

Japan's Biennial Communication in accordance with 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

Japan has provided a broad array of financial support to developing countries for their efforts to reduce GHG emissions, 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. Japan remains committed to achieve the joint USD 100 billion mobilization goal as soon as possible, and the Climate Finance Delivery Plan published in 2021 shows the confidence that the USD 100 billion goal would be met in 2023.

At the G7 Cornwall Summit in June 2021, Japan's former Prime Minister Suga announced a climate finance commitment of providing climate assistance for developing countries totaling 6.5 trillion yen in public and private finance over the five years from 2021 to 2025. In addition, at COP26 in November 2021, Prime Minister Kishida announced up to USD 10 billion over the five years from 2021 and 2025 on top of 6.5 trillion yen announced at the G7 Cornwall Summit in order to take the initiative in fulfilling the financial gap in the annual USD 100 billion joint mobilization goal of climate finance by developed countries. As part of these commitments, Japan also announced at COP26 that it would double the assistance for adaptation, totaling approx. 1.6 trillion yen in public and private funds over the five years from 2021 to 2025. Japan, as a major developed country, continues steadily to implement its announced financial commitments and strongly supports climate actions by developing countries.

Financial support from Japan in 2020 reached approximately USD 12.4 billion (public finances amounted to approximately USD 10.8 billion, and private finances amounted to approximately USD 1.6 billion). This is one of the largest contribution in developed countries.

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 and the Japan International Cooperation Agency (JICA). The category (4) refers to the financial contributions to multilateral climate 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 these different types of financial instruments in line with the needs of recipient countries and the specific characteristics of each climate action.

Japan defines “new and additional” climate finance as “newly committed or disbursed finance which contributes to climate change measures in developing countries during a given period of time.” For this purpose, Japan gains new funding with the approval of the Diet on an annual basis. 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.

2. Public finance

2.1 Bilateral support

Japan International Cooperation Agency (JICA):

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

Japan actively promotes bilateral assistance with public finance. JICA, the implementation agency of Japanese ODA, implements cooperation projects in the field of climate change by utilizing multiple cooperation schemes including technical cooperation, ODA loans, ODA grants. JICA’s climate change

cooperation is based on the policy “JICA Global Agenda No.16. Climate Change” which was adapted on 21 June 2021. JICA, as a partner of developing countries, promotes transition to a decarbonized and climate-resilient society, thus contributes to achieve goals such as Paris Agreement.

JICA promotes the implementation of Paris Agreement through capacity building on development, implementation and monitoring of climate change related plans, while considering national plans of each country, such as NDC and long-term low greenhouse gas emission development strategy (LT-LEDS).

Furthermore, JICA also actively promotes the co-benefit approach which contributes to both addressing development issues (development benefit) and climate change issues (climate change benefit). JICA aims to enhance climate change measures both in quality and quantity especially in sectors such as energy, transport, urban development, forest and nature conservation and agriculture.

The strategy calls for two sets of specific actions:

1. Actions designed to support developing countries in delivering on the Paris Agreement in such aspects as formulating and implementing climate change plans, inventorying greenhouse gas (GHG) emissions, strengthening the framework for greater transparency regarding such emissions, and introducing and utilizing climate funds*
2. Broader actions that offer co-benefits and contribute to both resolving development issues and combatting climate change through the implementation of projects in a range of relevant sectors—among which are energy, urban development, transportation, the conservation of the natural environment, including forests, agriculture, environmental management, disaster risk reduction, water resources management, and health care

When designing projects, climate change mitigation and adaptation will be considered at the stage of project formulation and planning, using the JICA Climate Finance Impact Tool (JICA Climate-FIT) to promote mainstreaming of climate change measures.

(*A climate fund is a pool of money contributed by national public funds, multilateral development banks such as the World Bank, and the private sector for climate actions. Climate actions refer to activities aimed at reducing GHG emissions and increasing their uptake (mitigation), those aimed at preventing and reducing damage associated with the impact of climate change (adaptation), or both.)

