

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

7 November 2023

**Working Party 4  
Environment and Sustainable Development**

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## Introduction

Achieving climate neutrality by the middle of this century is a universal challenge facing all of humankind and we, the BRT, hold strong expectations for both Authorities to continue prioritising the fulfilment of their roles as world leaders in the face of these latest threats by promoting measures to further accelerate the transition to clean and sustainable energy as well as the diversification of energy sources.

The BRT will support measures by and cooperate with both Authorities to create a resource-efficient and cyclical economy, consider and maintain biodiversity and other natural capital, and ensure food security.

The BRT supports initiatives led by the EU-Japan Green Alliance that promote cooperation on energy transitions, environmental protection, sustainable finance, and the facilitation of energy transitions in third countries, and we will strive to realise the above by cooperating with specific measures taken by the Alliance.

We are determined to cooperate with the promotion of efforts to “nurture a prosperous city where individuals and society are in harmony” through the realisation of resilient and comfortable lifestyles in addition to “Green growth strategies for coexisting with the earth and protecting the future.”

## Recommendations from both European and Japanese industries

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

The BRT calls on EU and Japanese Authorities to:

- Support all technologically and economically viable options and take a flexible approach with a reasonable and realistic transition period towards achieving an ambitious target for a decarbonised society by facilitating and promoting high-level dialogues between both authorities.
- Accelerate promoting technologies and solutions on decarbonisation accumulated in EU and Japanese industries to other countries and markets.
- Take measures based on the three integrated perspectives of climate change countermeasures, biodiversity conservation, and the transition to a circular economy. Decarbonisation-biased efforts should not result in the loss of biodiversity, and linear economic models must not impede its sustainability.
- Demonstrate strong leadership towards the swift creation of a platform that can be used to share CO<sub>2</sub> emission data and introduce common rules to every company involved in the supply chain for the production of raw materials, parts manufacturing, product manufacturing, sales, and the transportation that connects them.
- Support the creation of a level playing field for manufacturers to be able to publish their energy results using a common calculation method. This would raise awareness of their sites' energy performance and encourage them to take action to improve it and therefore impact positively their CO<sub>2</sub> emissions. This level playing field is more important now with the Carbon Border Adjustment Mechanism. We call on the EU and Japanese Authorities to ensure close communication on the handling of carbon pricing based on the acknowledgement that equitable treatment of carbon pricing in third countries is one of the most important points from the perspective of international harmonisation and WTO compliance.
- Formulate cross-country policies with all sovereign states that are major contributors to climate change to ensure that domestic industries in the EU and Japan are not penalised more harshly than industries in third countries.
- Introduce WTO-compatible subsidies or incentive schemes including the imposition of fees on end-users that reflect the indirect benefits to society brought about by investment in decarbonisation by industry.
- Take effective measures to introduce sustainable energy contributing to decarbonisation of the public sector, including government procurement rules.
- Facilitate further hand-in-hand cooperation between the EU and Japan in the area of sustainable finance as a catalyst towards a decarbonised society with the aim of coordinating and promoting a consensus in international fora and to make taxonomy operational and usable for business while maintaining economic feasibility.

- Ensure that measures they take will not lead to the stagnation of corporate investments in R&D and capital, protectionist trade, and/or the stifling of innovation.
- Make the most of existing low-carbon resources, while preparing for the future through new, innovative electricity generation resources with a low carbon footprint.

The BRT believes that:

- 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 to ensure they share the same measures and adopt the same rules and regulations to achieve a carbon-neutral economy and implement appropriate measures to accomplish this goal.
- To reduce CO<sub>2</sub> emissions across the entire supply chain, it is necessary to accurately comprehend not only the CO<sub>2</sub> emissions of each company but also the CO<sub>2</sub> emissions of the supply chain as a whole (e.g., procured goods, services, transportation, delivery). As such, there is an urgent need to develop common rules and mechanisms. We also believe that in the future it will be necessary to consider calculating the reduction amount as the contributed amount in cases in which companies produce, sell and provide products and services by utilising the targeted supply chain.
- The only way to achieve ambitious climate targets for 2030 and to promote a circular economy is close joint collaboration aimed at reducing the complexity of market entry (especially for strategic sectors such as waste and energy), promoting international standardisation as well as simplifying and accelerating the administrative processes to obtain permission for new investments and technologies.

**WP-4 / #02\* / EJ to EJ      Promotion of resource efficiency and the circular economy**

The BRT calls on EU and Japanese Authorities to:

- Pursue resource efficiency from the viewpoint of an international circulation system based on the fact that movement of secondary raw materials across borders is now the norm. On the other hand, as global supply chain risks become apparent, we also call on both Authorities to develop a policy promoting the optimisation of both international and regional circulation since we believe it is essential to also promote regional circulation, as well as international circulation, from the perspective of maintaining and securing economic security.
- Avoid the pursuit of resource efficiency through exceedingly regulatory approaches, that inhibit innovation and economic growth. Instead promote business support and consumer protection by means of associated incentives.
- 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 commercialisation.
- Take measures to visualise the entire utilisation cycle from the manufacturing of products to their shared use, reuse, recycling, and disposal as well as to realise

and accelerate supply and demand control in resource circulation through means such as matching products and assets with users by utilising the traceability of raw materials, parts and products, and AI.

