

**Recommendations
of
the EU-Japan Business Round Table
to Leaders of Japan and the European Union**

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**Working Party 4
Environment and Sustainable Development**

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As indicated in the “Position Paper of BRT on the current COVID-19 pandemic” issued on May 25, 2020, the global community is facing unprecedented challenges as a result of the ongoing COVID-19 pandemic. BRT urges EU and Japanese governments to continue working together closely to take the lead in implementing all possible policies—including urgent economic measures—to create “a better new normal.” We believe this “better new normal” should be green, sustainable, resilient and inclusive and that it should be realized by securing employment and promoting industrial innovation. We also encourage both governments to take measures that balance prevention of the spread of infection and economic revitalization. As industries in the EU and Japan, we will continue our efforts to promote the realization of these activities.

Global warming issues are being discussed as the greatest concerns at recent summit meetings and international conferences. In particular, concrete discussions for measures against greenhouse gases (GHG) have started through the EU's “European Green Deal” and Japan's “The Long-term Strategy under the Paris Agreement”. European and Japanese industries welcome the leadership of both authorities and will endeavor to realize a sustainable society by working together with both authorities to promote measures against global warming through innovation based and partly disruptive technologies, while at the same time aiming to achieve economic growth and job creation for the well-being of the society.

Recommendations from both European and Japanese industries

WP-4/#01/EJ to EJ: Measures and policies of both authorities against global warming

The BRT calls on EU and Japanese Authorities to:

- continue to act proactively as global leaders in the midst of efforts of each country to mitigate global warming.
- use mitigation of global warming as enabler for realizing economic growth and the expansion of employment opportunities and to ensure that their measures (such as Japan's The Long-term Strategy under the Paris Agreement and The European Green Deal) will NOT lead to stagnation of corporate investments in R&D and capital, to protectionist trade, and to stifling of innovation. In view of this, we believe that the potential impacts and implications of the application of a carbon border adjustment mechanism, which is currently being discussed by the EU, should be carefully assessed and need to be fully understood.
- find technologically and economically viable options and take a flexible approach towards achieving an ambitious target for a decarbonized society.
- prioritize material recovery over energy recovery (incineration).

- formulate policies and implement measures after sufficient and careful dialogue with the industries in order to make the measures economically sustainable and successful.

The BRT believes that:

- it must respect EU's and Japan's continuous efforts to reach their nationally determined contributions (NDC) to mitigate global warming.
- it is difficult to overcome climate change problems through a mere extension of conventional efforts, and that the creation of industry-led disruptive innovation is essential. The only way to achieve ambitious climate targets for 2030 and to promote a circular economy is close joint collaboration aiming at reducing the complexity of market entrance (especially for strategic sectors as waste and energy) as well as simplifying and accelerating the administrative processes to get permission for new investments and technologies.

WP-4/#02/EJ to EJ: Support for and issues in sustainable finance

The BRT calls on the EU and Japanese Authorities to:

- facilitate international collaboration among governments, financial market participants, and companies, implement effective mechanisms that are compatible with market-economy criteria and that are applicable across national borders throughout the entire value chain. When aiming for sustainable economic activities, we therefore request both authorities to take the following factors into consideration:
 - ✓ Careful consideration of the balance with other SDGs factors, in addition to environmental aspects, in judging the applicability of sustainable finance.
 - ✓ Comprehensive study of multiple factors, such as feasibility and dissemination potential of technologies and products.
 - ✓ Evaluation of environmental load from the point of view of the entire value chain, including production, distribution, use, disposal, recycling and reuse, for individual sectors, but also for the economy as a whole.
 - ✓ In particular, the European taxonomy criteria currently under consideration by the European Commission (technical screening criteria) should be formulated in full consideration of the above mentioned points. Japan should also actively contribute to the creation of the European taxonomy and take an active part in the IPSF (International Platform on Sustainable Finance) as much as possible.
 - ✓ Bringing the circular economy into the mainstream of the discussion and shifting the focus from waste to resources management, aiming at avoiding waste from the beginning.

The BRT believes that:

- a mechanism for sustainable finance that aims to promote private investments to achieve a sustainable society is extremely important.
- sustainable finance should encourage the necessary investments not only in activities aimed at realizing a low-emission society, but also for activities aimed at solving issues caused by urbanization.
- sustainable finance should also encourage investments aimed at enhancing resilient infrastructures that are fundamental for daily life, social, and economic activities.
- Finally, sustainable finance shall aim at realizing an efficient and stable society that is based on an appropriate energy mix.
- the funding areas and incentives must be consistent and in line with environmental policy priorities.
- to achieve the ambition for a zero-emission economy, technologies often characterized as bridging technologies such as hybrid trains, combined-cycle power generation, HEVs, and PHEVs will continue to play an important role for some years to come, mainly due to the fact that sufficient time is needed for R&D, production and to achieve the necessary market maturity. As stated in the "Concept Paper on Climate Transition Finance Principles" released by the Japanese government, the importance of the transitional and enabling technology should be recognized in order to achieve the objectives of sustainable finance.

WP-4/#03/EJ to EJ: Utilization of digital technology for the realization of a sustainable society

The BRT calls on the EU and Japanese Authorities to:

- promote policies to introduce and utilize innovative digital technologies for realizing a sustainable society. Specifically, we request both authorities to review and introduce taxation systems, laws, and regulations that encourage companies to make investments in R&D and capital.
- take leadership and strive to strengthen cooperation with businesses towards the establishment of the detailed framework (Osaka Track) agreed at the Osaka G20 meeting in 2019.
- continue to cooperate closely in ensuring safety against crime, terrorism, and various incidents, and to accelerate safe, secure, and sustainable urban development. A good example for the development of smart cities is the use of FIWARE, the evolving, open-data utilization platform developed through European initiatives that enable IT vendors to freely add new services to an open Application Programming Interface (API).
- promote the utilization of AI by putting the highest priority on compliance with relevant laws and regulations in each country/area and on respect for human rights. We also request both authorities to cooperate with private sector in establishing and implementing policies and guidelines aimed at preventing and addressing human rights issues. We request both authorities to avoid

introducing regulations that strongly and negatively impact or even suppress technology development and utilization in areas, such as AI, IoT, blockchain, biometrics etc.

The BRT believes that:

- the utilisation of innovative digital technologies can make very significant contributions to dealing with and solving problems and challenges, such as climate change, pollution, energy, material and water consumption, as well as natural disasters.
- in particular, considering the fact that the strengthening of laws and regulations can sometimes hinder innovation, it is essential to harmonize laws and regulations with risk-frame approaches, such as self-regulation and/or codes by businesses.
- efforts to create smart cities by aiming at the solution of social issues through digital transformation have entered a new era. We believe that cross-border and cross-domain data utilization while enhancing data security and privacy to address social issues is necessary from the point of view of comprehensive optimization.

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