Especially in developing countries, women are heavily involved in sectors such as agriculture and health. Therefore, they are vulnerable to the effects of climate change. For this reason, Japan integrates gender perspectives when providing support in climate change projects, for example, to strengthen the resilience of women and other workers in forest management sector. For example,

JICA has been implementing a project for forest sector development in the State of Odisha in India to support sustainable forest management, biodiversity conservation, and community development. The project also contributes to mitigation and adaptation of climate change and more importantly gender equality in the state. The sustainable forestry management enables the forest to serve as sinks and reservoirs of greenhouse gases and the measures including soil conservation and watershed protection through forests help prevent natural disasters such as floods which can be intensified by climate change. In addition, for the purpose of promoting gender equality, the executing agency of this project, Forest and Environment Department of the Government of Odisha, sets out a gender-mainstreaming strategy and action plan, recognizing the role of women's participation for sustainable forest management.

Ministry of Foreign Affairs:

In 2023, Japan will support the decarbonization of the Indo-Pacific region through ODA. In particular, Japan will implement comprehensive GX support of JPY 10.4 billion (USD 96 million) through technical assistance and human resource development, which is a strong area for ODA.

2.2 Multilateral support

Japan also provides financial support through international/multilateral institutions including the UNFCCC itself, the operating entities of the financial mechanisms under the UNFCCC and the Paris Agreement (the GCF and the GEF), climate related funds including Adaptation Fund (AF), Multilateral Development Banks (MDBs) and other international institutions such as UNDP.

- The Green Climate Fund (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 has seats as Board Member and Alternative Board Member in the GCF Board and has actively contributed to the management of the fund. In 2017, JICA and the MUFG Bank were approved as the first Japanese Accredited Entities of the GCF, and in 2021 the SMBC Bank was approved as the Accredited Entities of the GCF. By the end of 2022, two funding proposals submitted by the MUFG Bank¹ and two funding proposals submitted by JICA² were approved by the Board. The Government of Japan welcomes these

¹ Funding Proposals submitted by JICA: Community-based Landscape Management for Enhanced Climate Resilience and Reduction of Deforestation in Critical Watersheds in Timor-Leste (adopted in March 2021 at the 28th Board meeting) and Building Climate Resilient Safer Islands in the Maldives (adopted in July 2021 at the 29th Board meeting).

² Funding Proposals submitted by MUFG: Arbaro Fund – Sustainable Forestry Fund in 7 countries in sub-Saharan Africa and Latin America (adopted in March 2022 at the 25th Board meeting) and Green Guarantee Company in 9 countries in Asia-Pacific, Latin America and Caribbean and Africa (adopted in October 2022 at the 34th Board meeting).

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 actively deploys its concerted efforts in both public and private sector.

- The Global Environment Facility (GEF): Negotiations of GEF's 8th Replenishment for the period from July 2022 to August 2026 were concluded in April 2022 and approved by the GEF council in June 2022. As part of the donor countries' total pledges amounting USD 5.33 billion, Japan announced the second largest contribution of USD 638 million (Japan's cumulative contribution is USD 3.9 billion).
- The Adaptation Fund (AF): Japan made a first contribution of JPY 650 million (approx. USD 6 million) in March 2022. On top of this, Japan will make an additional contribution of JPY 650 million of the same size in 2023. Through these contributions to the AF, Japan contributes to grant supports for adaptation in developing countries.
- Multilateral Development Banks (MDBs): Japan announced at COP26 and disbursed thereafter its contribution of USD 25 million as the first donor to the Energy Transition Mechanism (ETM) by the ADB, which provides innovative finance to promote early decommission of coal-fired power plants and deployment of renewable energy. In addition, the Clean Technology Fund launched a new mechanism, called the Climate Investment Funds Capital Markets Mechanism, led by Japan, UK, US to accelerate transition away from coal in developing countries. As for the ETM, the MOU was subsequently signed between major parties of Indonesia and the ADB at the G20 Summit in November 2022 for the implementation of the first project for early retirement of coal-fired power plant under the ETM. So far, studies on feasibility of the projects utilizing the ETM are being implemented in Indonesia, Philippines, Viet Nam and Pakistan. As a donor, Japan participates in the discussions for further expansion of support.
- The International Monetary Fund (IMF): In May 2022, the IMF established the Resilience and Sustainability Trust (RST) to provide loans to support low-income and vulnerable middle-income countries to address macroeconomic risks on the balance of international payments posed by medium- and long-term structural challenges such as climate change and future pandemics. Japan announced its contribution equivalent to USD 6.4 billion of Special Drawing Rights to the RST, and signed the contribution arrangement of USD 1.0 billion as an initial contribution in October 2022 as one of the earliest donor.

