

PRI RESPONSE

PUBLIC COMMENTS ON MINISTRY OF ECONOMY, TRADE AND INDUSTRY (METI): PROPOSED SEVENTH BASIC ENERGY PLAN; GX 2040 VISION AND MINISTRY OF THE ENVIRONMENT (MOE): PLAN FOR GLOBAL WARMING COUNTERMEASURES

January 2025

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ABOUT THE PRI

The Principles for Responsible Investment (PRI) works with its international network of signatories to put the six Principles for Responsible Investment into practice. Its goals are to understand the investment implications of environmental, social and governance (ESG) issues and to support signatories in integrating these issues into investment and ownership decisions. The PRI acts in the long-term interests of its signatories, of the financial markets and economies in which they operate and ultimately of the environment and society as a whole.

The six Principles for Responsible Investment are a voluntary and aspirational set of investment principles that offer a range of possible actions for incorporating ESG issues into investment practice. The Principles were developed by investors, for investors. In implementing them, signatories contribute to developing a more sustainable global financial system.

The PRI develops policy analysis and recommendations based on signatory views and evidence-based policy research. The PRI welcomes the opportunity to respond to the Ministry of Economy, Trade and Industry's call for feedback on the [7th Basic Energy Plan](#) and the [GX 2040 Vision](#), as well as the Ministry of the Environment's call for feedback on the revised [Plan for Global Warming Countermeasures](#).

ABOUT THIS CONSULTATION

On 26th December 2024, the Ministry of Economy, Trade and Industry opened the public comment period for its proposed 7th Basic Energy Plan and the GX 2040 Vision, and the Ministry of the Environment opened the public comment period for the revised Plan for Global Warming Countermeasures.

These three documents complement each other to provide a broad picture of the Japanese government's commitments and plans to balance energy security, economic growth, and their 2050 net zero goal. These proposals especially focus on the 2040 milestone, with the Plan for Global Warming Countermeasures renewing emissions reduction targets (including the Nationally Determined Commitment (NDC)) for 2035 and 2040, the 7th Strategic Energy Plan providing energy mix forecasts up to 2040, and the GX 2040 Vision outlining policy support for the industrial transition.

Following public commenting, these documents will be finalized by the respective Ministries. The 7th Strategic Energy Plan and the revised Plan for Global Warming Countermeasures is then expected to proceed to Cabinet approval.

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KEY RECOMMENDATIONS

The proposed 7th Basic Energy Plan, GX 2040 Vision and the revised Plan for Global Warming Countermeasures are another significant step taken by the Japanese government toward building out its policies to address climate change. Following former Prime Minister Yoshihide Suga's enshrinement of Japan's carbon neutrality by 2050 goal in law, the Japanese government has been developing policies to address the country's unique transition needs, particularly through economic and financial policies to enable the transition in high emitting sectors.

Meanwhile, it is increasingly important that the Japanese government balance these efforts with an updated Basic Energy Plan and a Nationally Determined Contribution (NDC) that drives investor confidence in achieving the 2050 net zero goal. These policy pieces are important in clarifying that the Japanese government's transition program is in line with planetary and social boundaries, which can build more confidence in the private sector to support financing needs. In doing so, Japan would be able to strengthen its leading position in the global and regional economy during the energy transition.

The PRI welcomes the proposed 7th Basic Energy Plan, GX 2040 Vision and the revised Plan for Global Warming Countermeasures. These documents are comprehensive and provide much needed context and information for responsible investors to understand Japan's climate and energy forecast. They were also released simultaneously with cross-references throughout, highlighting a whole-of-government approach that is a particular strength of Japan's approach to the economic transition. They also show strong progress since the 6th Basic Energy Plan by enhancing the clarity and focus on the implications of the Energy Plan for Japan's commitment to the Paris Agreement goals. In particular, the inclusion of clear emissions reduction targets for 2035 and 2040 and information to build out the 2040 milestone are key areas of success.

However, there is still room for the Japanese government to enhance the information it provides, particularly where it could be raising its ambition level to play a leading role in achieving sustainability goals. The PRI's key recommendations are:

- Provide more detail and clarity around the NDC.
 - Engage in research and analysis to ensure that the next NDC is ambitiously aligned with 1.5°C and IPCC recommendations and is reflective of the strong, leading role Japan can play.
 - Provide clear roadmaps and pathways, and further information on the difference between 1.5 aligned and net zero pathways.
- Continue pursuing sustainable finance policy reform to ensure the NDC and related strategies are investable.
 - Continue to pursue sustainable financial policy reform to support the transition to net zero.
 - Ensure investment plans are accessible and easily understood for international and institutional investors, and give more clarity on how public finance will leverage the necessary private finance.
- Provide further clarity on energy used in the transition.
 - Consider and clarify a phase out date for fossil fuels, especially coal.
 - Scale renewable energy commitments and policies to ensure energy security and affordability.