- Recognise that 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.
- Facilitate cooperation between EU and Japan to advance Circular Economy Resource Efficiency Principles (CEREP), which businesses can play a significant role for along the value chains to reduce primary resource use and contribute to achieving climate and other environmental goals, as well as enhancing sustainable economic growth and economic security.

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 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 provision of goods and services through operational billing.
- In order to advance the promotion of the green transition, the smooth facilitation of product-related information sharing across supply chains is an urgent common challenge for both Japan and Europe.
- Collaborations by companies, administrations, and industries that transcend existing frameworks are integral to realising 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 make the circular economy a reality, we believe 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.
- In Europe, discussions regarding the Battery Passport and Digital Product Passport have been progressing, while in Japan, discussions on data sharing across supply chains have also been advancing.
- From the perspective of the close ties in business and supply chains between Japan and Europe, and considering their collaboration as like-minded nations, we strongly urge both the Japanese and European Authorities to ensure close coordination and collaboration regarding the interoperability of data sharing.

## WP-4 / #03 / EJ to EJ      **Natural Capital and Biodiversity**

The BRT calls on the EU and Japanese Authorities to:

- Continue to lead international discussions towards COP16 of the Convention on Biological Diversity and to actively promote the development of 30by30, especially for other effective area-based conservation measures (OECM), which will be the key to its achievement. In addition, we request both Authorities to further promote the accumulation of data and the development of infrastructure related to biodiversity, and to actively develop environmental measures from the viewpoint of total optimisation that can be implemented over the long term as well as nature positive measures and models in third countries under circumstances in which the global economy is further blocked.
- Continuously promote the study and development of the natural capital value of forests from the perspective of biodiversity. We also call on both Authorities to guide and promote the creation of highly reliable common rules based on international organisations and government-led standards for the mechanism of private initiative (i.e., voluntary credit) since the carbon offset credit system for CO<sub>2</sub> forest absorption will need to be further developed and utilised from the viewpoint of climate change measures as mentioned in the previous section.
- Develop policies that encourage companies and business to support R&D and capital investment aimed at providing solutions and services contributing to the sustainability of agriculture, reducing environmental load, implementing measures against climate change, and responding to the aging of the working population and the resulting loss of know-how by using the latest AI and digital technologies that replicate the techniques of skilled farmers. More specifically, tax incentives, the provision of appropriate subsidies, and support for on-site implementation.

The BRT believes that:

- It is valuable that the Japanese and EU Authorities are leading the international debate towards COP16 of the Convention on Biological Diversity, and this is much appreciated. We will also support and continue to actively cooperate with measures in the 30by30 Roadmap to achieve targets in the Post-2020 Biodiversity Framework.
- Forests are naturally one of the core environmental assets that not only provide global environment and ecosystem services but also bring immeasurable benefits to humankind (e.g., food supply, water circulation, climate stability). We also understand that management of forests owned by individuals and companies is an important factor for OECM. In addition, it is imperative to continue working to improve and utilise the carbon offset credit system for CO<sub>2</sub> forest absorption.
- Demand for agricultural products is expected to further increase worldwide due to population and economic growth in a harsh global environment marked by climate change, global warming, soil pollution, and soaring water and fertiliser prices, but we also understand it is necessary for agricultural production to tackle various issues such as developing measures against decreases in the number of producers, reducing environmental burden, and ensuring the safety of food. In particular, we should combine agronomics (i.e., agricultural science) with advanced digital technologies such as AI to promote accurate, efficient,



environmentally friendly, and profitable farming as well as expand sustainable agriculture in every country.

#### **WP-4 / #04\* / EJ to EJ Realisation 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 realising sustainable and inclusive societies as well as the services associated with such infrastructures. This is necessary because city design and management have a serious and tremendous impact on creating attractive and ideal residential circumstances compatible with both societies and people.
- Convert urban planning to resilient and comfortable cities with a wide range of basic, high-quality infrastructure and associated services to be viable and sustainable.
- Take the lead in promoting market introduction of energy conservation and energy efficiency technologies and their supporting infrastructures as well as encouraging the alignment and simplification of related standards and regulations. We also ask both Authorities to promote the development of advanced technologies that boost energy efficiency through best practices as well as to implement stimulus measures such as investment in methodologies and to promote disruptive innovation in cities.

