

IDI carbon management



2010

CLIMATE THAILAND CONFERENCE



IDI carbon management Inc.
Japan Carbon Market
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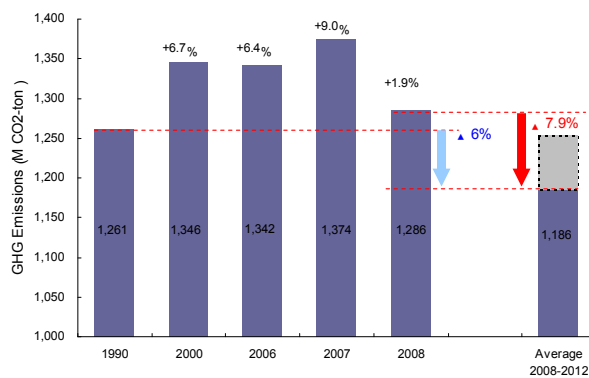
Current Situation and Future Expectation



❖ Compliance Situation for Kyoto Protocol in Japan

- Japanese obligations under the Kyoto Protocol were set, placing Japan in a very disadvantageous situation compared to other countries.
- As a result, Japan must purchase emission credits to meet its emissions target.

Japanese Progress on Kyoto Protocol Compliance



CO2 emissions in Japan

- ❖ CO2 emissions from energy use
 - 90% of GHG emissions volume is CO2 from energy use
 - Emissions from civilian sector is increasing

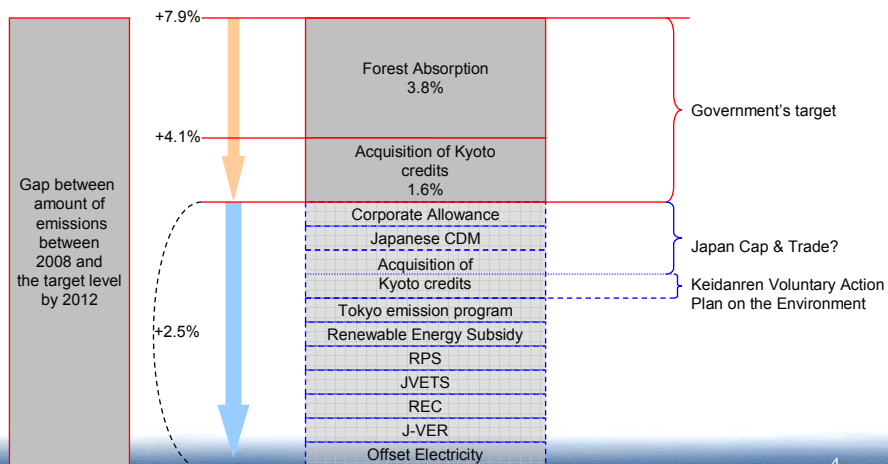
UNIT: million ton CO2

	1990 年度	1996 年度	2002 年度	2008年度 (確定値)
Industry	482	480	461	419
Transport	217	263	262	235
Others	164	185	227	235
House	127	148	165	171
Energy Conversion	67.8	71.5	76.6	78.2

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How Japan Can Achieve Kyoto Protocol's Target?

- ❖ Japan attempts to achieve the compliance with the Kyoto Protocol by 2012 through establishing the Japanese government's effort and private sector's effort.



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What is in Place Now?

- To face compliance with the Kyoto Protocol, currently the Japanese government and private sectors establish the following promotions.

The Japanese Government and Private Organization's Promotion

Promotion of carbon emissions trading						
Methods	Tokyo Emission Reduction Program	Japanese CDM Program	J-VETS (Voluntary Scheme)	Keidanren Voluntary Action Plan	J-VER (Verified Emission Reduction)	Trial Carbon Offset Electricity
CER Use?	Expected	No	Yes	Yes	No	Yes
Body of Controller	Tokyo Metropolitan Government	METI & NEDO	MOE (Ministry of the Environment Government of Japan)	Keidanren (Japan Federation of Economic Organizations)	MOE	JEPX (Japan Electric Power Exchange)
	Partially can be used under the Tokyo program		Trial Unified Emission Trading Scheme		Members of Keidanren participate in this scheme	
CER Use?	Yes					
Body of Controller	METI & MOE					

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Who Needs Carbon Emissions?