- The United Nations Development Programme (UNDP): In 2022, through UNDP, Japan provided climate related support of JPY 4.5 billion (USD 42 million) for decarbonization and adaptation to 23 developing countries including vulnerable countries. In addition, Japan will provide such climate related support of JPY 2.5 billion to 16 developing countries in 2023 through UNDP.

2.3 Capacity-building and technological transfer

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

2.3.1 Bilateral support for capacity building

- In Indonesia, Japan supports capacity building on formulation of climate resilient development in national and local levels as well as monitoring, evaluation and reporting of mitigation and adaptation actions.
- For the Pacific region, Japan supports to strengthen the capacity of carrying out training of Pacific Climate Change Center (PCCC) established in Samoa in 2019 through implementing training on climate change adaptation and mitigation measures and improving access to climate finance.
- In Fiji, Japan contributes to implement disaster risk reduction activities through capacity building for disaster risk assessment and establishment of implementation mechanism for national and local DRR planning and activities.

2.3.2 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. 9 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 feasible study in Mongol on green hydrogen for production, transportation and utilization .

3. Private finance mobilization

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 *Aggregate Trends of Climate Finance Provided and Mobilized by Developed Countries in 2013-2020* published by the OECD,

the amount of private finance mobilized collectively by developed countries in 2020 shows little decrease from 2019. 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.

Japan mobilized private climate finance of USD 1.6 billion in 2020. 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 Japan Bank for International Cooperation (JBIC)

JBIC launched the GREEN (Global action for Reconciling Economic growth and ENvironmental preservation) operation, under which JBIC has provided support through loans, equity participation, and guarantees, while mobilizing private finance, to effective projects for global environment preservation, such as construction of solar power generation plants with advanced environmental technologies, and introduction of energy-saving equipment. Since 2018, JBIC has been more actively engaged in the GREEN operation by utilizing some loan and equity investment facilities. By the end of November, 2022, JBIC has approved 47 projects totaling approximately USD 6.2 billion under the GREEN operation.

Recently, in July 2022, JBIC established the Global Investment Enhancement Facility including Sustainability Window. It aims to support projects on environment preservation, including those contributing to climate change measures such as renewable energy for example wind power and energy efficient, low-carbon technologies and materials. By the end of November 2022, JBIC has already supported through the Sustainability Window projects that contribute to energy transitions in developing and emerging countries, including generation of renewable energy and construction of efficient power systems. JBIC will continue to contribute to global decarbonization and environmental preservation by supporting projects for renewable energy, energy efficiency and so on, while mobilizing private finance, utilizing the Sustainability Window.

3.2 Nippon Export and Investment Insurance (NEXI)

NEXI launched the Loan Insurance for Green Innovation with an increased risk coverage rate

compared with that of its usual loan insurance in July 2019. This insurance can be applied for financing projects in the field of environmental protection and climate change prevention, such as projects using renewable energy, energy savings, and innovative technology. Furthermore, in December 2020, NEXI established “LEAD initiative” to actively promote underwriting of projects with “Leading Features”. “Leading Features” include contribution to global carbon neutrality and DX, alliances with international partners, solution to social issues and achievement of the SDGs.

3.3 Japan International Cooperation Agency (JICA)

Of the Finance and Investment Cooperation provided by JICA, Private-Sector Investment Finance (PSIF) is a scheme to support through the provision of loans and equity private enterprises that conduct business with high development outcomes in such sectors as infrastructure development, poverty reduction, and measures against climate change. Through collaboration with private and international financial institutions and combined operations with JICA’s other ODA programs and projects, JICA makes efforts to reduce various risks associated with projects and to further increase development outcomes. JICA is particularly strengthening cooperation with international organization(s) in order to promote co-financing. Following International Finance Corporation (IFC), Asian Development Bank (ADB) and U.S. International Development Finance Corporation (DFC), JICA signed memoranda of cooperation (MOC) with the Agence Française de Développement (AFD), the African Development Bank (AfDB), and the European Investment Bank.

