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Research on Japanese Government Involvement in Public Financial Schemes for Climate Change Measures

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I. Introduction

1. Objectives of the Research

This research aims to identify the objectives and characteristics of public financial schemes related to climate change countermeasures established by the Japanese government. The characteristics include: Key institutions and departments in the government which are in charge of each financial scheme, decision-making process of these financial schemes, target project areas of each financial scheme, potential environmental and social threat associated with target projects of the each financial scheme, and established environmental and social consideration measures for each financial scheme. Based on this research, we will select our next campaign targets to ensure these schemes effectively mitigate climate change threats, assist in adaptation performance in countries vulnerable to climate change, and ensure these schemes work toward preventing and minimizing adverse impacts on the natural environment and the affected local communities.

The scope of this research includes funds under the UNFCCC, multinational financial institutions such as the World Bank and the Asian Development Bank, bilateral schemes, and quasi government agencies' schemes (JBIC, JICA, NEXI, NEDO).

2. Method

The Method of the research is literature review and interviews with related parties. Literature review includes: governmental policies including reports, statistics, press release, position papers, presentation materials, speeches, white books, and media coverage. Interviews were conducted with the related departments in government ministries: Ministry of Foreign Affairs, Ministry of Finance, Ministry of Economy, Trade and Industry, and Ministry of Environment.

II. Overview of the "Cool Earth Partnership"

1. Background of the Cool Earth Partnership

'Cool Earth 50'

Japan's Prime Minister Abe (at that time) in May, 2007 announced 'Beautiful planet, Earth 50 (Cool Earth 50)' that proposed reduction of greenhouse gases emissions down to half of the current level in the world by 2050. This initiative is occurring in the context of concern that the health hazards by not only extreme weather events but also the infectious disease, water, and food shortages will become more serious in the future after human influence on climate change such as global warming became clear from the report of Intergovernmental Panel on Climate Change (IPCC).

The Japanese government assumed that “A new approach making for the reduction of greenhouse gases emissions in which the entire world participated was necessary beyond the Kyoto Protocol” to evade such a situation. The government plan advocated three pillars for execution.

The first pillar is advocacy of “Long-term strategy” to reduce an amount of global emissions by half from the current level by 2050, consisting of two ideas; “developing innovative technologies” and “building a low carbon society”. The second pillar is advocacy of “three principles”; (1) designing a concrete international framework for addressing global warming beyond 2013 in which all major emitters participate, (2) the framework building with flexibility and diversity that considers each country circumstances, and (3) “compatibility between environmental preservation and economic growth”. The third pillar is development of a “national campaign” to ensure the achievement of Japan’s Kyoto Protocol target. The construction of a new “financial mechanism” was revealed for support to developing countries that have the intention to coordinate their policies in response to Japan’s proposals to achieve this second pillar.

> “Invitation to ‘Cool Earth 50’ ” by Prime Minister Shinzou Abe, May 24, 2007
> *(Financial Mechanism)*
> *In realizing these principles, I hereby announce that Japan will extend wide-ranging support to developing countries with high aspirations that say "No" to further global warming, make efforts to reduce greenhouse gases emissions and achieve economic growth in a compatible way. Japan will provide assistance utilizing its technology and experience, in areas such as reduction of greenhouse gases emission, forest conservation; measures for regions vulnerable to effects of global warming such as rises in sea level and droughts; promotion of use of clean energy, while taking into consideration various circumstances of developing countries.*
>
> *It is our intention to provide such assistance to the developing countries which stand ready to coordinate their policies actively in response to Japan's proposals. Thus, these will be a new type of assistance in which Japan will present proposals based on policies which will lead to cooperation. Japan will pay special attention to developing countries, and in particular, to the LLDCs, that are exposed to dangers such as submersion of land and desertification as a result of emissions by other countries. And we will be creating a new financial mechanism for these assistances. Instead of diverting the funds for assistance to developing countries that has been traditionally extended, Japan is ready to look into the possibility of creating a new financial mechanism with substantial size of funds for relatively long-term, and call on other industrialized countries and international organizations such as the World Bank and United Nations to respond and take part in international cooperation.*

'Cool Earth Promotion Plan'

It is "Cool Earth Partnership" the financial mechanism for developing countries support advocated in Cool Earth 50 was referred to more concretely when Prime Minister Fukuda announced it at the Davos Forum in January 2008. This was advocated as one of the pillars of international environmental cooperation in 'Cool Earth Promotion Plan' that consisted of three pillars; 1) a framework of post Kyoto (participation of all the major emitter countries in the carbon emissions reduction framework) 2) international and environmental cooperation (introduction of the high technology related to the environment to more countries and construction of the financial mechanism for developing countries support) and 3) the innovations (development of the innovative technologies and reforms in community structures that are appropriate for the low carbon society).

The "Cool earth partnership," constructed as a "New financial mechanism of 10 billion dollar scale," is a support framework to developing countries which especially aims at compatibility between the reduction of greenhouse gases emissions and economic growth. However, as discussed in more detail below, the realities of the "Cool Earth Partnership" is in almost every aspect, merely an extension or the mixture of an existing developing countries support schemes. There is a doubt if it should be described as an expansion or additional measures of developing countries support by the Japanese government.

"Cool Earth Partnership" by Prime Minister Yasuo Fukuda, Davos, Switzerland, 26 January 2008

As one measure, Japan will establish a new financial mechanism, Cool Earth Partnership, on the scale of US$10 billion. Through this, Japan will cooperate actively with developing countries' efforts to reduce emissions, such as efforts to enhance energy efficiency. At the same time, we will extend the hand of assistance to developing countries suffering severe adverse impacts as a result of climate change. In addition, Japan aims to create a new multilateral fund together with the United States and the United Kingdom, and we call for participation from other donors as well. We will use such instruments to strengthen our solidarity with developing countries and work towards the reduction of greenhouse gasses globally.

Other policies related to environment

'Asian economy and environmental community plan'

The 'Asian economy and environmental community plan' was proposed in the Council on Economy and Fiscal Policy (CEFP), the Prime Minister's consultation conference, and arranged by the Ministry of Economy, Trade and Industry and the Ministry of the Environment in May, 2008. This plan is centered around the "Clean Asia initiative". A basic idea of "Clean Asia initiative" is the aim to transfer the "Japanese model"; a package of experiences, technologies, organizations, and systems of Japan, considering the tradition and the culture in each country in Asia, and to combine the environment and economic growth, and to construct the society of the low carbon and the resource circulation.

'Asian economy and environmental community plan' was advocated as one of the "Global strategy" of "Economic growth strategies" in 'The Basic Policies for Economic and Fiscal Reform 2008' (the alias '*Honebuto* 2008') which the Cabinet approved on June 27, 2008. As a result, the Ministry of Economy, Trade and Industry, the Ministry of the Environment, and the related ministries will promote the following policies by the end of fiscal year 2008. The policies include 'Clean Asia initiative', a spread of water resource management which is water saving and harmonious with environment, expansion of 3R technologies, a spread of clean coal thermal power, cooperation in the oil reserve strengthening and so forth. These policies are aimed at the construction of the most environment friendly and strong market in Asia.

Moreover, in the 'Asian economy and environmental community plan' it is noted that effort for the environmental and the energy conservation policies will be promoted, while fully utilizing the "Cool earth partnership" and supporting each country from respects such as systems, financing, and human resource. Furthermore, these policies are promoted not only with the target of great reduction of greenhouse gases, but also consideration for the correspondence with 'Cool Earth-Energy Innovative Technology Plan' including the energy security, compatibility between environment and economy and the contribution to developing countries.

'Cool Earth-Energy Innovative Technology Plan'

The 'Cool Earth-Energy Innovative Technology Plan' arranged by Council for Science and Technology Policy in May, 2008 proposed a reduction of the world greenhouse gases emissions by half in 2050, and that "Japan leads development and the international cooperation of the environmental energy technology in advance of the world, and transfer the results to the world". It also describes that the main actors of transferring environmental energy technologies are private sectors, and the government provides indirect supports for them.