- Under the Keidanren Voluntary Action Plan on the Environment, members of Keidanren (the members of Keidanren includes major electricity companies, steel companies, cement companies, etc) in Japan plan to reduce their emission factors as the same as the 1990 level by 2012.
- Just like other countries, electricity companies, steel companies, and cement companies in Japan buy emission credits.
- For example, during 2008, some Japanese electricity power companies retired (expensed) Kyoto credits of approximately US\$1 billion (around 33 billion baht) to reduce emissions per unit of production.

Retirements of Japanese Electricity Power Companies for the Kyoto Credits in 2008

Total Retirements	Approximately 32.6 Billion Baht
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Source: Nikkei Newspaper as of 23.06.2009

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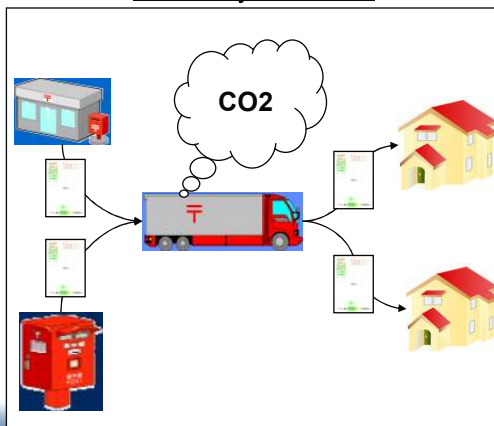
Japan Carbon Market - Japanese Cap & Trade Scheme?

- ❖ IDI believes that a Japan cap & trade scheme will be established soon because there are already some facts available to support that a Japan cap & trade scheme should be ready to appear in the Japan carbon market.
- ❖ Some Facts:
 - The Trial Japanese Emission Trading Scheme is already established.
 - 712 companies have announced that they will participate in this scheme as of July 2009.
 - Tokyo Stock Exchange Group, Inc. (TSE) and Tokyo Commodity Exchange, Inc. (Tocom) reached an agreement to establish a joint carbon trading platform when business conditions are ready.
 - Ministry of Environment established the subcommittee that examines a domestic emissions trading scheme under Central Environmental Council.
 - METI also has established a working group that examines a domestic emissions trading scheme under Industrial Structure Council.
 - CERs and offset electricity (carbon offsetting coal, oil, gas fueled electricity by mixing Kyoto credits) are already tradable in the exchange, but a limited number of players who can trade them.
 - Japanese CDM projects are operated and some credits already are issued. This scheme is linked with Trial Japanese Emission Trading Scheme and credits from Japanese CDM projects are tradable.

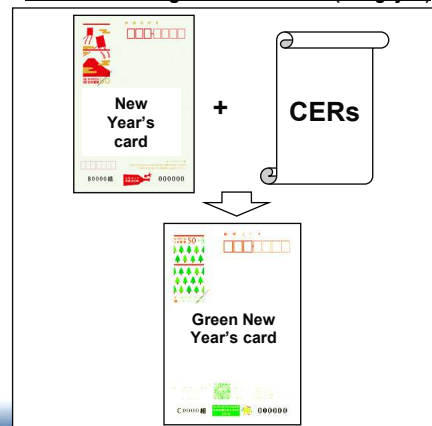
Carbon Offset - Example of a Carbon Offset Product

- ❖ Carbon offsetting New Year's card (*Nengajou*)
 - The idea is that offsetting carbon emissions from the transportation process when New Year's cards are sent.
 - During the 2009, Japan Post Service Co. collected around US\$ 5.5 million dollars by selling green new year's cards.

