

# Overview of Japan's GX Policy and Carbon Pricing

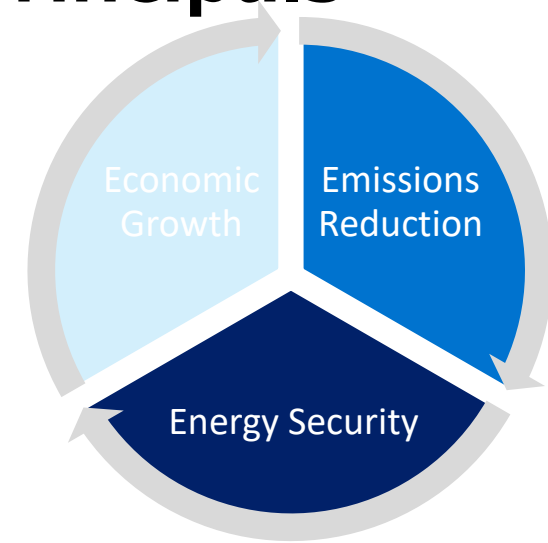
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Ministry of Economy, Trade and Industry

# Green Transformation (GX): Three Principals

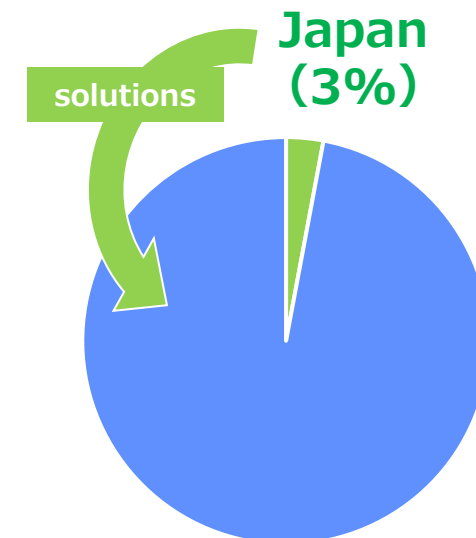
## ① Triple breakthrough

Japan aims to **simultaneously achieve emissions reduction, economic growth, and energy security.**



## ② One goal, various pathways

Toward our common goal of achieving net zero, we will make practical energy transitions through various pathways depending on the circumstances of each country.



## ③ Solution to the world

Japan will decarbonize itself, but also contribute to global decarbonization by providing solutions outside Japan.

# Pro-Growth Carbon Pricing

- Through the combination of carbon pricing and investment support measures, we have achieved more than 150 trillion yen in public-private GX investment over 10 years.

① Upfront investment support using **GX Economic Transition Bonds (20 trillion yen over 10 years)**

**(2) Advance incentives for GX investment through carbon pricing**

[GX Surcharge(Fossil fuel levy)]

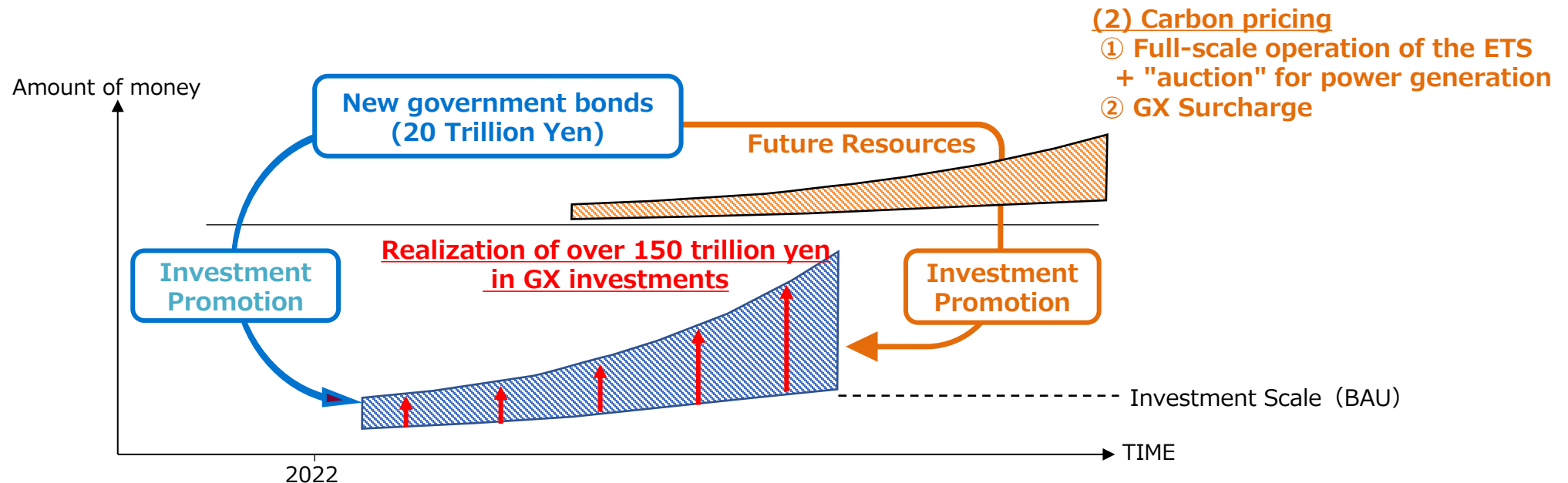
- Introduced from FY28

[Emissions trading system]

- Started on a trial basis in the GX League from FY23, and started full-scale operation in FY26
- From FY33, paid auctions will be introduced to power generation companies

**(3) Utilization of new financial methods**

- Promotion of transition finance, financial support such as debt guarantees by the GX Organization, etc.