DETAILED RESPONSE

PROVIDE MORE DETAIL AND CLARITY AROUND THE NDC

- Engage in research and analysis to ensure that the next NDC is ambitiously aligned with 1.5°C and Intergovernmental Panel on Climate Change (IPCC) recommendations and is reflective of the strong, leading role Japan can play.
 - The first Global Stocktake (GST) decided at COP28 stated that to achieve the 1.5°C target, global greenhouse gas (GHG) emissions must be reduced by 43% compared to 2019 levels by 2030, 60% by 2035, and CO2 emissions must be essentially zero by 2050. This is an average global figure, and as an advanced economy with high historical emissions, Japan has the opportunity to set an NDC that shows a strong commitment to promoting change and being a leader in the international community.
 - Also, the "60% reduction by 2035" proposed by Japan for 2035 is compared to fiscal 2013, and could be argued that this only amounts to a reduction of approximately 54% compared to 2019, which is not consistent with the GST outcome – which is a global average reduction - or the IPCC 1.5 pathway. To achieve the global 1.5°C-aligned pathway, economically mature developed countries will need to reduce at a faster pace than developing and emerging countries. Furthermore, for developed countries including Japan, it is difficult to claim the alignment with the 1.5°C target unless they set a target to reduce GHG emissions at a faster pace than the global 1.5°C-aligned pathway.
 - As such, the PRI recommends Pathway 2 as outlined in [recent discussions during joint meetings with METI and MOE](#), which indicate a 66% or more emissions reduction by 2035. Scientific findings compiled in previous IPCC reports¹ and international agreements tell us that, Japan's emission reduction target aligned with the 1.5°C target should aim to reduce emissions at a faster pace than the global 1.5°C-aligned pathway, and it is appropriate for the 'leadership role' agreed by the G7.²
- Provide clear roadmaps and pathways, and further information on the difference between 1.5 aligned and net zero pathways.
 - The PRI welcomes the proposal of 2035 and 2040 emissions reductions targets, and its explicit integration in the GX 2040 Vision and the 7th Basic Energy Plan. However, as recommended in the PRI [2023 Japan Climate and Energy Policy Briefing](#), inclusion of credible and up-to-date assumptions about feasibility, scalability, and costs of electricity generation, as well as clarity on renewable energy targets, would provide greater certainty for investors on the path towards Japan's net zero economy.
 - The sectoral roadmaps for hard-to-abate industrial sectors are useful policy tools for investors to plan strategies which are in line with national targets, but would benefit from having various

¹ E.g. [IPCC AR6 Synthesis Report](#)

² IGES 2024 '[Japan's Greenhouse Gas Emission Reductions in Light of Global Stocktake](#)'

scenarios mapped out that reflect uncertainties over the development paths of technologies. This would help to improve contingency planning and is a key policy recommendation by the Organisation for Economic Co-operation and Development (OECD).³

CONTINUE PURSUING SUSTAINABLE FINANCE POLICY REFORM TO ENSURE THE NDC AND RELATED STRATEGIES ARE INVESTABLE

- Continue the pursuit of financial policy reform to support the transition to net zero.
 - The Japanese government has made significant progress in sustainable financial policy reform related to the economy-wide transition. As we explore in the [PRI Climate Policy Roadmap](#), clarifying investor legal duties, codifying active ownership, and information disclosure (by both investors and corporates) remains key to enhance financial flows toward sustainability objectives. Japan has recently made important progress such as considering the introduction of sustainability impacts into pension duties, progressing stewardship reform to enable collaborative initiatives, and preparing for mandatory disclosures based on the International Sustainability Standards Board (ISSB) Standards. We encourage continued collaboration amongst relevant Ministries to ensure synergies between economic, industrial and financial policies.
 - In particular, how the government supports its businesses in developing credible transition plans in line with 1.5 pathways will be particularly important in ensuring that transition finance scales to meet the 150 trillion yen need for public-private financing. In this regard, the government can consider further messaging and communication about how mandatory disclosures in line with the ISSB Standards will require transition plans, and expectations or requirements to ensure credibility.
- Ensure investment plans are accessible and easily understood for international and institutional investors, and give more clarity on how public finance will lead to the necessary growth in private finance.
 - The GX 2040 Vision provides greater clarity on changes needed in industry along with the power sector shifts to reach 2050 net zero. The mentions of socio-economic considerations are a welcome indicator that Japan is beginning to take a whole-of-government approach to the transition to a resilient, net-zero economy. In particular, the acknowledgement of the importance of coordinating with regional and local communities on renewable energy is clear and helpful.
 - The GX 2040 Vision and the GX Promotion Act clarify a 150 trillion yen need of investment over the coming 10 years to be supported by 20 trillion yen in advance investments financed by the sovereign GX Economy Transition Bonds. Building upon these projections, the government can consider providing a detailed investment plan to clarify the role of private finance to scale the advance public investments. As highlighted in the PRI [2023 Japan Climate](#)