Which CO2 you can offset?



Carbon offsetting New Year's card (*Nengajou*)



Government Target for 2020

- ❖ At the time of the United Nations Summit on Climate Change on 22 September 2009 in New York, former Prime Minister Yukio Hatoyama announced that Japan would aim to reduce its emissions by 25% by 2020 compared to the 1990 level.
- ❖ The Japanese cabinet approved a climate-protection draft bill planning to establish an emission trading scheme and achieve 25% emission reduction.
- ❖ 25% emission reduction is a bigger challenge than many the other countries.

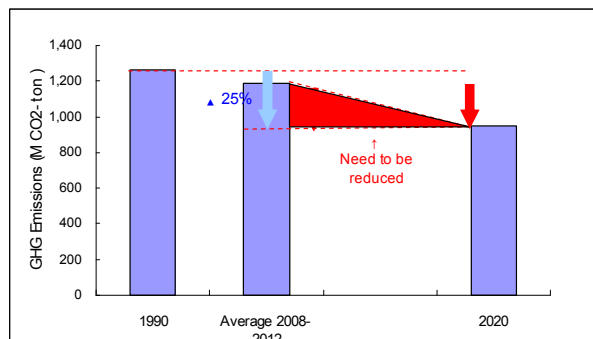
Midterm Goal for Carbon Emission Reduction as of 2009

		Japan	EU	Swiss	U.S.A	Australia	Canada
Base year	1990	-25%	-20% or -30%	-20%	(-4%)	(+13% to -11%)	(+3%)
	2000					-5% to -25%	
	2005	(-30%)	(-13%)	(-21%)	-17%		-17%

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How many CERs will be needed?

- ❖ The Japanese government has not announced how the 25% reduction will be achieved in the future.
- ❖ Let's assume if Japan achieved 6% of emission reduction in 2012 from the level of 1990 and two-fifths of the 25% is reduced by buying CERs over 8 year period in Japan, then....



400 million tons of CERs are needed !!

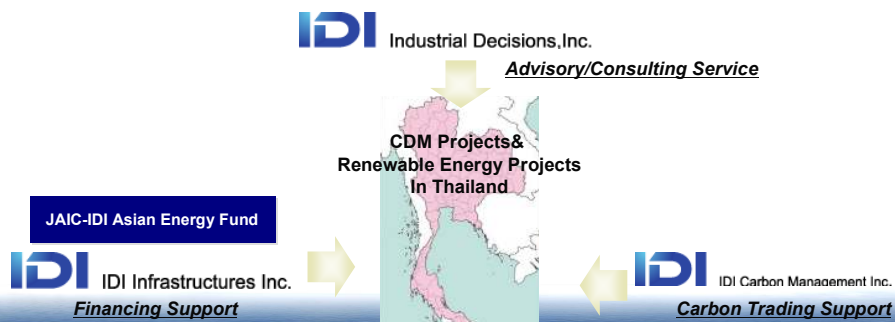
Voice of Japanese Carbon Players

- ❖ Japanese buyers are more interested in getting CERs from Southeast Asia.
 - *"We have not archived our target level for CER volumes yet, so we are encountering a shortage of emission credits. We still need to buy more emission credits."*
 - *"In our CDM portfolio, most of the projects come from China and India. To diversify our CDM portfolio, we are now considering to buy more credits from Southeast Asia."*
 - *"Renewable energy projects in Southeast Asia have a big potential for CDM projects."*
 - *"We are not just interested in purchasing CERs from CDM projects in Southeast Asia, but we are also interested in equity investment into the CDM projects such as renewable energy projects."*

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How IDI Group Can Support You

- ❖ IDI group provides three functions to support your CDM and renewable energy projects development.
 1. Advisory/consulting service
 2. Financing for your projects
 3. Direct carbon emission purchase
- ❖ IDI group could potentially consider the early stage and small scale CDM projects by providing advisory/consulting services and sharing the risk with the project owners



Thank You !



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