to developing countries for their efforts to reduce GHG emission, as well as for their actions to enhance resilience to the adverse impacts of climate change, especially in the countries which are particularly vulnerable to those effects.

This year 2020 is marked as a target year for the developed countries' joint commitment to mobilizing USD 100 billion per year for climate finance. In this context, Japan has contributed to the effort to achieve this joint commitment through implementing our national target, to which Japan has been committed under the "Actions for Cool Earth (ACE2.0)" announced at COP21 in 2015. Under the ACE2.0, Japan aims for mobilizing by 2020 the level of JPY 1.3 trillion (or, approximately USD 11.8 billion) per year from both public and private sources.

According to the latest OECD report issued in 2020, developed countries mobilized USD 78.9 billion altogether in 2018. This clearly indicates that developed countries, with making every effort, are on the trajectory toward this target. An updated statistical data unveiled Japan mobilized in 2019 approximately USD 12.6 (USD 9.8 from public resources, and USD 2.7 billion from the private) as financial support for developing countries' climate actions both in mitigation and adaptation. We are continuously engaged in the efforts not just to achieve the joint USD 100 billion mobilization goal in 2020 but also to maintain the same level of amount beyond 2020.

Japan's financial support for climate action includes the following categories of assistance: (1) grant aid, (2) concessional loan, (3) technical assistance, (4) contribution to international/multilateral organizations, (5) Other Official Flows (OOF), and (6) mobilization of private finance. The categories (1)-(3) are implemented by the Government of Japan including the relevant ministries and organizations, such as the Ministry of Foreign Affairs, as well as the Japan International Cooperation Agency (JICA). The category (4) refers to the financial contributions to multilateral environment-related funds (e.g.: the Green Climate Fund (GCF), the Global Environment Facility (GEF), etc.) and multilateral development organizations (e.g.: the World Bank, the United Nations Development Programme (UNDP), etc.), through which those contributions would be channeled and allocated to

climate projects and programs in recipient countries. Regarding the category (5), main implementing entities are several line ministries in the Japanese Government and the Japan Bank for International Cooperation (JBIC). The category (6) represents private finance mobilized by the co-financing arrangement of JBIC and/or the trade insurance by the Nippon Export and Investment Insurance (NEXI). Japan strives to enhance efficiency and effectiveness of climate financial assistance by utilizing and combining different types of financial instruments in line with the needs of recipient countries and the specific characteristics of each climate action.

In terms of “new and additional” aspect of its contribution to climate finance, Japan defines it as “newly committed or disbursed finance which contributes to climate change measures in developing countries during a given period of time.” To make our expenditure for climate finance aligned with this definition, Japan ensures that double-counting is carefully prevented in calculating the amount of climate finance in the following manner: the Government of Japan adopts an annual budgetary cycle system in which any new funding request, notwithstanding climate-related or not, needs to be approved by the National Diet year by year; this system allows only the newly committed or disbursed during the given period of time to be reported when making statistical calculation.

2. Public finance

Most part of Japan’s climate finance is provided by its public entities. In 2019, Japan’s climate finance derived from those public organizations amounted to as much as USD 9.8 billion. Japan is actively providing climate finance by contributing to multilateral entities; for the Green Climate Fund (GCF), Japan announced to contribute up to USD 3.0 billion for both of its contribution windows, the Initial Resource Mobilization period (2015-2018) and the First Replenishment period (2020-2023); and for the Global Environmental Facility (GEF), Japan pledged USD 637 million for its seventh replenishment from July 1, 2018 to June 30, 2022¹.

2.1. Bilateral support

Japan is proactively providing public financial support on a bilateral basis. JICA is the main implementing entity of this bilateral financial support. In September 2016, JICA formulated a “JICA Climate Change Cooperation Strategy”, which identified four priority areas (as mentioned below). In line with these priorities, JICA has implemented assistance in the area of climate change, by comprehensively utilizing its schemes such as technical cooperation, ODA loans, grant-aid, and private-sector investment finance. What is particularly important is that JICA provides ODA loans not only to large-scale projects that are expected to attain a certain level of profitability, such as installing

¹ Because the GEF covers not only climate change but other environmental issues including biodiversity and desertification, Japan’s contribution to the GEF is not confined to climate change.

clean energy power plants, but also to the projects such as (re-)forestation and ecosystem conservation.