# Basic Principles for “Investment Promotion Measures”

Projects selected must meet the all the basic conditions listed below, as well as one each of principles A-C and ①-③.

## 【Basic Conditions】

- Efforts that are truly difficult to make investment decisions solely by the private sector.
- Efforts that contribute to strengthening industrial competitiveness, economic growth and emission reduction, which are essential for achieving GX.
- Integration with regulations and systems that change corporate investment and demand-side behavior.
- Efforts that contribute to the expansion of domestic investment including for human capital.

## 【Principles】

### Enhancing industrial competitiveness & economic growth

A Growth investments for **technological or business innovation** to acquire external demand or expand domestic demand.

or

B Growth investments for **advanced technologies** contribute to **both the reduction of fossil fuel & energy consumption and enhancement of the profitability(such as integration, restructuring and markup)**

or

C **Measures to address domestic demand in the initial stage of introducing key products** with the potential for **nationwide** market **(limited to the case involves investment on the supply side)**



### Emission reduction

① **Investment for R&D** to contribute to future **domestic emission reduction** through technological innovation

or

② **CAPEX** with high technological emission reduction effect that **contributes for direct domestic emission reduction**, etc.

or

③ **Measures to address domestic demand in the initial stage of introducing key products with the nationwide demand** and long-term high reduction effect

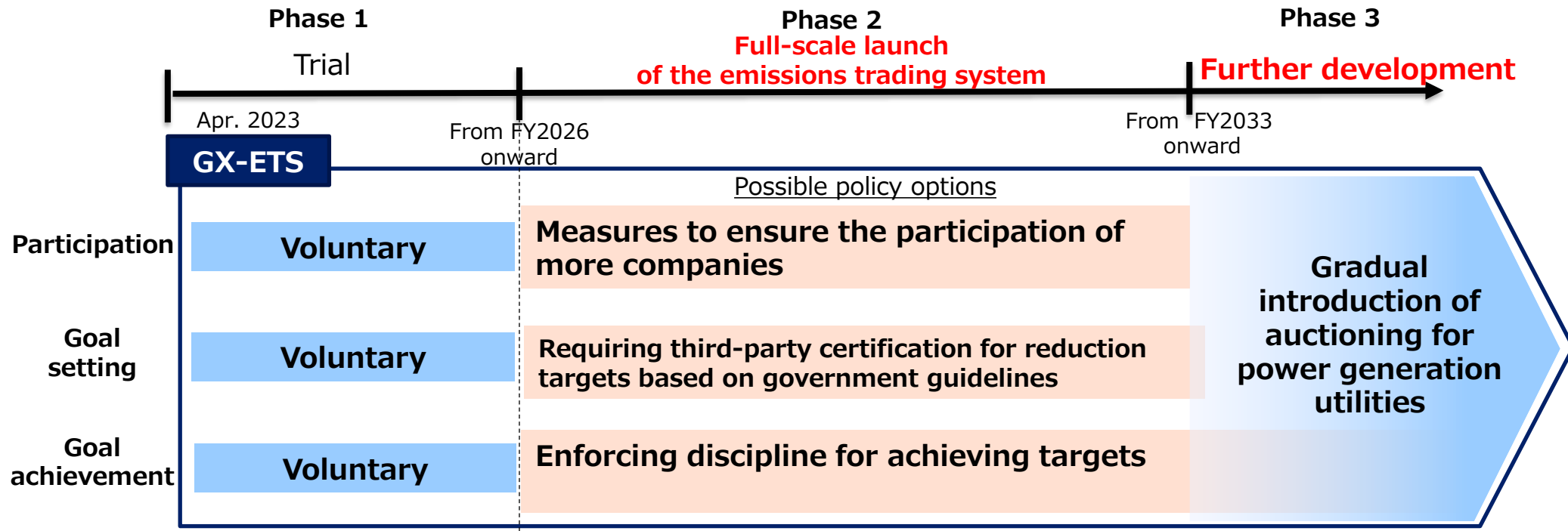
# Investment Promotion Measures Utilizing GX Economy Transition Bonds (plan as of March 2025)