'Cool Earth-Energy Innovative Technology Plan' lies as the "top runner plan of the environment and energy technology" that is one of the pillars of "innovative, technologies creation strategies" of '*Honebuto* 2008', and international development of the clean energy industry is expressed.

'*Honebuto* 2008'

'*Honebuto* 2008' expresses that the Kyoto Protocol promise period has started, and whereas the action of the global warming becomes a common interest and a critical issue for the human race, Japan will accelerate the construction of a low carbon society that lives together with the natural environment both in and out of the country by demonstrating Japan's "environmental power" such as advanced technologies in the environment and energy field and also through the proactive foreign policy. In order to achieve the above mentioned target, three measures are given; (1) Making action plans for constructing a low carbon society, (2) Certain achievement of Kyoto Protocol target, and (3) Demonstrating of initiative in framework-making of post Kyoto Protocol. The achievement of the Cool Earth Promotion Plan is mentioned in (3).

2. Aims of the Cool Earth Partnership

The Cool Earth Partnership aims to strengthen unity with developing countries by cooperating in the greenhouse gases emissions reduction of developing countries, and supporting developing countries vulnerable to the climate change influence, and to reduce the greenhouse gases globally, according to the above-mentioned speech by Prime Minister Fukuda.

For this purpose, the budget of about US$10 billion (JP¥1 trillion 25 million) is proposed for the following projects after 2008 for five years such as "support for developing countries vulnerable to the climate change (African nations and islands countries, etc.) in their adaptation measures against the global warming", "support for economic development using clean energy in developing countries (African nations etc.) where the modern energy service is not available" (JP¥25 million in total, about US$2 billion), and "support to 'mitigate' climate change by decreasing the greenhouse gases emissions" (JP¥1 trillion, about US$8 billion).

In the background of this official target of partnership, the Japanese government seeks a negotiating advantage in the next term international climate change negotiation framework after 2013 by increasing the number of developing countries that support the position of Japan. The Ministry of the Environment Global Environment Bureau Environmental Cooperation Office Deputy Director says "The aim of the Cool Earth Partnership is to request the countries to participate in promotion of the climate change measures of developing countries and the next framework. Its major concern is to make the negotiation succeed, encourage as many countries as possible to participate." The idea of the Japanese government concerning the next framework is to assign the suitable responsibilities of the greenhouse gases emissions reductions also to the newly developed countries where the recent economic growth is remarkable. A Principal Deputy Director of Aid Policy Planning Division, International Cooperation Bureau of the Ministry of Foreign Affairs says, "the Japanese government sees the necessity for China and India (also the United States) to bear their responsibility in correspondence to each country's capacity in the next framework after 2013 and will try to share this idea with the developing countries through the policy discussions with them. We assume that developing countries would understand the importance of global emissions reductions because the reductions benefit developing countries as well even though the idea of developing countries is that the reduction should be done by developed countries first and developing countries do not wish to bear obligations by themselves."

Moreover, it is referred in '*Honebuto* 2008' and recorded in 'Action Plan for Establishing a Low Carbon Society' approved by the Cabinet on July 29, 2008 that through the Cool Earth Partnership, the Japanese government create an environment that promotes positive participation of developing countries in the framework after 2013. In summary, the aims of the Cool Earth Partnership is (1) Supporting developing countries in addressing climate change, and (2) Gaining an advantage in the negotiation of the next framework by increasing developing countries who support Japan's position.

3. Characteristics of the CEP

The Cool Earth Partnership has three main characteristics. First, the Cool Earth Partnership, announced as "a new financial mechanism," is not an addition to the existing supports by the Japanese government but a collection of those. Cool Earth Partnership extends to many schemes like grant aids, technical co-operations, yen loans, donations to international organizations, equities and guarantees by JBIC, energy efficiency related projects consigned by the government through the New Energy and Industrial Technology Development Organization (NEDO), the trade insurance of Nippon Export and Investment Insurance (NEXI), and so forth. Among these, Environmental Program Grant Aid, Climate Change Countermeasures Yen Loan, Japan-United Nations Development Program (UNDP) Joint Framework, and NEXI's Global Environment Insurance, are newly founded by the Japanese government under the Cool Earth Partnership. However, the highlight of the Cool Earth Partnership, the Climate Change Yen Loan granting JP¥500 billion in five years is not a budget given apart from the usual yen loans. Thus, it is merely an extension of the current developing countries support framework.

Each ministry in the government recognizes that Cool Earth Partnership is not an additional budget measure. With the pressure for the annual domestic expenditure reduction, the ODA budget also declines[1]. Cool Earth Partnership does not become the means to expand a current developing countries support budget but includes other means to assist developing countries in prioritizing the climate change measures such as the concessional interest rates, flexible request time etc. By doing so, the Japanese government proposes developing countries to place the climate change measures as the high priority of the country's development plan.

[1] In the *Honebuto* 2006, the annual reduction in ODA budget during 2007-2011 by 2-4% was approved by the Cabinet.

The second characteristic of Cool Earth Partnership is its implementation by several ministries and various executing organizations. This is also a result of collecting the existing support frameworks. The role of each ministry will be discussed later.

The third characteristic is the absence of common criteria for appraisal and evaluation when selecting the target projects of Cool Earth Partnership. In other word, the specific appraisal, evaluation, and monitoring of the project is left to the each executing organization. Moreover, the environmental and social considerations standards also depend on the existing standard of the individual executing institutions. At present, the attempt to set a common standard concerning the target projects and to evaluate and monitor the execution conditions collectively by the government is not seen.

4. Key Institutions and their roles in CEP

As already mentioned, four governing ministries of Cool Earth Partnership are the Ministry of Foreign Affairs, the Ministry of Finance, the Ministry of Economy, Trade and Industry, and the Ministry of the Environment. Anumber of policy consultations under the initiative of the Ministry of Foreign Affairs continues with “partners” who show and understanding of Japan’s position, and who will be offered certain support schemes from Cool Earth Partnership according to its requests. Each executing organization reviews, implements, and evaluates the each “partner’s” project individually according to the existing scheme or newly established one under Cool Earth Partnership by the government.

Now the embassies of about 180 ODA target countries are putting forward their policy consultations with potential and existing partners while the four ministries hold meetings when necessary. The Japanese government sees that some 30 countries[2] have shown an understanding of Japan's position and became the ‘Partners’ at the present (late July). Among those, only 3[3] cases have been implemented. Furthermore, the first yen loan for Climate Change Countermeasures to Indonesia, the first and a gigantic assistance was approved on the September 2,nd 2008[4]..Therefore, though the Ministry of Foreign Affairs is now leading the policy consultations, the tasks of other ministries and organizations in charge of each scheme will increase as the countries go on to the examination stage of the specific support projects/programs（The role of each ministry in each scheme is shown later. The list

2 Support that have already implemented are for Senegal, Madagascar, and Guyana. With following countries, Japan continues the policy consultations and examination of the concrete support plans. As of July 29, those countries includes Nigeria, Gabon, Peru, Laos, SICA nations (Guatemala, El Salvador, Honduras, Nicaragua, Costa Rica, Panama, Dominican Republic, and Belize), Suriname, Uruguay, Maldives, Kazakhstan, Cameroon, Burkina Faso, Benin, Jordan, Palau, Yemen, Botswana, Ethiopia, Vietnam, Morocco, Niger, and Bangladesh.

3 The grant aid has been implemented to Madagascar (900 million yen), Senegal (800 million yen), and Guyana (500 million yen) in March, 2008.

4 “Climate change program loan” to Indonesia was recorded as a loan of US$300 million (about JP¥30 billion) under the Cool Earth Partnership in the middle of July. JBIC signed to the loan agreement of which the limit was JP¥30 billion 768 million with the Indonesian government on September 2.

of executing organizations and the ministries in charge of each scheme in the Cool Earth Partnership is shown in the Figure 1.

