Submission by Japan on Long-Term Finance
(March 2013)

1. Introduction

- At COP18 in Doha, Decision 4/CP.18 invited Parties and the thematic and expert bodies under the Convention to submit to the secretariat, by 21 March 2013, their views on long-term finance, taking into account the report on the workshops of the Work Programme on Long-Term Finance.
- Japan is grateful for the contribution made by the co-chairs of the Work Programme on Long-Term Finance and welcomes the opportunity to submit its views regarding long-term finance, taking into account the report on the workshops of the Work Programme on Long-Term Finance.
- Japan has already presented its views in its joint submission made in association with Australia, Canada, New Zealand and the United States. This submission includes Japan's further comments on long-term finance.

2. General comments

(a) Basic position

- Finance is a critical component to keep and strengthen the momentum to reduce greenhouse gas emissions throughout the world. In this regard, Japan provided USD 13.3 billion of public finance as part of fast-start finance to developing countries to support climate mitigation and adaptation as of October 2012 and will continue to provide support to developing countries.
- It is important that each Party should be able to determine the mode and source of its contributions toward the goal of mobilizing jointly USD 100 billion per year by 2020 from public, private and alternative sources in the context of meaningful mitigation actions and transparency on implementation.
- In order to give incentive to the financial mobilization efforts, it is important to acknowledge such efforts that support other countries' mitigation and make various types of contributions for adaptation and capacity-building in other countries within an MRV system to be established under the future framework.

(b) Private finance

- Substantial scaling-up of private finance is indispensable to achieve the goal of mobilizing jointly USD 100 billion per year by 2020. Public finance should play the primary role as a catalyst in leveraging private finance effectively, for example, by providing political risk insurance or credit guarantees.

- Japan welcomes the research project of OECD and other institutions to define and track private climate finance. Japan would like to make a contribution to the research project through the relevant governmental institutions such as JICA or JBIC which have a wealth of experience in climate-friendly finance. Japan also would like to recognize a full picture of the efforts by private financial institutions or private sectors to mobilize climate finance in Japan.
- The Green Climate Fund, whose design is currently being discussed, should serve as one of financial mechanisms for achieving the goal of mobilizing jointly USD 100 billion per year by 2020. In this aspect, it is important to design a business model that can effectively attract private investment to the maximum extent and with a limited amount of public finance as a catalyst.

(c) International aviation and maritime

- It should be stressed that there have been no decisions so far on which specific sectors might be resources for long term global climate finance at UNFCCC. Therefore, it is not appropriate to discuss on the assumption that the international transport sector is one of such resources.
- Further, the issue on climate finance vis-à-vis international transport should be exclusively discussed at each UN specialized body, i.e., IMO or ICAO, and the instruction from UNFCCC to IMO and ICAO should be avoided.

(d) Linkage with technology

- Japan considers it important to construct a mechanism to finance technologies that reduce greenhouse gas emissions most effectively and sustainably over a long period, thus contributing to developing countries' transitions to low-carbon and climate resilient societies. Also, Japan places importance on providing support for strengthening policies, institutions and capacities of developing countries offering its knowledge and experiences, and utilizing as well as diffusing its advanced technologies.

(e) Process of discussions

- It is important to clarify the demarcation between Work Programme on Long-Term Finance and the forum under Standing Committee on Finance in terms of their respective roles and responsibilities, in order to avoid any duplication of the work.
- Considering the decision made in COP18 that high-level ministerial dialogue on long-term finance will be taken place at COP19, the Work Programme on Long-Term Finance can

contribute to ongoing efforts of mobilizing climate finance more effectively by focusing the discussion on real and concrete issues, such as enabling environments that can attract significant investment flows to low-carbon development or lessons learned from fast-start finance experiences.

3. Specific comments on the report on the workshops by co-chairs

Para 25(a)

- In this paragraph, the report proposes that "the heads of the secretariat, IMO and ICAO establish a high-level experts group in order to examine options for ensuring that revenues from the emissions levy or auctioning of allowances in emission trading regimes for international shipping and aviation can be used for climate finance". With respect to this proposal, first, it should be made it clear that there was neither discussion nor consensus within the UNFCCC on which sectors/fields might be identified as appropriate financial resources for climate finance. Besides, it is imbalanced if only the international maritime and aviation are identified to this end. Therefore Japan is of the opinion that, in advance of establishing a high-level experts group, the UNFCCC should make more efforts to identify as many candidate of financial resources as possible. It should be also emphasized that the primary objective of the on-going discussions at IMO and ICAO is to accelerate the energy efficiency improvements which could subsequently reduce the GHG emissions from maritime and aviation sectors, through providing financial incentives. Namely, to generate the money from these sectors is not an ultimate goal for the introduction of a market based measure currently under consideration at IMO and ICAO. Further, even if the IMO or ICAO eventually decides to establish a market based measure which results in generating financial resources, the issues related to the expenditure and amount of contribution to climate finance should be exclusively considered at IMO and ICAO which hold expertise of these sectors. Therefore, any instruction or preconception from UNFCCC to IMO and ICAO should be avoided and accordingly the proposal of this paragraph is not acceptable for Japan.

Para 55

- In this paragraph, the report says "funds also could be generated through the international regulation of emissions from international aviation and shipping through an emissions levy or an emissions trading scheme with auctioned allowances. Underpinning the estimates is the assumption that a share of the revenue generated would be used to compensate adversely affected developing countries for the economic impact of the measure and that the rest of the revenue would be transferred to climate funds such as the GCF". On this point, it should be made it clear that, in the international transport sector, including maritime and aviation, a global level playing field is prerequisite and there should be no trade distortion elements in the global market. With this basic principle in mind, the idea to provide compensation to developing countries may not be acceptable, as it surely has a significant trade distortion effect on the sectors and the trade markets. Therefore, this paragraph is not acceptable for Japan.

Annex II

- Annex II of the report contains estimates of some revenue-generating potential for international climate finance. In particular, Annex II suggests that, in the columns for UNFCCC, international aviation accounts for USD 10-25 billion per year and international maritime for USD 10-15 billion per year, respectively. However, it should be made clear that the UNFCCC neither discusses these figures nor endorses these numbers. It is also imbalanced to specify only these industries for potential monetary resources. Further the estimated amounts are too excessive, compared to the total amount of international climate finance. Therefore this Annex II is not acceptable for Japan.