For example, in 2022, JICA signed a project finance loan agreement with an independent power producer in the Arab Republic of Egypt for the solar power project. The project will be co-financed by the International Finance Corporation (IFC). JICA has been supporting Egypt’s power sector in various ways through ODA loans and technical cooperation projects. Those projects include the development and management of the power supply, as well as of the transmission and distribution networks covering the Upper Egypt region among others, support for improvements in the restoration of the power sector, strengthening of the country’s financial sustainability, the promotion of governance reforms, and enhancing energy efficiency. Building on such support, this project will boost renewable-energy projects using private sector funds and further support Egypt’s power sector.

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 indirectly

through capacity-building and technical assistance are not considered in Japan's climate finance. 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. Sectoral approaches

4.1 Mitigation

Energy sector:

In order to reduce GHG emissions, Japan provides support for energy transition in developing countries, including the development of zero-emission technologies such as energy efficiency, renewable energy, hydrogen, and CCUS, through bilateral and multilateral channels.

Specifically, in order to achieve a balanced energy transition taking into consideration energy security and sustainable economic growth, Japan has been promoting concrete cooperation including roadmap formulation, financial support and technical assistance through the Asian Energy Transition Initiative (AETI), making the maximum use of Japan's knowledge and experience. Through these efforts, Japan will realize the concept of the Asia Zero Emissions Community (AZEC) together with other Asian countries.

Just Energy Transition Partnership (JETP) is a partnership in which donor countries work together to accelerate early retirement of high-emission infrastructure and support investment in renewable energy and other related infrastructure in partner countries. The JETP with South Africa was launched at COP26 in November 2021, and the G7 agreed to expand the partner countries to include Indonesia, India, Viet Nam and Senegal at G7 Elmau Summit in June 2022. Negotiations of JETP in each target country has been led by co-lead countries. In November 2022, under the co-leads of Japan and the US, an agreement to launch the JETP with Indonesia, between Indonesia and the International Partners Group (IPG) was made. Through Indonesia JETP, USD 20 billion will be mobilized over the next three to five years, of which USD 10 billion will be mobilized by the IPG members in public finance. Indonesia JETP will focus on early retirement of coal-fired power plants, promoting renewable energy, and just transition. In December 2022, the JETP with Viet Nam was also launched between Viet Nam and the IPG, under which USD 15.5 billion will be mobilized in the coming 3-5 years, of which USD 7.75 will be mobilized by the IPG in public finance.

Transport sector:

Japan supports dissemination of effective transport infrastructure. For instance, the project in Delhi in India promoted modal shift from automobiles to metros by constructing underground and elevated

mass rapid transport system in Delhi. It eased traffic congestion, reduced air pollution caused by exhaust gases, and reduced greenhouse gas emissions, thereby stimulated the economy and improved the environment. Also, Greater Cairo Metro Line no.4 Phase I Project in Egypt, will facilitate connection from the Southwest of Greater Cairo to Cairo Urban Area. The Project will connect with the existing metro network which will result in facilitating transportation in the very congested areas, enhancing the mobility of passengers, and increasing the capacity and effectiveness of the metro networks in Greater Cairo and thus contribute to reduce GHG emissions and enhance the sustainability of living conditions.

4.2 Adaptation

Japan announced at COP26 that it will double its support for adaptation totaling JPY 1.6 trillion (USD 14.8 billion) in public and private over the 5 years from 2021 to 2025. Specifically, Japan will provide adaptation finance through the following efforts;

- Water sector: Japan supports constructing and repairing water supply facilities in areas that have been experiencing from droughts caused by climate change. For example, in Marshall Islands, in order to address the challenges of rainfall fluctuations, increase for water demand and water leakage from reservoirs, a new rainwater reservoir is being constructed at the water treatment plant together with an adjoining aqueduct and embankment, increasing the water storage capacity. This project is expected to contribute to securing the water supply during droughts caused by climate change or other factors and meet increased demand in the future.
- Agricultural sector: Japan has promoted resilient agriculture systems that adapt to changes in climate patterns. In Niger, Japan promoted irrigated rice cultivation which is less affected by fluctuation of rainfall in order to support activities related to food security, and contributed to increase resilience to climate change in the country.
- Supporting adaptation planning: In the Asia-Pacific region, through the support for conducting impact assessments of climate change, which is necessary for formulating NAPs, our international cooperation in this modality is aimed for building capacity and improving adaptation actions of developing countries.
- The Asia-Pacific Climate Change Adaptation Platform (AP-PLAT): since its establishment in 2019, this platform has been functioning as an international information platform for enhancing scientific knowledge on climate risks, providing support tools for stakeholders, and strengthening capacity for impact assessment of climate change and climate change adaptation. Through such efforts, Japan will support for formulating and implementing of NAPs to developing countries in the Asia-Pacific region.
- Enhancing access to climate finance: For developing countries seeking finance from the financial