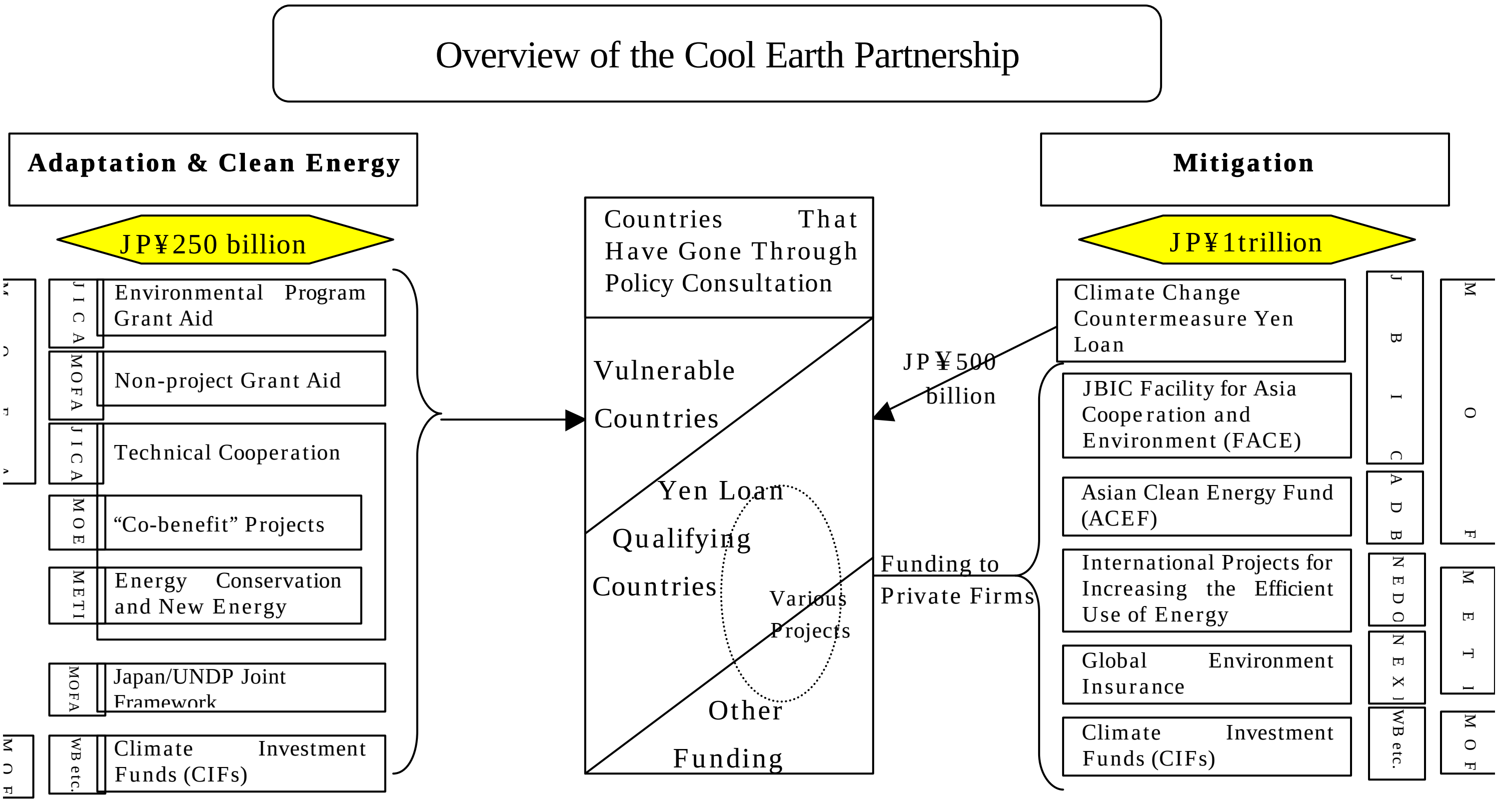

Figure 1.[5]

(Source: Modified by the author from the original chart "Overview of the Cool Earth Partnership" by MoFA)

The above-mentioned two aims are shared within the Japanese government but the specific methods of evaluating the Cool Earth Partnership projects are not quite so and at present, coordinated enough within the government. For instance, the Ministry of the Environment describes its role as to emphasize the concept of Cool Earth Partnership; "the promotion of the climate change countermeasures in developing countries and encouragement for the participation in the next framework negotiation", which envisions the necessity of measuring the reduced greenhouse gases emissions when implementing support for the climate change countermeasures. On the other hand, the Ministry of Foreign Affairs does not suppose the measurement of the reduced greenhouse gases emissions with the exception of CDM projects.

[5] From 1 October 2008, JBIC's yen loan will be controlled by the new JICA and the governing agencies will be MoFA, MoF and METI.

It seems that the four ministries have slightly different intentions in progressing Cool Earth Partnership. For instance, according to the officer of the Trade and Economic Cooperation Bureau of the Ministry of Economy, Trade and Industry, who is in charge of ODA, as the Ministry of Economy, Trade and Industry, the bureaucracy wants to promote energy-efficiency projects in China but cannot because China has not become a 'Partner' yet. The officer explains that when the countries whom METI has wished to implement projects since before becomes "Partners" by chance, they will do it as a project of Cool Earth Partnership. In other word, the policy of attempting promotion of the energy conservation and the new energy projects long valued by the METI will not change regardless of the presence of the initiative named as Cool Earth Partnership.

On the other hand, the Ministry of Foreign Affairs has the intention from the viewpoint of diplomacy to increase the number of countries that support Japan's position in international climate change negotiations by supporting the adaptation measures of vulnerable countries using non-project grant aid with its own ODA budget or the mitigation measures of middle emitter countries such as Indonesia. The Ministry of Foreign Affairs International Cooperation Bureau, Aid Policy Planning Division, Principal Deputy Director describes, "China is a country with a capacity to take measures on its own, also is very tough on the negotiation. We want to be partners with China and India too under Cool Earth Partnership if possible, but at present they have different stance from Japan that we are not partners. On the other hand, the middle emitter countries like Indonesia need loans from Japan and some of the vulnerable countries in the Pacific and Africa are not capable of coming on the negotiation stage or grasping what is really happening with the context of climate change. For such vulnerable countries, the global reductions of greenhouse gas emissions are so beneficial that as the Japanese government (and partly because MoFA's ODA budget is for adaptation measures) we want to put emphasis on supporting the adaptation measures of the vulnerable countries."

III. CEP: Adaptation Measures and Improved Clean Energy Access

Up to US$2 billion (JP¥250 billion) over the next five years will be provided to developing countries working toward greenhouse gas emission reduction while securing economic growth. This assistance will be for adaptation measures and improved access to clean energy. Adaptation measures will protect countries vulnerable to climate change and its adverse effects through preventive planning and performing countermeasures. Assistance towards adaptation measures will be realized by grant aids, technical assistance and aid through international organizations such as the United Nations Development Program. Improved access to clean energy will be promoted by technical cooperation such as conducting feasibility studies on rural electrification projects with geothermal energy and by co-benefit projects addressing climate change. These projects will promote access to modern energy supply to where there is currently insufficient access, and allow for economic development. The budgets of all the schemes for the CEP's adaptation measures and improved clean energy access will come from the budget of the ODA. These schemes may also be used as mitigation measures when appropriate.

1. Grant Aid

There are two types of grant aid as a part of the CEP.

(1) Environmental Program Grant Aid

The Environmental Program Grant Aid is established under CEP and will be administered by the Japan International Corporation Agency (JICA). Its budget for the fiscal year 2008 is JP¥1.5 billion compared to JP¥105.2 billion total budget of JICA's grant aid. The target sectors for this grant aid are: conservation and management of forests, waste management, and a broad range of other environment related sectors including natural environment monitoring, education, and purchase of machinery.

The exact design of the grant aid are still under consideration as of July 4, 2008. However, it is determined that the Environmental Program Grant Aid will be administered by the JICA under the new JICA[6], which will start on October 1, 2008. The selection of grant cases will likely follow these general processes currently being established for the new JICA[7]: request by the government of developing countries through diplomatic channels, related information gathering and review by the ODA task force, selection of the project by the Ministry of Foreign Affairs and studies (eg. B/D) by the JICA, final appraisal by MoFA and consultation with Ministry of Finance, cabinet decision on the Exchange of Notes (E/N), payment to the JICA, conclusion of E/N by MoFA, conclusion of Grant Agreement (G/A) by the JICA, and implementation of the project including contract certification, payment and process management by the JICA (See Figure 2). The environmental and social impacts will be considered using the JICA's (new) guidelines for environmental and social considerations, which is being discussed in the experts committee on the new JICA's guidelines for environmental and social considerations and will be enacted soon.