* JICA's four priority areas in supporting climate action in developing countries are as follows.

1. Promoting low-carbon, climate-resilient urban development and infrastructure investment
2. Enhancing climate risk assessment and countermeasures
3. Supporting climate policy and institutional development
4. Enhancing conservation and management of forests and other ecosystems

In developing countries, women are usually more vulnerable to the adverse impacts of climate change. This could be associated with the fact that women tend to be involved in sectors which are highly exposed to those impacts, such as agriculture and health. From this point of view, Japan provides gender responsive measures in climate-related support, such as technical cooperation programs aimed for strengthening resilience of female workers in agricultural sector.

The Sustainable Development Goal (SDG) 13 refers to climate action. Japan considers climate action and development cooperation as inseparable agendas. The perspective of future climate finance should also be considered in the SDGs' framework. Therefore, Japan aims to mainstream climate action in its development cooperation.

2.2. Multilateral support

Japan also provides financial support through international/multilateral institutions, including the operating entities of the financial mechanisms under the UNFCCC and the Paris Agreement (the GCF and the GEF), the UNFCCC itself, the IPCC and other environment or climate related entities, such as the Multilateral Fund for the Implementation of the Montreal Protocol.

Regarding the GCF, Japan announced USD 1.5 billion contributions in 2014 for the Initial Resource Mobilization period (2015-2018). On top of that, in 2019, Japan announced to make additional contribution up to USD 1.5 billion for the GCF's First Replenishment period (2020-2023). As a major donor of the fund, Japan occupies a place of single-country constituency of the GCF Board and has actively participated in the operation of the fund by dispatching its Board Member and Alternate Board Member. At the 17th GCF Board meeting in July 2017, JICA and the MUFG Bank were approved as the first Japanese Accredited Entities of the GCF. By the end of 2020, two funding proposals submitted by the MUFG Bank were approved by the Board. The Government of Japan welcomes these Japanese entities actively participating in the formulation and implementation of the GCF's funding projects by utilizing their knowledge and expertise. In this way, Japan maintains its concerted efforts in both government and private sector jointly.

Regarding the GEF, Japan pledged USD 637 million for its seventh replenishment, which makes Japan's total contribution to the Fund amounting USD 3.3 billion.

3. Private finance mobilization by public approaches

Mobilization of private finance becomes imperative since it is already clear that public finance cannot sufficiently cover the emerging needs of support, particularly for large-scale climate-related projects such as construction of energy-related installations. According to the report *Climate Finance Provided and Mobilized by Developed Countries in 2013-2018* published by the OECD, the amount of private finance mobilized collectively by developed countries in 2018 shows little increase from 2017. This means that compared to the increase in public finance, the mobilization of private finance is relatively stagnated. Should the private finance be further leveraged and mobilized into climate finance, the role of public sector is crucial in deploying policy measures to accelerate private finance as well as in creating enabling environment in developing countries for inducing private finance.

To further private finance mobilization, Japan deploys public financial policy measures and instruments, which could prioritize the provision of support to climate-related projects. These measures include such instruments as the financial facilities of JBIC and the insurance schemes of NEXI. Meanwhile, Japan also provides technical assistance for setting up enabling environment in developing countries to utilize private finance. Japan will further enhance those activities.

3.1. JBIC's schemes of GREEN and QI-ESG Window

In April 2010, JBIC started a new funding scheme named GREEN (Global action for Reconciling Economic growth and Environmental preservation) with the aim to support such projects that bring about favorable impacts on the preservation of the global environment including renewable energy and energy efficiency. Furthermore, in July 2018, JBIC launched a new facility named QI-ESG (JBIC Global Facility to Promote Quality Infrastructure Investment for Environmental Preservation and Sustainable Growth), which expanded JBIC's scope of eligible projects and diversified its financial support tools. JBIC plays a central role in mobilizing both public and private finance towards the environment-friendly infrastructure development. It also contributes to the effort for decarbonization and preservation of the global environment in close collaboration with international society, including through co-financing with Multilateral Development Banks. In January 2020, JBIC reformed QI-ESG to establish Growth Investment Facility, as part of which includes the Window for the Development of Quality Infrastructure for Environmental Preservation and Sustainable Growth (QI-ESG Window). Through this window JBIC has supported several projects including renewable energy projects in Middle East and Asia, and projects of establishment of credit line for Latin American countries.