The BRT believes that:

- City infrastructure development is vital for economic growth because it can create jobs, alleviate poverty, and improve quality of life for urban residents.
- As climate-related natural disasters thought to be caused by global warming such as hurricanes, droughts, and wildfires become more intense and frequent, cities will find themselves damaged by large-scale disasters, thereby leading to massive amounts of CO<sub>2</sub> being emitted as a result of reconstruction projects required to rebuild infrastructure. Therefore, from the perspective of preventing global warming, we believe that it is also extremely important to accelerate the introduction of disaster prevention and mitigation solutions that make infrastructure more resilient to disasters.
- Issues such as congestion and the 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 behaviour leading to improvements in quality of life, including work-style reforms, in addition to reducing the risk of infectious diseases. The Digital Garden City Nation Initiative currently being promoted by the Japanese Government aims to enable all citizens, regardless of place of residence, age, or gender, to live a fulfilling life that combines comfort and peace of mind according to their lifestyles and needs and to create a society in which citizens and businesses can enjoy the

benefits of digitalisation through the creation of new services that contribute to the improvement of work and life in rural areas, the improvement of sustainability, and the realisation of well-being, thereby creating a society where everyone can live conveniently and comfortably anywhere. BRT supports this initiative.

#### **WP-4 / #05 / EJ to EJ      Promoting the optimisation of city management**

The BRT calls on EU and Japanese Authorities to:

- Take specific steps and measures from the point of view of accelerating the optimisation 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 the optimisation of city management at various levels of scale (e.g., building, neighbourhood, infrastructure).
- Refrain from introducing regulations that strongly and negatively impact or suppress the development and utilisation of AI technologies in city management, while cooperating with the private sector in establishing and implementing policies and guidelines aimed at preventing and addressing human rights issues.
- Secure a sufficient budget for each government in Europe and each local government in Japan to actively introduce, use, and share data utilisation infrastructure.

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 visualise the city's circumstances and predicting possible changes.
- Utilising AI and digital twins will enable low-cost and speedy execution of large-scale analysis and simulation that are difficult to conduct in real cities and will be particularly effective in disaster prevention planning and the measurement of policy effectiveness.
- Notwithstanding the large benefits of AI solutions, the utilisation of AI must be governed by placing the highest priority on compliance with relevant laws and regulations in each country/area and on respect for human rights.



## Recommendation from European Industries

### **WP-4 / #06 / E to EJ      Increase the rollout of EVs and the necessary infrastructure**

The percentage of EVs in new car sales in Japan in 2020 is about 0.6%, which is quite low compared to other countries. The situation in the EU regarding the EV transition is only slightly more advanced than in Japan, with ACEA claiming that around 24.5% of cars sold in the EU are alternatively fuelled. This figure does not differentiate between hybrids, EVs and hydrogen-fuelled cars.

The BRT calls on the EU and Japanese Authorities to:

- Impose stricter CO<sub>2</sub> standards for cars and vans.
- Introduce Alternative Fuels Infrastructure Regulation, aiming to increase the coverage for EV charging and hydrogen refuelling along the main transport network lines (like the EU's Trans-European Network for Transport for Transport: TEN-T) to maintain long-distance viability of alternatively fuelled vehicles.
- Introduce charging infrastructure requirements for existing, renovated and newly built buildings with different targets per category.

The BRT believes that:

- In its Green Growth Strategy accompanying the 2050 carbon neutrality, the Ministry of Economy, Trade and Industry (METI) has decided on a framework such as “Comprehensive measures will be taken to achieve 100% of new passenger vehicle sales being for vehicles that are electrically driven (Electric Vehicles, Fuel Cell Vehicles, Plug-in Hybrid Vehicles, Hybrid Vehicles) by 2035. With regard to commercial vehicles, for light-duty vehicles of 8 tons or less, the government will take comprehensive measures, including the introduction of vehicles and promotion of infrastructure development, aiming for 20-30% of new vehicle sales to be electrified vehicles by 2030, and 100% of new vehicle sales to be electrified vehicles and vehicles suitable for the use of decarbonised fuels such as synthetic fuels combined by 2040. As for large vehicles over 8 tons, we will aim to introduce 5,000 units of electrified vehicles in advance in the 2020s while promoting technological verification to develop and promote the use of electrified vehicles suitable for commercial use such as cargo and passenger businesses, and we will also set a target for the diffusion of electrified vehicles in 2040 by 2030, taking into account the progress in technological development and diffusion efforts to reduce the price of hydrogen and synthetic fuels.”
- The European Commission has proposed that the EU aims for a 40% share in renewables by 2030. In view of the invasion of Ukraine, a 45% renewables target is now being proposed by the European Parliament and is likely to receive support.

- Within the EU there are numerous policies aimed at increasing the rollout of EVs and the necessary infrastructure to make them a viable alternative to regular internal combustion engine (ICE) vehicles.
- The proposal from the European Commission aims to phase out the sale of ICE vehicles by 2035, with intermediate decarbonisation targets for 2025 and 2030. The European Parliament is aiming to increase these targets but will have to negotiate their position with the European Council, who will likely water down the proposals.