[6] Current Japan Bank for International Cooperation (JBIC)'s Overseas Economic Cooperation Operations (ODA's yen loan) will be merged into the current JICA and the new JICA will be started on October 1, 2008.

[7] Except for some of the grant aid schemes, JICA will expand its jurisdiction over these grant aid schemes. In such schemes, JICA will conclude the Grant Agreement with the recipient country, and carries out works necessary for implementation of the project including contract certification, payment and process management.

Business flow of the grant aid (Before and after the JICA law revision.)

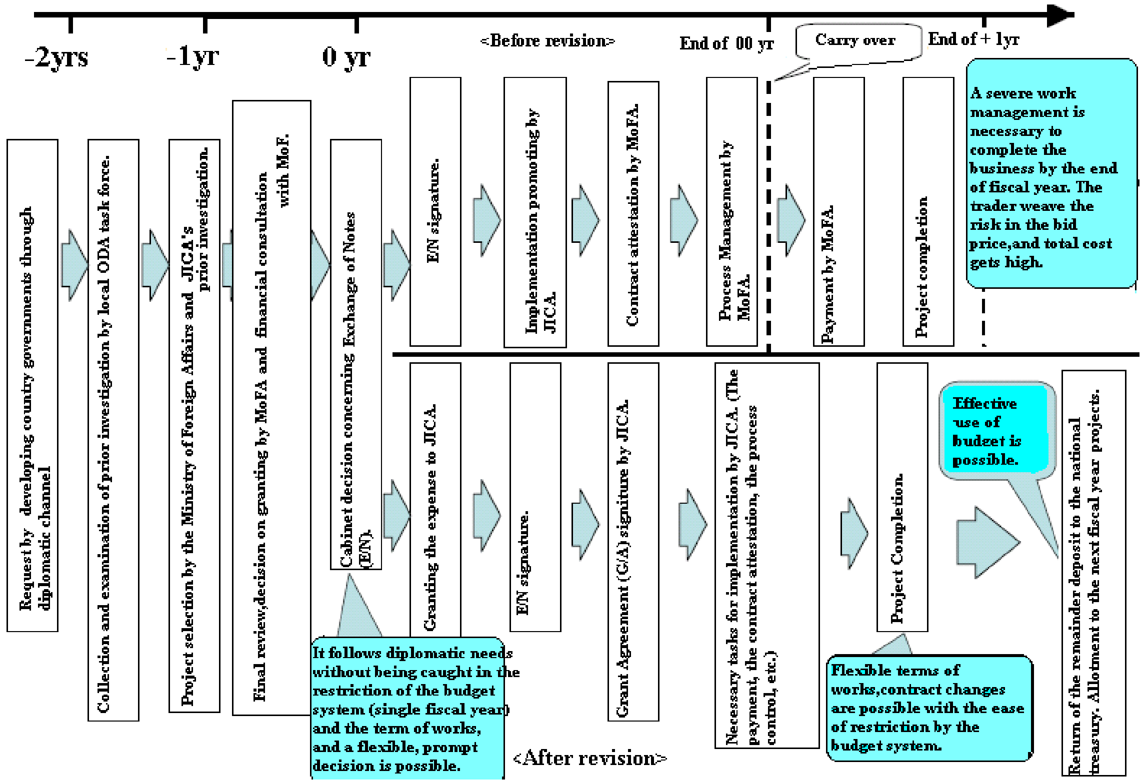

Figure 2

(Source : MoFA, translated by FoE Japan)

(2) Non-Project Grant Aid

The Non-project Grant Aid is administered by the Ministry of Foreign Affairs even after the commencement of the new JICA and has been offered before the founding of the CEP. Not all non-project grant aids will be a part of the CEP. A total of a little over US$24 billion was allocated to this grant aid in the fiscal year 2007, and contributions have been made using the non-project grant aid as part of the CEP to Madagascar (JP¥900 million), Senegal (JP¥800 million), and Guyana (JP¥500 million) in March. In each of these cases, the grants were used to purchase articles related to climate change.

This grant aid aims for economical and social development including: poverty mitigation, education, infrastructure, disaster prevention, agricultural development, and environmental protection.

The designs of this grant aid as part of the CEP is the same as the one for the other non-project grant aids. The selection of non-project grant aids follows the general procedures (See the Figure 2). The environmental and social impacts will be considered using the JICA's (new) guidelines for environmental and social considerations.

2. Technical Cooperation

There are three types of technical cooperation as part of the CEP.

(3) Technical Cooperation

Technical cooperation is administered by JICA, and has been offered before the founding of the CEP. Technical cooperation scheme as part of the CEP will likely to be same as the existing technical cooperation and follow these general processes: research for possible assistance by the JICA, investigation of individual cases by the JICA, decision by the Japanese government on whether or not to carry out the technical cooperation, cabinet decision, conclusion of international promise by the governments, conclusion of Memorandum of Understanding (MoU) by the JICA, and implementation by JICA.

The budget for technical cooperation in the fiscal year 2007 was JP¥297 billion, of which JP¥155.6 billion was allocated to the JICA. Technical cooperation as part of the CEP will be offered to such projects as forest conservation, disaster prevention, and clean energy. The environmental and social impacts will be considered using the JICA's (new) guidelines for environmental and social considerations.

Projects through the CEP technical cooperation are yet to be administered.

(4) Energy Conservation and New Energy Related

These will be administered through the Ministry of Economy, Trade, and Industry and has been offered before the founding of the CEP. This will likely to include technical assistance contracted to METI by JICA and the ODA budget is used for the technical assistance. Projects through this scheme as part of the CEP have not been administered yet since the current "partners" under the CEP are not those countries to which METI has carried out cooperation such as China. For the fiscal year 2008, METI has JP¥38.7 billion ODA budget but the budget for the CEP is unknown.

JICA's (new) guidelines for environmental and social considerations will be used to prevent and mitigate the adverse impacts of the projects.

(5) "Co-benefit" Projects that Address Climate Change

"Co-benefit" projects are projects that act both as sustainable development and as a climate change countermeasure. These projects are administered by the Ministry of the Environment starting this year, which will investigate clean development mechanism (CDM) projects to determine if it can also be a co-benefit project (co-benefit type CDM). Co-benefit type CDMs are projects such that fulfill the different developmental needs while also reducing the emission of greenhouse gasses. In other words, these projects will contribute to energy conservation and mediate air pollution etc. ("co-benefit") while also creating revenue from the reduction in greenhouse gases emission s and selling credits (CDM). The specific types of projects to be administered are still being discussed.

Co-benefit projects for pollution and global warming countermeasures using the Kyoto mechanisms has a budget of JP¥300 million from the petroleum special account for the fiscal year 2008. The target sectors for this project may include: energy problems, infrastructure, preservation of the environment, manufacturing industry, agricultural development, water quality, air quality, and reduction of nitric phosphate in chemical fertilizers. As of now, only the investigations on the co-benefit type CDM projects are underway.

Co-benefit projects as part of the CEP will especially work towards co-benefit type assistance in unity with global warming countermeasures in developing countries to build low-carbon society in the long and medium terms.

3. Support through International Institutions

(6) Japan/UNDP Joint Framework

This framework was newly created for the CEP to support African nations. The MoFA is in charge of the framework for Japan and announced the contribution of JP¥10.7 billion (US$92.1 million) to the UNDP in May. Of the US$92.1 million, US$11 million will be allocated to joint projects with the UNICEF, WEP, and UNIDO. The framework was founded to: support national capacity development, reconsider poverty reduction strategy based on economic assessment of climate change, preserve forests, prevent disasters, promote clean energy, support droughts and flooding countermeasures, etc.

Projects will be selected by the UNDP's selection processes and then approved by the Japanese government. The UNDP has three review mechanisms in selecting the projects. First, the UNDP Country Office management reviews the suitability of the project in terms of the country's needs. Then, the Project Appraisal Committee (PAC) reviews the project scope and approach. Finally, the Project Board decides if the project plan is likely to succeed by reviewing the detailed project budget and activity schedule. Environmental and social considerations will be made using the standards of the UNDP.