3.2. NEXI's trade insurance service

In July 2019, NEXI launched its Loan Insurance for Green Innovation, which set an increased risk coverage rate compared with that of its regular loan insurance. This insurance is to be applied for financing to the projects in the field of environmental protection and climate change prevention, such as renewable energy, energy saving, and innovative technologies contributing to global environmental conservation.

3.3. Support through climate insurance and other innovative instruments

Insurance is an effective financial instrument in managing risks associated with the adverse effects of climate change. Japan deploys various supporting instruments in the field of disaster risk insurance. In 2013, in collaboration with the World Bank, Japan launched a joint initiative named Pacific Catastrophe Risk Assessment and Financing Initiative (PCRAFI), which provides the Pacific region with support for disaster risk management and climate change adaptation. In 2018, the Southeast Asia Disaster Risk Insurance Facility (SEADRIF) was established under the ASEAN+3 finance track with the technical support from the World Bank. Japan, as one of the donor countries, contributed to the establishment of SEADRIF along with other ASEAN countries. SEADRIF is a regional platform to provide participating ASEAN countries with insurance and risk management solutions against climate shocks and natural disasters.

3.4. Technical assistance to create enabling environment in developing countries

Japan provides technical assistance through its ODA to promote private investment in developing countries. For example, Japan supports governmental branches of developing countries which are in charge of promoting private sector investment, so that they could build their capacities to mobilize private investment and formulate business plans to utilize those private finance. However, due to the lack of established statistical methodologies, the amount of private finance mobilized through capacity-building and technical assistance remains uncalculated. As such, it is the future task to develop internationally recognized methodologies to capture those private finance mobilized by technical assistance, in order to fully cover any potential financial flows toward climate action.

4. Support to meet the long-term goals of the Paris Agreement

One of the long-term goals of the Paris Agreement is “making finance flows consistent with a pathway towards low GHG emissions and climate-resilient development” as stipulated in Article 2.1(c). Towards this long-term goal, developed countries are reminded by all means to make this happen in their financial flow to developing countries. It is also important that the entire global financial flows are to be aligned with climate in the context of broader global financial flows. In order to achieve the target of Article 2.1(c), Japan takes the following measures.

4.1. Promoting ESG finance

To disseminate the concept of ESG investment in the Japanese business sector, the Government of Japan held a series of conference entitled High-Level Meeting on ESG Finance, and formulated a recommendation package in 2018. Furthermore, under auspices of the Japanese Government, ESG Finance High-Level Panel, where industry leaders are invited to join, was established to regularly follow up the progress on the recommendation. On top of that, Positive Impact Finance Task Force and ESG Regional Task Force were established under the Panel in order to deepen discussions on critical issues. Both Taskforces formulated concept papers on impact finance and a vision for promoting ESG regional finance. With these conceptual platforms in place, the Government of Japan facilitates the engagement of Japanese companies in global ESG investment.

4.2. Promoting disclosure of climate-related risks and opportunities for companies and investors

Climate-related risks are widely acknowledged at a global level. In 2018, the Government of Japan formulated *TCFD Guidance*, aiming at encouraging Japanese private sectors to promote disclosure of the climate-related information, and expecting that the guidance would be an internationally recognized example in implementing the TCFD recommendations. The guidance was updated in 2020 to *TCFD Guidance 2.0*. A number of Japanese companies have taken proactive measures in corporate disclosure, which culminated in the endorsement of TCFD by 329 companies, the largest number in the world (as of December 2020). Along with the domestic actions, Japan launched the TCFD Summit in 2019 to raise awareness, and to facilitate discussions, of climate-related disclosure aligned with the TCFD both in Japan and the world, followed by its second Summit meeting in October 2020.

