

**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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Introduction

The environment and safe and secure living are not only the foundation of our daily lives and business activities but also a significant concern of industries. European and Japanese industries will cooperate in promoting the green growth strategies of both authorities with the aims of “coexisting with the earth and protecting the future” through decarbonization and the realization of a circular economy and “nurturing prosperous cities where individuals and society are in harmony” through the realization of resilient and comfortable lifestyles. Since these aims are incredibly challenging, innovation using disruptive technologies as well as massive lifestyle changes will be imperative.

Climate change and all its related subjects has become the largest single area of concern by EU citizen, politicians and businesses alike, despite the peak in focus on the pandemic.

The latest Future of Europe survey of citizens in all EU member states by the Eurobarometer (Special Eurobarometer 500, October-November 2020) reports that climate change is clearly regarded as the main global challenge affecting the future of the EU, with 45% of Europeans selecting this as the main challenge. The second and third most mentioned issues, got 38% and 37%, respectively. The European Parliament (EP) Spring 21 survey shows that regarding the topics the EP should focus on, climate change is in a strong fourth position across all EU member states, but in the first place in 7 (wealthy) countries.

Concerns with regard to the environment and sustainable development have also been raised prominently at the 19 June 2021 Inaugural Conference Plenary of the Conference on the Future of Europe (CoFE), which comprises the largest public debate between policy makers and citizens in the history of the European Union.

In all these debates, the concern is becoming more widespread that environmental issues, of which climate change and sustainable development are but two major areas, are not a challenge that can be solved by a group of only a few countries - but that instead environmental issues may well become a question of survival for all humankind, or at least civilization as we know it, unless all industrial countries step together and define joint and common rules and regulations to fight these challenges.

Japanese industries are basically supporting the goal of realizing a carbon-neutral, decarbonized society by 2050 declared by Japanese Government in October 2020 while EU industry supports the EU Green Deal to turn the EU into a climate neutral continent by 2050. Both industries will approach these challenges with unwavering determination and are committed to playing a proactive role in resolving them. Japanese industries strongly recognize that aiming for the realization of carbon neutrality in 2050 while creating a virtuous cycle of economy and environment is an important issue for building sustainable capitalism. Keidanren updated the "Keidanren Low Carbon Society Action Plan" to "Keidanren Carbon Neutral Action Plan" and strongly promotes the plan with the proactive efforts of the business community.

The BRT supports initiatives lead by the EU-Japan Green Alliance that promote

cooperation on energy transitions, environmental protection, sustainable finance, and facilitating the energy transitions in third countries.

The BRT is calling upon all to keep a calm and realistic view that keeps the right balance between global measures for long-term sustainability of all human activities on earth and ensuring economic stability of individual industries in individual countries, also outside the EU and Japan.

In addition, Japan and the EU are expected to take advantage of the advanced innovation and competitive edge in international markets based on the institutional and technical aspects, deepen their cooperation and collaboration, and take the lead in international discussions regarding the future direction of environmental actions, as well as on the creation of institutions and systems.

The COP26 conference to be held is the first time that parties are expected to commit to enhanced ambition since COP21. Article 6 of the Paris Agreement, which describes rules for an international carbon market and other forms of international cooperation, will be discussed as it is the last piece of the rulebook remaining to be finalized.

Recommendations from both European and Japanese industries

Environment: Green growth strategies for coexisting with the earth and protecting the future

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

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 climate change.
- use mitigation of climate change 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 accelerate corporate investments in R&D and capital for the "green deal".
- find technologically and economically viable options and take a flexible approach with a reasonable and realistic transition period towards achieving an ambitious target for a decarbonized society.
- prioritize material recovery over energy recovery (incineration).