IV. CEP: Mitigation Measures

Up to US$8 billion (JP¥1 trillion) over the next five years will be provided as assistance mitigation measures to developing countries working toward greenhouse gases emissions reduction while securing economic growth. Mitigation measures will decrease greenhouse gases emissions and mitigate climate change. JP¥500 billion will be used as loans through the JBIC with preferential interest to implement programs by developing countries to address global warming. The other JP¥500 billion will be divided between the JBIC, NEDO, NEXI, ADB and the World Bank to provide for projects to reduce greenhouse gases emissions in developing countries. These schemes may also be used as an adaptation measure or to promote clean energy when appropriate.

1. Loans

Climate Change Countermeasures Yen Loan

Climate Change Countermeasures Yen loan will be administered by the Japan Bank for International Cooperation (JBIC). JP¥500 billion has been allocated with preferential interests for this loan over the next five years as part of the ODA budget. The Climate Change Countermeasures Yen Loans will be made to such projects as: forest preservation, pollution prevention, energy and resource conservation (new renewable energy), nature conservation, alternative energy, ozone layer protection, marine pollution countermeasures, desertification prevention, infectious disease countermeasure, and construction of waterworks to reduce poverty.

Loans will be considered for those countries that go through policy consultations on the compatibility of greenhouse gases emissions reduction and economic growth, and will be provided for projects with a focus of climate change mitigation, except for some cases where it may be provided for clean energy access or adaptation measures. Figure 3 shows the usual ODA loans project cycle. In contrast to the usual ODA loan request procedure, which is submitted by the recipient country once a year, prospective cases in these fields are always accepted, and will be placed on the “fast-track” for preferential consideration.

The interest rates are less than half of the interest rates of the existing preferential conditions except for the least developed countries which already have a very low interest rate of 0.01%. The repayment period is the same as for the existing preferential conditions except for a few cases where it is 5 years shorter. Environmental and social considerations will be made using the JBIC guidelines, or the new JICA guidelines. However, there is a concern related to environmental and social considerations with using the current guidelines since the current guidelines does not require environmental review for a program loan which also applies to the climate change yen loan.

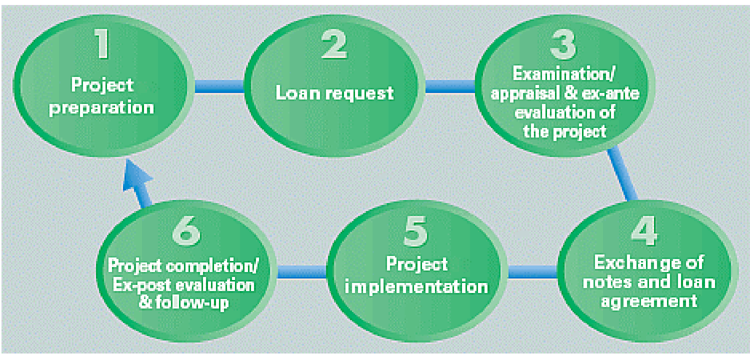

Figure 3.

(Source: JBIC “Project Cycle of ODA Loans”)

The first Climate Change Program Loan will be allocated to Indonesia. On September 2, Governor of the JBIC, Mr. Kouji Tanami and the Indonesian government signed the loan agreement of a maximum amount of JP¥30,768 million (approximately US$300 million) with interest rate of 0.15%, repayment period of 15 years and grace period of 5 years.[8] The objective of the loan is to provide financial support to the Indonesian government's reforms related to climate change countermeasures and the loan will be provided when the agreed policy actions are taken by the recipient country. The loan will be implemented by evaluating the achievement of "policy actions" provided in the "policy matrix". Currently the Indonesian government is formulating the policy matrix in coordination with the Japanese government. Reforms being described in the policy matrix includes: (1) greenhouse gases emission reduction (forest preservation, diversification of energy and increased energy efficiency etc.), (2) adaptation to climate change (organizational and institutional improvement for comprehensive watershed management, water and sewage access improvement, reinforcement of irrigation management and agriculture training system etc.), and (3) multidisciplinary issues (improvement of coordination in implementing climate change countermeasures, put climate change countermeasures in the mainstream of the national development plan, promotion of CDM projects, reinforcement of meteorological observation system etc.)

Using JICA's technical cooperation scheme, Japanese experts are projected to be dispatched as a monitoring team that evaluates the achievement of the policy actions. As described above, the current guidelines do not need an appraisal for a program loan and accordingly there is limited access to information regarding its environmental and social considerations, if any.

2. Export Credit Agency

JBIC Facility for Asia Cooperation and Environment (FACE)

FACE will be administered by the JBIC to invest in funds and individual projects, and as guarantee for loans from private banks (See Figure 4). FACE is not a new scheme, but rather an existing scheme that was given a new name in order to make it easier for people to understand. There are two parts to FACE: (1) energy conservation, new energy, and forest preservation projects as a climate mitigation measure, and (2) infrastructure development in Asia as Asia targeted projects. It has a budget of JP¥20 billion for the fiscal year 2008, which will come out of the fiscal investment and lending. The breakdown of the budget between the two parts of FACE is not determined. Over five years, the FACE will make available in total, including private funds, on the scale of several hundred billion yen for investment and guarantees. The facility will support such

[8] http://www.jbic.go.jp/autocontents/japanese/news/2008/000190/index.htm
http://www.jbic.go.jp/autocontents/japanese/news/2008/000190/sankou.htm

projects as: energy conservation, new energy, forest preservation, and infrastructure development in Asia. The (new) JBIC guidelines will be applied for the environmental and social considerations.

A significant decree was approved by the Cabinet on August 26, 2008, which enables the new JBIC (starts on October 1, 2008) to provide loans/guarantees to nuclear power generation related projects not only to developing countries but also to industrialized countries. In principal, the new JBIC's loans and guarantees are provided for developing countries but when there is necessity from the viewpoint of international competitiveness, by formulating a government decree, the new JBIC can provide loans/guarantees for industrialized countries. According to the METI's officials and the press release by the Agency for Natural Resources and Energy, the decree aims at maintaining and improving international competitiveness of Japanese nuclear power sector, maintaining domestic energy security, and contributing to address global warming at the same time.

Currently, the Japanese government and the United States government are promoting policy cooperation to build nuclear power plants in the United States. In June 2008, U.S. Department of Energy Secretary Mr. Bodman and the then Minister of METI of Japan Mr. Amari released the joint statement to review the use of the new JBIC in this context.

Concerns related to environmental and social considerations in support for nuclear power sector will be discussed in the NEXI's part.