mechanisms including the GCF, Japan provides financial support for capacity-building programme for preparing concept note for GCF funding applications conducted by Asian Institute of Technology (AIT) Asia-Pacific Regional Resource Center. E-learning materials on this capacity-building programme are available free of charge on AP-PLAT to support for government officials who are unable to attend in-person meetings.

- Encouraging private sectors to participate in adaptation actions of developing countries: Through sharing examples of best practice or carrying out webinars every year, Japan makes effort to raise awareness that contributing to adaptation support for developing countries could increase business opportunities.

Japan has achieved a balance between mitigation and adaptation in 2020. Also, Japan, as a major donor country, is engaged in monitoring activities of the GCF, which is committed 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.

4.3 Loss and damage

Disaster Risk Reduction (DRR) is an important area in order to tackle loss and damage associated with the adverse effects of climate change, and Japan is committed to the Sendai Framework for Disaster Risk Reduction, an international principle for DRR actions for the 15-year period from 2015 to 2030. Japan, through JICA, provides various kinds of support for DRR, both in terms of hardware and software, including loan, grant, and technical assistance, to more than 100 developing countries, and the annual amount of support for DRR is about JPY 100 billion in recent years.

At COP27, Japan announced “Assistance Package by the Government of Japan for Averting, Minimizing and Addressing Loss and Damage”. In particular, disaster risk financing is effective financial instrument in managing climate risks. Japan has been making various efforts in this field;

- Disaster Risk Insurance: Japan, in cooperation with international organizations, has promoted the initiative of disaster risk insurance, which utilizes insurance schemes to provide rapid payouts without insurance claim investigation in the event of a large-scale disaster. Japan has contributed to launching the initiatives of disaster risk insurance in Southeast Asia (Southeast Asia Disaster Risk Insurance Facility: SEADRIF), the Pacific region (Pacific Catastrophe Risk Assessment and Financing Initiative: PCRAFI), and the Caribbean (Caribbean Catastrophe Risk Insurance Facility: CCRIF). After launching the initiatives, the Government of Japan has made subsequent financial contributions to the SEADRIF and the PCRAFI.
- Post Disaster Stand-by Loan: Japan provides “Post Disaster Stand-by Loan” to developing countries that are exposed to a risk of natural disasters, which provides rapid assistance when a

disaster occurs by having the Yen Loan signed in advance. Examples of recently signed agreements are Fiji (5 billion yen in 2020), El Salvador (5 billion yen in 2015), Peru (10 billion yen in 2014), and the Philippines (50 billion yen in 2013).

- **Global Shield:** In November 2022, the initiative of “Global Shield against Climate Risks” led by the G7 Germany Presidency was launched at COP27 with the aim of strengthening the global architecture of climate and disaster risk finance and Insurance (CDRFI) to respond to loss and damage. Japan, as a member of the G7, has contributed to the discussion and will make a first contribution of JPY 800 million (USD 7.4 million) to the Global Shield Financing Facility of the World Bank.

4.4 Cross-cutting

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. To this end, Japan participated in the Global Forest Finance Pledge and made a commitment to contribute approximately USD 240 million at COP26.

5. 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.

5.1 Promoting Sustainable finance

Japan has developed guidelines related to green finance for domestic use in accordance with international principles to promote more financial flows to green projects including climate actions. In July 2022, Japan announced the revised “Green Bond and Sustainability-Linked Bond Guidelines” and “Green Loan and Sustainability-Linked Loans Guidelines” based on the revision of previous guidelines with extended scopes to include sustainability-linked bonds.

