THE FEDERATION OF ELECTRIC POWER COMPANIES OF JAPAN
3-2, 1-CHOME, OHTE-MACHI, CHIYODA-KU, TOKYO, JAPAN

Submission to Paragraph 81 of the Outcome of the work of the Ad Hoc Working Group on Long-term Cooperative Action under the Convention

The Federation of Electric Power Companies of Japan (hereinafter referred to as FEPC) would like to take this opportunity to present the Ad Hoc Working Group on Long-term Cooperative Action under the Convention (AWG/LCA) with its views pursuant to paragraph 81 of the "Outcome of the work of the Ad Hoc Working Group on Long-term Cooperative Action under the Convention" adopted by the 17th Conference of Parties concerning "Various approaches".

How we address climate change

In combating climate change, it is essential that each developed country should play a leadership role, and pursue a comprehensive approach hand in hand with developing countries on a global basis. The key is technology. The bottom line is that it is paramount to deploy state-of-the-art low carbon technology on a global scale to reduce GHGs to the maximum while achieving sustainable development worldwide. We believe that Japanese industry is ready and able to fulfill this duty and the electric utilities are also willing to undertake our best work for the effort.

Challenges we face in technology deployment

However, we admit that state-of-the-art technology has not been swiftly deployed in developing countries, mainly because low-efficient but inexpensive options are preferred, due to the high initial costs accrued by adopting the Best Available Technologies and the difficulty in implementing proper operation and maintenance activities in developing countries. In addition, the Clean Development Mechanism (CDM), although expected to accelerate this, is currently facing the challenge that some technologies are not certified or take a long time to be certified, even though they are constantly sought-after by developing countries because of their effectiveness in energy saving and mitigating global climate change.

Effectiveness of bi-lateral offset mechanism

"Various approaches" now under scrutiny by the UNFCCC require the deployment of all climate technologies that include energy efficiency in the developing countries. Since it is important to engage the private sector who own the technologies in order to make it happen, incentives must be provided for them and their efforts must be considered as offsets to achieve their reduction targets and thus be valued in a proper

way. Needless to say, a reflection of the differences between regions, while ensuring environmental integrity, is indispensable.

The “bi-lateral offset mechanism”, which is currently being designed, is aimed at establishing low-carbon projects in developing countries on the basis of negotiation between the two countries concerned and an examination of their needs, and regards a part of the emissions reduction achieved as resulting from technology deployment as a contribution to the domestic target. We believe it deserves to complement the CDM and that it is also effective in promoting the technology mechanism.

This is a bottom-up approach which enables swift, flexible and far-reaching low carbon projects to be encouraged and it assumes that transparency on MRV will be enhanced because it facilitates the benchmarking activities of GHG reduction, due to its project-based implementation and assessment (ie. collaboration between companies in developed countries and those of developing countries) . Furthermore, adequate incentives can be realized for the private sector because risks are identified and a return on investment is clearly assumed.

Therefore FEPC expresses its desire that the “bi-lateral offset mechanism” should be considered as one of the “Various approaches” in pursuit of developing countries’ economic development and effective low-carbonization.