4.3. Positive contribution to the discussions in international fora (e.g. OECD)

Bearing in mind the importance of Article 2.1(c) to the global economy, OECD provides fora to analyze and discuss the significance, solutions, and implications of making financial flows consistent with climate change. Each year Japan does not only make financial contribution to the annual conference of the Forum on Green Finance and Investment, but sends a number of participants to the Forum, with a view to explore pathways toward a climate-aligned global financial market.

5. Overarching approaches

5.1. Mitigation, adaptation and cross-cutting activities

5.1.1. Mitigation

In order to reduce GHG emissions, Japan provides financial support for promoting renewable energy, such as solar energy, biomass fuel and geothermal power, installing energy-saving systems and equipment, and developing energy-efficient transportation infrastructure.

5.1.2. Adaptation

There are strong adaptation needs in developing countries that are vulnerable to the adverse impact of climate change. Recognizing those needs seriously, Japan maintains more than 50% of our bilateral grant-based climate finance being allocated to adaptation support (in 2019, 50.4% of was allocated to adaptation). Japan's ongoing support for adaptation includes the following activities:

- Supporting adaptation planning: through the support for conducting impact assessments of climate change and so forth, our international cooperation in this modality is aimed for building capacity and improving adaptation activities of developing countries;
- Establishing the Asia-Pacific Climate Change Adaptation Platform (AP-PLAT): since its establishment in 2019, this platform has been functioning as an international information platform on climate risk and adaptation measures in the Asia-Pacific region;
- Monitoring GCF activities on its resource allocation to adaptation: as one of its Board Members, Japan is engaged in oversight activities of the GCF, allowing the Fund to deliver its commitment to a 50:50 allocation balance between mitigation and adaptation in its portfolio, as well as at least 50% of adaptation funding allocated to particularly vulnerable countries, including LDCs, SIDS and African States;
- Encouraging private sectors to advance into adaptation actions: through sharing examples of best practice or carrying out webinars, Japan makes effort to raise awareness that contributing to adaptation support for developing countries could increase business opportunities.

5.1.3. Cross-cutting activities

It is important to support cross-cutting activities beyond the distinction between mitigation and adaptation, which includes forest management and nature-based solutions (NBS). In this area of action Japan provides financial support for protection and sustainable use of forest by providing equipment, mapping and handling forest resources, forest management planning, and (re-)forestation.

5.2. Consideration of developing countries needs

Consideration of developing countries' needs, Japan respects the ownership of recipient countries and provides a variety of assistance against climate change in line with the following policies. First, Japan sets out a Country Assistance Policy for a respective recipient country, which lays out country-specific priorities and solutions for development cooperation, in close consultation with each country. These policies make it possible to appropriately capture and reflect their development needs, challenges and priorities. Japan implements assistance pursuant to the Country Assistance Policy of each country, and most of Country Assistance Policies include climate actions.

Second, Japan designs individual projects in line with “request based approach,” a basic principle with which projects should be drawn up based on each recipient countries’ own request and needs and priorities. In designing each project, Japanese foreign establishments (embassies and consulates general) and JICA are assigned to carry out assessment activities to capture and contemplate specific needs in each recipient country. Throughout this process, the elements of project design such as activities, specification and implementation period will be determined in detail.

In parallel with the above-mentioned approach to development policy formulation, Japan, by having regular Environmental Policy Dialogues, makes effort to maintain close contacts with recipient countries, so that Japan remains keen to their needs in development and climate action.

5.3. Ex-post evaluation

To ensure effectiveness of climate finance, evaluation after the project completion is crucial. For the ODA projects, ex-post evaluation is usually conducted after the completion of project. For example, JICA conducts ex-post evaluation in accordance with the Five DAC Evaluation Criteria, which is composed of (1) Relevance, (2) Effectiveness, (3) Impact, (4) Efficiency, and (5) Sustainability. In carrying out ex-post evaluation, JICA uses multiple methodologies by combining both quantitative evaluation, such as the amount of GHG reductions or the capacity volume of electricity, and qualitative evaluation based on observations from on-site inspections or interviews.