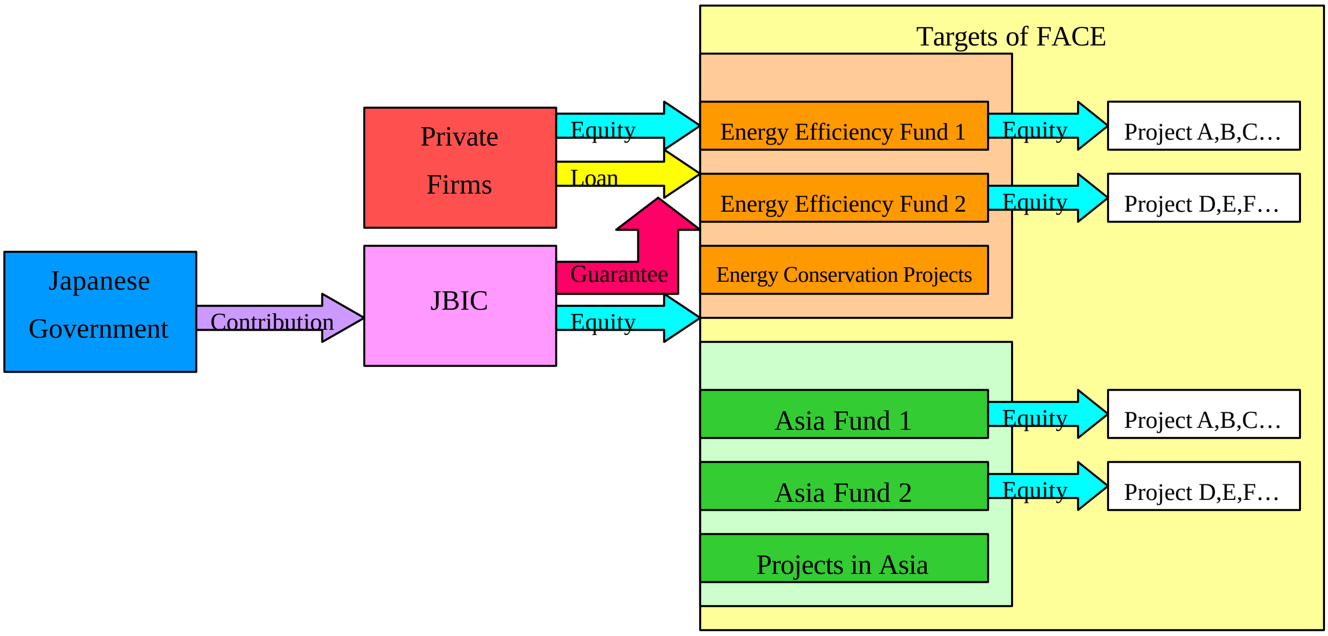

Figure 4.

(Source: JBIC "Schematic Illustration of JBIC Facility for Asia Cooperation and Environment (FACE)")

3. Other

International Projects for Increasing the Efficient Use of Energy

The International Projects for Increasing the Efficient Use of Energy are administered by the New Energy and Industrial Technology Development Organization (NEDO). The budget for the CEP is unknown, but it will come out of the special account for energy measures, which has a budget of over JP¥5.2 billion for the fiscal year 2008. The projects in this scheme are comprised of two types: (1) fundamental projects which research and analyze the promising fields of the model projects and meet with interested people from the concerned countries, and (2) model projects which include feasibility studies (FS), demonstration by the operating company, and follow-up projects that aim to prove and spread Japan's energy conservation technologies. Projects will be such that will implement equipment concerned with energy conservation and alternate energy technology to projects in developing countries through commissioned companies.

Projects are chosen through public offerings which will be evaluated by multiple divisions in the NEDO. As this is not an ODA, the prospect of forming a successful business base is a major criterion for selection. Each project will have a mid-term evaluation both internally and externally, and also an internal follow-up evaluation. The follow-up evaluation will check the progress of the project, and also the spread of the technology. There are no guidelines for environmental and social considerations, but possible negative environmental impacts are searched for during ex-ante evaluation and commercialization assessment.

In the past, NEDO's model projects for the International Projects for Increasing the Efficient Use of Energy scheme has been executed only in Asia. However, as of now, many of the CEPs are African nations. While future projects in non-Asian nations are not out of the question, it is likely that projects in Asia will continue to be the majority as it is an easy area for Japanese firms to enter.

4. Export Insurance

Global Environment Insurance System

Global Environment Insurance System is administered by Nippon Export and Investment Insurance (NEXI). The credit line set at JP¥2 trillion for the first 10 years. The insurance is applicable not only to developing countries but also to any countries in the world for a wide variety of projects that will contribute to the stabilization of the climate through investments and trade that will reduce greenhouse gases emission. Country risks for trade and overseas investment will be 100% in case of extreme risks, which is preferable compared to the current 97.5%. The Global Environment Insurance System may be applied to projects that export or invest overseas in facilities and machinery that will reduce greenhouse gases emissions (export of plant and equipment regarding (1) energy conservation, (2) new energy including: solar power, hydraulic power, wind power, geothermal, and biomass, and (3) nuclear power) and for afforestation projects, uranium development projects, CDM projects etc (See the Annex 1).

NEXI has its own guidelines for environmental and social considerations and it conducts environmental review on each project. However, in the case of exporting nuclear power related projects/components, JBIC and NEXI asks the Ministry of Economy, Trade and Industry to conduct environmental review. According to JBIC and NEXI, the METI does confirm the recipient country properly makes considerations from viewpoints of preventing nuclear accidents, addressing inappropriate nuclear waste disposals, and insuring safety in the importing projects. This is the main reason given when JBIC and NEXI declined the request by NGOs who requested special independent review process and information disclosure on the nuclear related projects considering the high risks and special features the projects uphold.

However, interview with the METI revealed some important facts. First, the METI, in contrast to the JBIC and NEXI's in their environmental review, does not conduct field research. Instead the METI's review is based on information related to International Conventions, IAEA's country profiles, and documents submitted by the Japanese company who will be the main contractor. Second, they do not examine disclosure of information on the security issues in the locals and affected persons consultation processes in their review scope. Third, the METI's review result is not disclosed to the public. According to the METI, "it is because the review is requested by the JBIC/NEXI". Forth, according to the METI, among the 13 projects that the METI reviewed in total, none was judged as inappropriate.

These facts reveal that there are major deficiencies in the METI's review.

5. Donations to the Asian Development Bank and Technical Assistance

Asian Clean Energy Fund (ACEF)

ACEF is administered by the Asian Development Bank (ADB) as part of Enhanced Sustainable Development for Asia (ESDA). The budget will be a maximum of US$100 million for five years combined with the budget for the Investment Climate Facilitation Fund (ICFF). The Japanese government has promised JP¥2.32 billion for ACEF in February, 2008 (ICEF will receive JP¥1.16 billion). The ACEF aims to promote investment by organizing the infrastructure, investment system and investment environment and promote energy conservation using Japan's knowledge and technology. These will be realized through untied loans and technical assistance, and will not be limited to CEP countries since the ACEF is managed by ADB independent of policy dialogues between Japan and the CEP candidates. The fund will also be applied to strengthen the cooperation between the ADB and the JBIC.

Projects will be chosen according to the ADB's selection processes and then approved by the Japanese government. Projects will satisfy the country-by-country development strategies, EEI, CEFPI criteria, be an innovative solution, and have a high likelihood of dissemination etc. Environmental and social considerations will be made according to the standards of the ADB.

V. Multinational Fund: Contribution to the World Bank

1. Climate Investment Funds (CIFs)

In June 13, 2008, World Bank Group President Robert B. Zoellick announced establishment the Climate Investment Funds (CIFs) on the sidelines of the meeting of finance ministers for the Group of Eight (G8). Three countries initiated its establishment, namely Japan, the US and UK and Japan has announced the funding of a maximum JP¥130 billion for CIFs as part of CEP. Total investments, based on preliminary indications from donor countries, are targeted to reach US$5 billion[9].

CIFs include the **Clean Technology Fund** for mitigation measures and the **Strategic Climate Fund** for adaptation measures. The Clean Technology Fund, will provide new, large-scale financial resources to invest in projects and programs in developing countries which contribute to the demonstration, deployment, and transfer of low-carbon technologies[10]. The projects or programs must have a significant potential for long-term greenhouse gases savings. The Strategic Climate Fund, will be broader and more flexible in scope and will serve as an overarching fund for various programs to test innovative approaches to climate change[11]. The first such program is aimed at increasing climate resilience in developing countries.

The funds will be used as loans, credits, guarantees, grants and other support. Environmental and social considerations of the concerned projects will be taken on the standards of the World Bank Safeguard Policies.

However, the World Bank has been under the serious criticism from NGOs since its planning stage of CIFs. This report will not deepen every issue, but main issues are the followings:-

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9 http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/EASTASIAPACIFICEXT/JAPANINJAPANESEEXT/0,,contentMDK:21830744~menuPK:515519~pagePK:1497618~piPK:217854~theSitePK:515498,00.html

10 http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/EASTASIAPACIFICEXT/JAPANEXTN/0,,contentMDK:21826304~pagePK:1497618~piPK:217854~theSitePK:273812,00.html

11 http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/EASTASIAPACIFICEXT/JAPANEXTN/0,,contentMDK:21826304~pagePK:1497618~piPK:217854~theSitePK:273812,00.html

- Inconsistency of the World Bank in that it has supported fossil fuel projects, while now it established CIFs.
- There is no definition of 'clean'. Hence there are concerns of supporting controversial technology such as so-called clean coal, carbon storage.
- The possibility of using concessional loans for climate adaptation in vulnerable countries, as climate change and thus measures against adaptation should be considered as responsibility of developed countries.
- Structure of decision-making of CIFs is not democratic enough.
- Possibilities of preempting discussion of UN Framework Convention on Climate Change (UNFCCC)

As the above concerns or criticisms were raised, some points of CIFs papers were changed to respond such concerns before the board meeting of the World Bank e.g. preempting UNFCCC discussion. However, we understand that the above concerns still exist.