³ OECD Economic Surveys: [Japan 2024](#)

[and Energy Policy Briefing](#), ensuring that public-private finance proposed through the GX policy is invested transparently and in line with net zero goals is key. The importance of investment is highlighted throughout the GX 2040 Vision and the 7th Basic Energy Plan, but further detailed investment plans could safeguard investors from risks of greenwashing and taking the most cost-effective route towards decarbonisation.

PROVIDE FURTHER CLARITY ON ENERGY USED IN THE TRANSITION

- Consider and clarify a phase out date for fossil fuels, especially coal.
 - Decarbonising the energy sector is one of the biggest challenges faced by Japan in the pathway to net zero. The proposed 7th Basic Energy Plan and Plan for Global Warming Countermeasures outline how various energy sources will contribute to decarbonisation goals. Fossil fuels are predicted to be reduced to about 30-40% of the energy mix in 2040, from about 70% at present. While this is an important step, to show consistent leadership internationally, setting a target end date would further enhance Japan's position. This is particularly relevant for Japan's G7 commitments on reducing fossil fuel usage and ending financing for international unabated fossil fuel expansion. In 2024, as part of the G7, Japan committed "to phase out existing unabated coal power generation in our energy systems during the first half of 2030s, or in a timeline consistent with keeping a limit of 1.5°C temperature rise within reach, in line with countries' net-zero pathways" and to "eliminate inefficient fossil fuel subsidies by 2025". These commitments are necessary in advanced economies to align with a 1.5°C pathway according to the International Energy Agency's (IEA) Net Zero Roadmap. Such global commitments can be highlighted clearly in domestic policy documents as well.
 - In doing so, it will also be helpful to carry out a comprehensive, detailed modelling exercise on how to phase out (unabated) coal generation and assess how to address its socio-economic implications. This can also enable the Government to define what is meant by a fully decarbonised power sector, as well as unabated⁴, and show clearly how current GX-related policies will enable this to happen.
 - For projects dependent on the commercialisation and scaling of new technologies and on removals, more evidence could be provided on their technological and commercial viability and scalability. If proposed investment in fossil fuel projects is reliant on current or future reductions and removals of greenhouse gas emissions as a basis for Paris Agreement goal alignment, this should be supported by robust evidence for commercial and technological feasibility. If such evidence is not available, alternative approaches can be considered.

⁴ 'Unabated' refers to something which has not been abated – OECD definition of pollution abatement is technology applied or measures taken to reduce pollution and/or its impacts on the environment. In the case of fossil fuel power generation, abatement is usually referring to Carbon Capture and Storage (CCS) or Carbon Capture, Utilisation and Storage (CCUS) technology. METI has set a target to store 6-12 million tonnes of CO₂ annually by 2030, but in the (2022) National Greenhouse Gas Inventory Report of Japan CCS / CCUS is not yet included as a sink category for emissions and the IEA report on CCUS shows that technology development is not on track to help achieve net zero by 2050. As such, the EU and 17 other countries are warning against overreliance on abatement technology when the focus should be on phasing out fossil fuels.

- Scale renewable energy commitments and policies to ensure energy security and affordability.
 - The proposed 7th Basic Energy Plan includes targets for renewable energy in 2040 to be 40-50% of the energy mix, which is an increase from the current target of 36-38% by 2030. While this increase is welcome, renewable energy sources such as solar and wind power are already integrated at scale in many advanced markets, and are the least costly form of new power generation. Given that Japan has supported the global commitment to triple renewable energy at COP28, further increasing the target for renewable energy and focusing policy reform on dismantling barriers to renewable energy installation and improving cost-effectiveness (see, for example [RE100's policy recommendations](#)) will send a clear policy signal to investors on the commitment to decarbonisation.

The PRI has experience of contributing to public policy on sustainable finance and responsible investment across multiple markets and stands ready to support the work of the Ministry of Economy, Trade and Industry, as well as the Ministry of the Environment further to ensuring a clean and safe energy future in Japan.

Please send any questions or comments to policy@unpri.org.

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