- formulate cross-country policies with all sovereign states that are major contributors to climate change to ensure that the EU and Japan domestic industries are not penalized compared to industries in third countries.
- encourage sustainable consumption patterns changes.
- promote carbon-neutral, sustainable energies and conduct research and development of biofuels production and usage, and other new immature energies towards the commercialization to spread of carbon neutral energy technologies and the like.
- introduce WTO compatible subsidies or incentive schemes including imposition of fees on end-users that reflect the indirect benefits to society brought by the investment in decarbonization by industry.
- take effective measures to promote both governments to introduce the sustainable energy contributing to decarbonization into public sector, including government procurement rules.
- recognize that energy data management without equipment, as exemplified by virtual power plants (VPP) and resource aggregation services, also plays a major role in contributing to the realization of carbon neutrality, and develop policies to accelerate the expansion of such forms of management accordingly.
- facilitate further hand-in-hand cooperation between the EU and Japan in the area of sustainable finance as a catalyst towards a decarbonized society with the aim to coordinate and promote a consensus in international fora and to make taxonomy operational and usable for business while keeping economic feasibility.

The BRT believes that:

- it must respect EU's and Japan's continuous efforts to reach their nationally determined contributions (NDC) to mitigate climate change.
- the EU and Japan must remain forerunners in this area by representing the global conscience of all humanity and actively promoting this view to all other industrial countries worldwide in order to make them share the same measures and adopt the same rules and regulations to achieve a carbon-neutral economy and implement appropriate measures to achieve this goal.
- 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), promoting international standardization as well as simplifying and accelerating the administrative processes to get permission for new investments and technologies.
- in particular, we recognize that it is essential to expand Virtual Power Plant (VPP) that manages multiple distributed energy resources together and makes them function like a single power plant and resource aggregation service that improve efficiency and realize optimization through matching surplus power generated from renewable energy to the market.

- EU and Japan need to cooperate to move towards electrification of the grid and achieve decarbonisation of carbon-intensive sectors, such as building sectors e.g. by rapid promotion of heat pumps towards achieving a carbon neutral society.
- in sustainable finance, enabling activities and transitional technologies will continue to play an important role in order to mobilise all necessary means to achieve the objective of sustainable finance including the zero-emission ambition.

WP-4/#2/EJ to EJ Promotion of resource efficiency and the circular economy

The BRT calls on EU and Japanese Authorities to:

- avoid the pursuit of resource efficiency through exceedingly regulatory approaches, which could inhibit innovation and economic growth, but rather use promotion through voluntary efforts by stakeholders with associated incentives.
- pursue resource efficiency from the viewpoint of international circulation system based on the fact that movement of secondary raw materials across borders is now the norm.
- promote alignment and simplification of related standards and regulations of products made of renewable resources contributing to the circular economy, with incentives for R&D and commercialization.
- Japan and the EU should not only move forward with efforts aimed at improving resource efficiency but also work together to formulate consistent national and international rules and treaties to this effect.
- take measures to visualize the entire utilization cycle from the manufacturing of products to their shared use, reuse, recycling and disposal as well as to realize and accelerate supply and demand control in resource circulation through means such as matching products and assets with users by utilizing the traceability of raw materials, parts and products, and AI.
- specifically target SMEs as they account for a large number of entities and jobs and thus contribute significantly to the issues at hand.

The BRT believes that:

- resource constraints are likely to inhibit economic growth over the medium to long term. This is why it is imperative to improve the efficiency of resource use.
- the circular economy holds the potential to create business opportunities that will lead to additional economic growth and the job creation in the future.
- discussions on resource efficiency and the circular economy must go beyond recycling and other aspects of pure reuse to cover a wider range of concepts of product longevity, frugality and efficient use, thus impacting manufacturers, service

providers, and other companies, to consider the extension of product life, the sharing of services, and the goods and services through operational billing.