2. Forest Carbon Partnership Facility (FCPF)

The World Bank also launched a proposal for a new World Bank Forest Carbon Partnership Facility (FCPF) at UNFCCC Conference of the Parties on its thirteenth session, held in Bali (COP 13) in 2007. The Facility would assist developing countries in their efforts to reduce emissions from deforestation and land degradation (REDD) providing two separate mechanisms.

The Bank announced that it had already received pledges totally US$165 million, from 10 donor countries and The Nature Conservancy, whilst in Bali. It has been announced that the Japanese government will deliver US$10million to FCPF and half of the amount, US$5 million has already been confirmed to contributed to it. The targeted volume of the facility would be approximately US$ 300 million. According to the Bank, under the former mentioned Climate Investment Fund, a third fund, the Forest Investment Fund (FIF) may be created in the end of this year or early 2009. The resource mobilized from this fund can be also channeled to FCPF.

FCPF would have the dual objectives of：(1) building capacity for REDD in developing countries；and (2) testing a program of performance-based incentive payments in some pilot countries, on a relatively small scale, in order to set the stage for a much larger system of positive incentives and financing flows in the future.

(1) Readiness Mechanism

Readiness Mechanism will assist approximately 20 developing tropical and sub-tropical countries to participate in future REDD scheme by preparing a national REDD strategy, establishing a reference scenario for emissions from deforestation and degradation, establishing a monitoring system for emissions and emission reductions. This fund mechanism would be a source of long-term revenues to finance these programs, which may benefit tries, municipalities, private companies and forest dwellers. The Bank also says that these Readiness activities will involve a high degree of consultation with civil society and indigenous peoples organizations. Under the Mechanism, the minimum size of the Readiness Fund is US$20 million, with contributions of at least US$5 million per participant expected from governments and other public and private entities. Its target size is US$100 million.

(2) Carbon Finance Mechanism:

About 5 countries that have demonstrated ownership on REDD and adequate monitoring capacity, and that established a credible reference scenario and options for reducing emissions, would be selected, on a voluntary basis, to participate in this mechanism. Under the Mechanism, The Carbon Fund will remunerate the selected countries in accordance with negotiated contracts for verifiably reducing emissions more than in the reference scenario. According to the Bank, The Carbon Fund's payments are intended to provide an incentive to the recipient countries and the various stakeholders including forest dependent indigenous peoples, other forest dwellers or the private sector. Within the Carbon Finance Mechanism, payments would only be made to countries that achieve measurable and verifiable emission reductions. The minimum operational size of the Carbon Fund is set at US$40million; its target size is US$200 million. Contributions to the Carbon Fund of at least US$5 million per participant are expected to come from governments and other public and private entities.

NGOs have voiced concerns about the potentially negative effects FCPF may have in developing countries. Primarily, due to its "top-down" policy and restrictive foundations, there is an apprehension of non-participatory at a grass-roots level. NGOs insist FCPF would adversely effect indigenous populations by letting a state, who often do not speak out on behalf of people dependent on forests who are often politically marginalized in their own countries, implement REDD policy. Up until now, without sufficient consultation with local communities/indigenous peoples local land rights have been overlooked by the state in many developing countries. This can cordon off areas from human activity for the cultivation of carbon stocks.

Second concern is the Facility's inequality of benefit sharing among stakeholders. As the Forest Carbon Partnership Facility charter is currently written, industrial logging companies could actually reap greater benefits from avoided deforestation than local community stewards. Also the Facility has no guidelines to help communities understand what money they may be liable for, or what share of carbon offset revenue they should expect. Less having prioritized poor communities is not a new fact. So far despite prioritizing "poverty alleviation" as its one of carbon finance portfolio target, two of the Bank's carbon funds – the Community Development Carbon Fund (CDCF) and the Prototype Carbon Fund –

aiming to deliver sustainable development benefits to the poor- have a total capital of US$219 million, only 10% of the US$2 billion in the Bank's carbon finance trust fund coffers.

Thirdly the World Bank has appalling track record in relation to funding forests and carbon projects. For instance, the World Bank's Prototype Carbon Fund have funded US$5.3 million to Minas Gerais Plantar Project in Brazil in 2002-2003 which is to expand eucalyptus plantations that provide charcoal for pig iron industry. Plantar pressured local residents to sign letters of support for the project and today it has been found that a lot of environmental impacts on local communities have resulted, like water table dropping, the disappearance of biodiversity and medicinal plants, and the application of herbicides and pesticides to timber plantations that have killed local farmers' subsistence crops and poisoned streams.

According to the press release by the World Bank on July 21, 2008, the 14 tropical and sub-tropical countries have been selected as first developing country members to receive grant support as they build their capacity for REDD under FCPF readiness mechanism[12] in particular by establishing emissions reference levels, adopting REDD strategies, and designing monitoring systems.

VI. Financial mechanism to address climate change at the UN Climate Negotiation and Global Environment Facility (GEF)

According to the estimation by the UNFCCC technical report, global additional investment and financial flows of US$200- 210 billion will be necessary by 2030 to return global greenhouse gases (GHG) emissions to current levels (Mitigation). And estimated overall additional investment and financial flows needed for adaptation by 2030 amount to several tens of billion United States dollars. In particular: about US$14 billion is for agriculture, forestry and fisheries (AFF), about US$11 billion is for production and processing, about US$3 billion is for research and development (R&D) and extension activities, US$11 billion is for additional investment needed in water supply infrastructure, US$5 billion is for the increased cases of diarrheal disease, malnutrition and malaria, US$11 billion is for beach nourishment and dykes, and US$8 -130 billion is estimated to adapt new infrastructure vulnerable to climate change in 2030.

Under the Convention

The Global Environment Facility (GEF) was assigned as an operating entity of the financial mechanism of the Convention, and has been reviewed every four years. The GEF has received guidance from the COP on policy, program priorities, and eligibility criteria, and has responded to COP through the climate change focal area of (1) the GEF Trust Fund, (2)

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12 The 14 developing countries include six in Africa (the Democratic Republic of Congo, Gabon, Ghana, Kenya, Liberia, Madagascar); five in Latin America (Bolivia, Costa Rica, Guyana, Mexico, Panama); and three in Asia (Nepal, Lao PDR, and Vietnam).

the SCCF and (3) the LDCF.

(1) The GEF Trust fund

GEF has allocated over US$3.3 billion to projects that reduce or avoid greenhouse gases emissions since 1991, with further co-financing of US$14 billion. Most of the funding has been for renewable energy and energy efficiency projects due to its requirement that projects meet agreed incremental costs for delivering global environmental benefits. However, The GEF Council is revising the GEF focal priorities. The following priorities are proposed in the paper (GEF, 2007): (a) promoting energy efficiency in residential and commercial buildings, (b) promoting energy efficiency in the industrial sector, (c) promoting market approaches for renewable energy, (d) promoting sustainable energy production from biomass, and (e) promoting sustainable innovative systems for urban transport. Furthermore, the GEF council is considering including adaptation and LULUCF.

(2) The Special Climate Change Fund (SCCF)

The SCCF was established to finance activities, programs and measures relating to climate change that are complementary to those funded by the resources allocated to the climate change focal area of the GEF and by bilateral and multilateral funding, in the following areas; (a) adaptation, (b)transfer of technologies, (c)management of energy, transport, industry, agriculture, forestry, and waste, and (d)activities to assist developing countries whose economies are highly dependent on income generated from the production, processing, and export or on consumption of fossil fuels and associated energy-intensive products in diversifying their economies.