In addition, Japan has long emphasized on the importance of transition finance, adopting an approach that focuses on sectors and entities mainly. To embody this approach, Japan has published

“Basic Guidelines on Climate Transition Finance” and “Sector-specific technology roadmaps” to be used as a reference for each company in developing its own transition strategy and to help financial institutions determine the eligibility of each company’s transition strategy. Japan will continue to improve and update them to further ensure the viability and credibility of transition finance, including adding a roadmap for the automotive sector this year and efforts to improve explanations regarding consistency with international scenarios (e.g. quantification of emission pathways by research institutions).

In Asia, transition finance is indispensable to deliver financial support for steady energy transition efforts to simultaneously achieve “climate change countermeasures”, “economic growth” and “energy security”. In September 2021, under the Asia Energy Transition Initiative (AETI) led by the Government of Japan, the Asia Transition Finance Study Group was established by the MUFG, in which 19 financial institutions from Asia, EU, and US discussed the concept of finance for steady energy transition in Asia. Next year, in September 2022, the study group succeeded in developing the results of its discussions into a guideline. At the same time, Economic Research Institute for ASEAN and East Asia (ERIA) compiled and published a list of transition technologies considered useful for energy transitions in Asia. In the future, through updating and improving the guideline and technology list, as well as promoting awareness, Japan will continue to realize steady energy transitions in Asia.

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

Japan requires companies listed on the Prime Market of the Tokyo Stock Exchange to enhance, quantitatively and qualitatively, climate-related disclosure based on the TCFD recommendations or other equivalent international framework, following the revision of the Corporate Governance Code. Therefore, the TCFD Consortium led by the private sector, will provide support to improve the quality of both disclosure and utilization, and conduct dissemination activities, including for institutions that have not yet endorsed the TCFD. Specifically, the consortium will hold programs to meet diverse needs of its member, including support for companies seeking first-year disclosure and improvement of quality of disclosure, human resource development for promoting sustainability management, and holding management-level forums.

Also, Japan is undertaking regulatory work to create a new section in an annual securities report in order to provide sustainability-related information in an integrated manner, including climate-related matters.

In line with developments to establish the sustainability disclosure standards by the ISSB, the public

and private sectors work together to disseminate opinions internationally, as well as actively participate in the discussion in person and make financial contribution.

In addition, in order to establish a mechanism to appropriately evaluate the opportunity of Japanese companies' contribution to climate change, such as the amount of emission reduction of their products and services, Japan will formulate guidelines and reports that organize evaluation indicators for GX companies, and consider the formation of a "Climate Change Contribution Disclosure Initiative" for the world.

5.3 Initiatives in private financial sector

Japan published "Supervisory Guidance on Climate-related Risk Management and Client Engagement", which includes necessary arrangements for financial institutions to appropriately address climate change and approaches and examples that can be used as reference in supporting client companies. Also, the public and private sectors will work together to study a framework for proactively evaluating financial institutions that promote transition finance to address the inconsistency of a temporary increase in emissions by transition finance.

While private-sector initiatives are also gaining momentum, around 25 Japanese financial institutions including three mega-banks, major life insurers, asset managers and securities companies have joined international coalitions, each for banks, insurers, asset owners and asset managers, and the Glasgow Financial Alliance for Net Zero (GFANZ) that brings these coalitions together.

6. Consideration of needs and priorities of developing countries

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.

7. Ex-post evaluation

Post-implementation evaluation is important to ensure the effectiveness of climate finance. In ODA, post-implementation evaluation is conducted after project implementation from the perspectives of (i) relevance, (ii) coherence, (iii) effectiveness, (iv) efficiency, (v) impact and (vi) sustainability. The evaluation is based on a combination of qualitative indicators, such as findings from site visits and interviews, and quantitative indicators, such as emission reductions and electricity capacity.

8. 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 Workshop on Greenhouse Gas Inventories in Asia (WGIA) each year since 2003, in order to improve the accuracy of GHG inventories and to facilitate the enhancement of cooperative relationships in the Asian region.
- Supporting capacity building for administrative officers of Pacific island countries through the use of the Pacific Climate Change Centre (PCCC).

9. Challenges

9.1 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.

9.2 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.” Second, there is also limitation to provide detailed information on private finance mobilization, due to confidentiality and competitive nature of business activities.