- beyond the necessary energy efficiency, in order to fully harness the potential of renewables, energy use optimization is key, leveraging digitization, energy management & analytics, demand flexibility, batteries, hydrogen, etc. Regulatory frameworks should foster those pursuits through leveling the playing field (pricing externalities) to enable fair competition and the pursuit of the sustainably most competitive solutions.
- collaborations by companies, administrations and industries that go beyond existing frameworks are integral to realizing the circular economy. Until now, there have been individual supply chains for each company or industry, and data on production, logistics, and sales have remained separate. To realize the circular economy, we believe that it is important to link and control data such as supply and demand and the usage of a variety of raw materials and products beyond existing frameworks.
- product design and the procurement of raw materials based on the premise of reuse of products and resources are important. To this end, it is imperative to have a mechanism that can be used to trace data on the original components of products and the place of origin of raw materials.

Secure & safe cities and their management : **“Nurturing prosperous cities where individuals and society are in harmony”**

WP-4/#3/EJ to EJ : Realization of a resilient and comfortable life

The BRT calls on EU and Japanese Authorities to:

- address with utmost priority the development and implementation of secure, safe, resilient, and high-quality city infrastructures that consider life-cycle cost, which is essential for realizing sustainable and inclusive societies as well as the services associated with such infrastructures. This is because city design and management have a serious and tremendous impact on creating attractive and ideal residential circumstances compatible with both societies and people.
- continuously promote the functional improvement of local cities/rural areas and the distribution of functions along with the development of urban cities. In particular, as stated above, increasing the use of renewable energy is essential for realizing decarbonization; however, appropriate energy distribution to local cities/rural areas including the introduction of Microgrid technologies should also be promoted from the perspective of decreasing the cost of power transmission and the dispersion of risks in times of disaster. Likewise, there is also a need to implement policies to

accelerate initiatives towards “local production for local consumption” from the point of view of promoting the circular economy and reducing CO2 emissions. Promote greening cities to improve air quality, lower GHGs and ultrafine dust particles in the cities, and create a better livelihood and temperature regulation.

The BRT believes that:

- resilient and comfortable cities require a wide range of basic, high-quality infrastructures and associated services to be viable and sustainable, and infrastructure development is vital for economic growth because it can create jobs, alleviate poverty, and improve quality of life for urban residents.
- issues of congestion and depopulation of cities can result in lowering the level of services and sustainability of cities. On the other hand, it is possible that the distribution of functions and people to local cities/rural areas from a state of extreme concentration in urban cities will accelerate along with advances in digital technologies under the new normal in the post COVID-19 era. We believe that this will lead to a certain level of progress in the mitigation of urban issues caused by overcrowding and in the reassessment of social values and changes in people’s behavior leading to improvements in quality of life, including work-style reforms, in addition to reducing the risk of infectious diseases.

WP-4/#4/EJ to EJ: Promoting optimization of city management

The BRT calls on EU and Japanese Authorities to:

- take the following steps and measures from the point of view of accelerating optimization of city management through trusted City as a Service, and data-driven solutions that provide the most suitable services to residents, healthy buildings and healthy precincts.
 - ✓ 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 and laws/regulations that encourage companies to make investments in R&D and capital. In addition, we request both authorities to introduce the policy to encourage the business to recognize and reduce the total cost of ownership as opposed to the capital expenditure only.
 - ✓ take leadership and strive to strengthen further cooperation with businesses to promote free and reliable flow of data across borders.
 - ✓ promote the utilization of AI by placing 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 the private sector in establishing and implementing policies and guidelines aimed at preventing and addressing human rights issues. We request both authorities to refrain from introducing regulations that strongly and negatively impact or even suppress

development and utilization of AI technologies.

- promote optimization of city management at various scales (building, neighborhood, infrastructure, etc.)

The BRT believes that:

- city management will become primarily focused on high-level operations of habitation and mobility through City as a Service, which provides services suited to the diverse values of residents by combining various types of big data to visualize the city's circumstances and predicting possible changes in cities through AI analysis. We also believe that "data-driven city management" utilizing digital twins, which enable low-cost and speedy execution of large-scale analysis and simulation that are difficult to conduct in real cities, will be particularly effective in disaster prevention planning and the measurement of policy effectiveness.
- the free and reliable flow of data across borders and the utilization of data across domains to address social issues while enhancing data security and privacy are necessary from the point of view of accelerating the above.