As of June 2007, the original pledges to the SCCF totaled US$67 million. Of this sum, US$57 million was pledged for the SCCF Program for Adaptation and US$10 million for the SCCF program for Transfer of Technology. The total amount available for allocation was US$43.67 million. To date, 12 donors (Canada, Denmark, Finland, Germany, Ireland, Italy, Netherlands, Norway, Portugal, Sweden, Switzerland and the United Kingdom) have pledged, and the total amount pledged is US$60 million. So far eight projects (four medium size projects and four full size projects) have been approved.

(3) The Least Development Countries Fund (LDCF)

The LDCF is designed to support projects addressing the urgent and immediate adaptation needs of the LDCs as identified by their national adaptation plans of action (NAPAs). The priority sectors are water resources, food security and agriculture, health, disaster preparedness and risk management, infrastructure and natural resources management. Community-level adaptation may also be a cross-cutting area of concern (GEF, 2007).

As of June 30, 2007, the LDCF had received US$160 million in contributions and investment income. Allocations of US$20.7 million had been made and US$139.3 million remained available for allocation. To date, 15 donors (Canada, Denmark, Finland, France, Germany, Ireland, Italy, Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland, and United Kingdom) have pledged, and the total amount pledged is US$120 million. Donor countries are continuing to contribute on a voluntary basis. As of July 2007, there are six approved NAPA implementation projects under LDCF.

The LDCF and the SCCF are managed by their own rules and procedures separately from the GEF Trust Fund. Financing modalities and rules of procedure have been modified to respond to convention guidance and to ensure effectiveness at the operational level.

Under the Kyoto Protocol

The Adaptation Fund

In December 2006, the Adaptation Fund was established to finance concrete adaptation projects and programs in developing country parties to Kyoto Protocol, particularly vulnerable to climate change. This fund shall function under the guidance of, and be accountable to, the Conference of the Kyoto Protocol (CMP). The Adaptation Fund is to be financed with a share of proceeds from CDM project activities and other sources of funding. The share of proceeds amounts to two per cent of certified emission reductions (CERs) issued for a CDM project activity, with exemptions for some project types. The level of funding for the Adaptation Fund depends on the quantity of CERs issued and the price of CERs. Assuming annual sales of 300-450 million CERs and a market price of US$24 (range of US$14-34) the Adaptation Fund would receive US$80-300 million per year for 2008 to 2012. Funding for the Adaptation Fund for post-2012 depends on the continuation of the CDM and the level of demand in the carbon market. Assuming a share of proceeds for adaptation of two per cent continues to apply post-2012, the level of funding could be US$100-500 million per year in 2030 for low demand by Annex I Parties for credits from non-Annex I Parties and US$1 to US$5 billion per year for high demand. This will still be less than the amount likely to be needed.

VII. Targets for future activities

Considering afore mentioned facts related to the Japanese governmental involvement in the financial mechanism addressing climate change, we suggest the following options for our future activities in this area.

- **Climate Change Yen Loans**: Yen loan is one of the main supports of the Japanese government to developing countries for addressing climate change and the projects tend to have larger effects on environment and local communities compared to other schemes such as technical assistance, grant aid, and NEDO's scheme etc. As mentioned above, the Japanese government will provide the first program loan under the yen loan of Cool Earth Partnership to Indonesia. Although the policies that gain support from the Japanese government may have a large impact to natural environment and local communities in the recipient country and in contrast to the international trend such as the World Bank and the Asian Development Bank, under the current guidelines, JBIC does not examine environmental and social impacts of a program loan. Considering the trend that the Japanese government will expand this kind of support under Cool Earth Partnership, it is very important to see what is really happening in the locals and what kind of impact the loan will have to the local environment and society. With our strong network in the local NGOs and CBOs in Indonesia and experience in watching forestry and bio-fuel sectors and other infrastructure projects, we may take Indonesia as a case study and investigate impacts of the program loan to the local environment and communities on a project level and use the investigation for advocating the government and executing agencies to improve the social and environmental considerations as well as effectiveness in addressing climate change. Also in collaboration with local community groups and NGOs, we have just launched a pilot community-based adaptation project in the Central Java Province of Indonesia, and we may also consider alternatives to the policies made by Indonesia formulated in consultation with the Japanese government, by learning from the pilot project. We will also use the result of our research to educate media and public.

- **International negotiations for the next framework**: We strongly believe that the reduction obligation of greenhouse gases emissions of the Japanese government (and the countries of Annex I) should be separated from the obligation of the government to support developing countries in their adaptation and mitigation measures. In order to realize this, it is necessary to impact on the negotiation processes for the next framework after 2013. Currently we have a very limited human resource and difficult to do this so we may put more emphasis on the activity mentioned above while following the negotiation processes. We will continue to look for the solution for this problem.
- **The World Bank**: Considering the large impact the World Bank may have in the next climate change framework making and influencing developing countries, it is necessary to have understanding of the policies of Bank's financial mechanism and its real impact to environment and communities in developing countries. Also as the Japanese government is always referring the Bank's policies in their policy-making and operating the project's environmental and social considerations, understanding the Bank's policies is also useful for campaigning against the Japanese government. We need to consider further on what we can do. Participating in the meetings which will be held around the Bank's annual meetings and Spring meetings provides chances where we can learn other international NGOs' activities who work in the same issue.

- **Nuclear power sectors**: As described in the NEXI's part, Ministry of Economy, Trade and Industry's environmental review of exporting nuclear power related components/projects has major failures. Since there are many domestic interest groups who promote transferring the nuclear power plants/technologies to foreign countries, it needs very tough work to change the current METI's environmental review practice. However, we may explore the possibilities to work on this area.

Annex 1

I. Examples of Facilities and Equipment to be covered by the Global Environment Insurance

(Source: "Establishment of the Global Environment Insurance System" by METI)

1. Exports of Plants

(1) Energy saving

(a) Those with high COP

- High-efficiency coal-fired power plants (ultra supercritical pressure power generation (USC))
- High-performance/high-efficiency industrial furnaces (to which the Tax Scheme for Promoting Investment in the Reform of the Energy Supply-demand applies)

(b) Those involving systems with high COP

- Oil and gas cogeneration
- Combined cycle power generation (combined cycle gas turbine power generation)
- Power generating equipment with a heat supply system (heat pump)
- Exhaust heat recovery equipment

(2) New energy

- Photovoltaic, water power, wind power and geothermal power generation; biomass power generation, heat utilization and fuel production; waste power generation and heat utilization; natural gas cogeneration

(3) Nuclear power generation

2. Exports of facilities and equipment

(1) Energy saving

(a) Those with high COP

- Generators, turbines, boilers, etc. for high-efficiency coal-fired power plants (ultra supercritical pressure power generation (USC))
- High-efficiency machining centers and machine assembly equipment (to which the Tax Scheme for Promoting Investment in the Reform of the Energy Supply-demand applies)
- High-efficiency hot water supply systems (to which the High-efficiency Water Heater Promotion Subsidies are provided)
- High-efficiency electric heat source (to which the Tax Scheme for Promoting Investment in the Reform of the Energy Supply-demand applies)

- Fuel-efficient, low-noise small aircraft
- Blast furnace energy-saving equipment (coke/coal drying and humidity control equipment, powdered coal injection systems, continuous-casting machines, etc.)
- High-efficiency cement production facilities (vertical raw material grinders, auxiliary grinders, etc.)

(b) Those involving systems with high COP
- Generators, engines, heat exchangers, etc. for oil and gas cogeneration
- Generators, gas/steam turbines, etc. for combined cycle power generation
- Air-conditioning facilities (equipped with inverters)
- Power generating equipment with a heat supply system (heat pump)
- Hybrid vehicles, electric vehicles
- Exhaust heat recovery equipment

(2) New energy
- Solar cells; fuel cells; solar heating systems; wind power windmills; biomass power generation, heat utilization and fuel production facilities; waste power generation and heat utilization facilities
- Natural gas vehicles, fuel cell vehicles, fuel stations (LNG, fuel cells)

(3) Nuclear power generation
- Generators, steam generators, turbines, etc. for nuclear power generation
- Reforestation, uranium mine development, CDM projects, etc.

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