

# business domestic

National News Desk: hodobu@japantimes.co.jp

Companies may shift production to more lax locales offshore, or find it cheaper to just buy carbon credits

## Industry still not sold on cap-and-trade

### ANALYSIS

Kanako Takahara  
STAFF WRITER

While Prime Minister Yasuo Fukuda on Monday presented his plan to introduce emissions trading on a trial basis as early as autumn, Japanese businesses remain skeptical about whether the cap-and-trade system is the best way to slash greenhouse gas emissions.

The Japan Business Federation (Nippon Keidanren), the nation's biggest business lobby, claims emissions trading will increase global carbon dioxide emissions if it is not introduced globally.

"Because of the restrictions on cutting emissions, major companies will shift their production more overseas, where environmental regulations are more lax than in Japan,"

said a Keidanren official who asked not to be named. "It will instead increase emissions worldwide."

Under the trading system, the government will cap emissions levels and issue credits for carbon emissions to major companies. Any company wishing to emit above its allotted level is required to buy carbon credits from companies that are emitting below their given levels.

The European Union introduced the cap-and-trade system in 2005 and some U.S. states have decided to institute similar systems.

Such emissions trading systems could also be costly for industry, with the steel, oil and paper producers expected to be hit the hardest.

Although details on emissions trading have yet to be finalized, steel companies will lose 86 percent of their operat-

ing profit if they have to purchase carbon credits at ¥4,000 per ton of carbon dioxide to cover all of their greenhouse gas emissions, according to an estimate by the Environment Ministry.

Keidanren also claims the cap-and-trade system is likely to discourage companies from investing and developing energy efficient technologies because it will be cheaper to purchase carbon credits.

In Europe, emissions credits are traded at around ¥4,000 to ¥5,000 per ton of carbon dioxide. Japanese companies are currently investing about ¥10,000 to ¥100,000 per ton of emissions to develop environmentally friendly technologies and policies, the Keidanren official said.

"Japan's major companies are manufacturers, and technology is what they have depended on," the official said.

"This emissions trading system may damage the foundation of those businesses. Any policy introduced should be something that will motivate companies to develop eco-friendly technologies."

However, Tatsuyoshi Saijo, an economics professor at Osaka University, disagrees.

"It is a total misconception that emissions trading will discourage companies from investing in technology development," he said. "It depends on how the government creates the system."

To avoid such a scenario, Saijo argues, the government must come up with a system that enables carbon credits to be priced at a higher range so firms will be motivated to cut greenhouse gases and sell carbon credits in the market.

"By introducing emissions trading, we are aiming to create a society that sends out

this message: Carbon emission costs emitters money," Saijo said.

### Keidanren weighs in

Fujio Mitarai, chairman of Japan Business Federation (Nippon Keidanren) said Monday the business lobby will support Fukuda's plan to introduce greenhouse gas emissions trading if a "scientific and practical target" is set for cuts based on the so-called sectoral approach.

Under the sectoral approach, authorities would first determine how much greenhouse gases each industry would emit if it were running at optimal energy efficiency. A national target would then be set by adding up the amount calculated for each industry.

"We need to actively discuss conditions to introduce emissions trading if the government plans to do so," he said.