	Public and private investment	Already supported (R4FY~R6FY: total 4t yen)	Budget support after R7FY	Note	
Manufacturing	Steel Chemicals Paper and Pulp Cement	3 trillion yen~ 3 trillion yen~ 1 trillion yen~ 1 trillion yen~	32.7 billion yen	<b>424.7 billion yen for 5 years</b>	<ul style="list-style-type: none"> <li>Total amount of capital investment support for four industries (Iron and Steel, Chemical, Pulp and Paper, Cement) is <b>1.3 trillion yen over ten years</b></li> <li>Provide R&amp;D support for hydrogen reduction steel making, etc. through the Green Innovation Fund, and tax credits based on green steel/ green chemical production volume</li> </ul>
Transportation	Automobiles	34 trillion yen~	423.6 billion yen	<ul style="list-style-type: none"> <li>In addition, GI Fund supports R&amp;D for next-generation batteries/motors, synthetic fuels, next-generation aviation, SAF, ammonia fueled ships etc.</li> <li>Tax credits for EVs, SAF production, etc. also to be implemented</li> <li><b>120 billion JPY support over 5 years</b> to be supported for aviation.</li> </ul>	
	Batteries	7 trillion yen~	835.9 billion yen		<b>40 billion yen for 3 years</b>
	Aircraft	4 trillion yen~			
	SAF	1 trillion yen~	27.6 billion yen		<b>27.8 billion yen</b>
	Ships	3 trillion yen~	9.4 billion yen		<b>30 billion yen for 5 years</b>
Life-related	Life-related Industry	14 trillion yen~	558.2 billion yen	<b>1.2 billion yen</b>	<ul style="list-style-type: none"> <li><b>2 trillion yen support for three years</b> including automobiles, etc (including support from sources other than GX Economy Transition Bond)</li> </ul>
	Resource Circulation	2 trillion yen~	8.5 billion yen	<b>40 billion yen for 3 years</b>	<ul style="list-style-type: none"> <li>In addition, GI Fund supports R&amp;D.</li> </ul>
	Semiconductor	12 trillion yen~	694 billion yen	<b>180 billion yen</b>	<ul style="list-style-type: none"> <li>In addition, GI Fund supports R&amp;D.</li> </ul>
Energy	Hydrogen and its derivatives	7 trillion yen~	8.9 billion yen	<b>395 billion yen for 5 years</b>	<ul style="list-style-type: none"> <li>Total amount of support focusing on price gaps is <b>3 trillion yen for 15 years</b> from start of supply</li> <li>Provide R&amp;D support for supply chain establishment through the GI Fund</li> </ul>
	Next-Generation Renewable Energy	31 trillion yen~	54.8 billion yen	<b>151 billion yen for 5 years</b>	<ul style="list-style-type: none"> <li>Total amount of support will be approximately <b>1 trillion yen over ten years</b>, including support for capital investment to build a supply chain and support for the introduction of perovskite solar cells, etc.</li> <li>Provide R&amp;D support for perovskite solar cells, etc. through the GI Fund</li> </ul>
	Nuclear Power	1 trillion yen~	68.6 billion yen	<b>124.5 billion yen for 3 years</b>	
	CCS	4 trillion yen~			<ul style="list-style-type: none"> <li>Further support to be considered based on FS</li> </ul>
	Cross-sectoral measures		1,182 billion yen	<b>193 billion yen</b>	<ul style="list-style-type: none"> <li>700 billion yen over 3 years to be provided for energy efficiency.</li> <li>200 billion yen over 5 years to be provided for deeptech startups.</li> <li>Additional 120 billion yen may be disbursed to GI Fund. Etc.</li> </ul>
	Tax measures	New tax credits based on production volume of green steel, green chemicals, SAF, EVs, etc.			

**→Roughly 14 trillion-yen of viable investments selected**

# Gradual development of GX-ETS

- The emissions trading system has been experimentally launched in FY 2023 and steered by the GX League, a voluntary scheme based on members' leadership.
- As of FY 2024, over 700 companies are participating that account for about 60% of Japan's emissions.
- The ETS is to be launched at full scale from FY2026 upon introducing measures to improve fairness and effectivity of participation, goal setting and achievement.



# The Basic Concept of the Emissions Trading System in Japan

## ① Scope of the system

- Corporations with direct **CO2 emissions of over 100,000 tons\*** \*3-year-average from FY2023 to FY2025

## ② Transition plan

- **Submit** transition plans aimed at achieving CN by 2050

→ For example, companies will compile and publish medium- to long-term projections of direct and indirect emission reduction targets for FY2030.

## ③ Surrender obligation for emission allowance

- Apply for receiving emission allowances.
- Report their emissions data verified by a third-party organization.
- Surrender sufficient allowances to fully account for their annual emissions.
- Non-compliance will result in a penalty\*.  
\* The penalty amount is equal to 1.1 times the upper limit price.

## ④ Price Stabilization ~Setting the Price Corridor~

- Set the Price Corridor : The government will **set upper and lower limit** prices for emission allowances.

**Upper limit** ↑ Companies are exempt from holding emission allowances if they pay the government an amount equivalent to the upper limit.

**lower limit** ↓ GX Acceleration Agency purchases emission allowances through a reverse auction.

## ⑤ Emission trading market

- GX Acceleration Agency establishes the emission trading market.
- Financial institutions and trading firms can also participate if they meet certain conditions such as extensive experience in trading carbon credits.