5.4. Capacity building and technology transfer

Japan advances capacity building support and technology transfer to developing countries based on understanding that both are mutually interconnected, or rather inseparable. Below are the examples of action which Japan has taken so far.

5.4.1. *Bilateral support for capacity building*

- In Indonesia, Japan supports establishing a monitoring, assessment and reporting system in order to track progress on the national adaptation plan and the national mitigation plan. These supports will strengthen the capacity of Indonesia for the implementation of climate change strategies.
- In Samoa, Japan conducts a set of training course regarding adaptation and mitigation policies, and enhanced access to climate finance. Japan also supports to strengthen the training capacity of the Pacific Climate Change Centre (PCCC), which was established with Japanese financial support in 2019.
- In Fiji, Japan supports the capacity building for hazard assessment, the establishment of mechanisms for local disaster risk reduction (DRR) planning and information sharing, and the deployment of facilitation system of those DRR policies in the central government. With these

measures, Japan provides comprehensive supports for the implementation of DRR activities.

5.4.2. Support aiming for technology transfer through a multilateral mechanism

Japan makes contribution to the Climate Technology Centre & Network (CTCN) every year, which is the operational entity of the UNFCCC technology mechanism. Japan is the second largest donor to the CTCN. Eight Japanese entities, both public and private, are registered as its Network members, which are involved in several projects under implementation by the CTCN, such as green gas master planning in Laos, and prerequisite feasible study on ocean energy in Nauru.

5.5. Enhancing transparency

Enhancing transparency is one of the core components of the Paris Agreement. Japan provides financial support for enhancing transparency in developing countries, as well as makes effort to strengthen transparency of our own, through the following actions.

- Japan has established the Partnership to Strengthen Transparency for Co-Innovation (PaSTI) to bring about co-innovation among Japan and developing countries. Japan has implemented capacity-building to strengthen transparency for Indonesia, Vietnam, and Philippines, as well as the ASEAN countries as a whole.
- In 2017, Japan provided USD 5 million to the Capacity-Building Initiative for Transparency Fund (CBIT Fund), allowing developing countries to develop their capacity to implement the enhanced transparency framework under the Paris Agreement.

5.6. Support on a regional basis

Taking advantage of its geographical proximity, Japan is actively engaged in climate actions in Asian and Pacific island countries through the following measures.

- Holding the Asia-Pacific Seminar on Climate Change (AP-Seminar) each year for policy makers and negotiators in the Asia-Pacific countries. This annual seminar series is aimed for sharing each country's good practices in implementing climate policies and raising awareness of climate change.
- Holding the Workshop on Greenhouse Gas Inventories in Asia (WGIA) each year since 2003, in order to improve the accuracy of GHG inventories and facilitate the enhancement of cooperative relationships in the Asian region².
- Supporting capacity building for administrative officers of Pacific island countries through the use of the Pacific Climate Change Centre (PCCC).

² WGIA of 2020 was cancelled due to the COVID-19 pandemic.

5.7. Challenges

5.7.1. Improving enabling environment in stimulating private investment in developing countries

Most private investment from Japan flows to middle income countries in the Asia. Private sectors may also have some concerns stemming from country risks and asymmetric sharing of information when considering investment in developing countries.

5.7.2. Predictability of financial support

With the following reasons, there are some limits in predictability with regard to Japan's prospect for public climate finance provision. First, Japan adopts an annual budget cycle system, in which proposed budget lines need to be approved by the National Diet annual fiscal year basis. This makes institutionally difficult for the Government of Japan to clearly announce multiple-year appropriation schedule of financial support. Second, as mentioned before, Japan's ODA policy is based on "request based approach," under which the design elements of each specific project are determined in close communication with recipient countries. This brings limitation to predicting the allocation amount to each project, although Japan also makes effort to share as much information on financial support as possible in advance based on the same principle of "request based approach."

5.7.3 Private finance mobilization

There is also limitation for the Government of Japan to provide, and thus officially report, the detailed information on the finance mobilized, largely due to confidentiality and competitive nature of business activities.

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