

Webinar on Sustainable Finance  
~ Financing for 2050 carbon neutral ~  
March 9, 2021 (Tuesday) 17: 00-18: 30

(Summary/Responsibility Secretariat)

1. Mr. Takashi Omote, Ministry of Economy, Trade and Industry

For the moment, not all energy can be covered by pure green. Isn't it important to deal with the transition period and discuss it? Japan has long emphasized this transition period, partly because the manufacturing industry is thriving. The Ministry of Economy, Trade and Industry's abbreviation announced in September 2020 indicated that financing is required at each stage of green, technological innovation, and transition. Bonds are an effective means on the green, but they are still inadequate. In the transition period, it is difficult to raise funds because the definition is ambiguous. We are responding by formulating a roadmap for each industry. The Green Growth Strategy covers 5 tools and 14 growth areas. JP¥ 2 trillion will be invested in the five tools. During the transition period, private funds will be utilized using a performance-linked interest supply system as a catalyst. We will create guidelines for the investment of private funds and establish a third-party certification system. A series of support systems can also be used by European companies in Japan.

2. Yukako Kinoshita, Japan Business Council in Europe (JBCE)

From the standpoint of Japanese companies in Europe, we are submitting opinions to the EU side from the perspective of what is necessary for the EU taxonomy to be utilized across national borders. For taxonomies, it is imperative that policies should be positive, support innovation and not punish Brown. Technology screening standards should be in harmony with the global and existing systems that companies can implement. Since the corporate information disclosed under the taxonomy system does not represent the overall sustainability of the entire company, correct disclosure criteria for evaluation should be established. Regarding sustainable finance, 1) We agree with the expansion of taxonomy applications, but oppose that this is the only criterion for business, 2) Regarding information disclosure, qualitative information is important, not just taxonomy and 3) Global perspective is needed. We believe that consistency of perspectives with not only IPSF but also G7, G20, OECD, etc. is important. It would be beneficial for companies if a global system could be realized through cooperation between Japan and. I would like to share the issues in the future such as, 1) whether there will be a time lag between taxonomy reviews and technological innovations, 2) whether investment will be promoted only for green ones, 3) how to collect and calculate taxonomy information. 4) how much financial institutions will utilize this information and

5) applying taxonomy and contributing to society is possible or not.

### 3. The Principles for Responsible Investment (PRI), Mr. Nathan Fabian

There are three points about the framework of sustainable finance; Changing the flow of investment, incorporating sustainability into risk management and have transparency and a long-term perspective. Policies have been introduced in Europe for these purposes such as taxonomy, introduction of standard labels, promotion of sustainable investment, etc. The taxonomy standard is an important element in it. So, the taxonomy should be simple. Sustainable finance is one of the EU's green deal policies, and other factors such as climate change, biodiversity and transition funds should be considered. The introduction of the standard must consider the impact on each field. Taxonomy does more than just measure emissions. The taxonomy will be a list to reach the goals of 2030 and 2050. What is sustainable, measures its level and clarifies the direction of activity. It is already legislated in the EU. It is critical to deal with areas where green cannot be achieved immediately at this time. It is important to identify and approach what is the best standard currently available. It is also important to ensure that funds are available to companies that are approaching that standard. Currently in the EU, 90% of emissions are covered by taxonomies. Taxonomy is beginning to be used as a valid standard for green transition finance.

### 4. BusinessEurope, Mr. Alexandre Affre

I will touch on taxonomy in sustainable finance. The benefits and challenges of taxonomy. The advantage is that it is possible to direct investment to green using a common language called taxonomy. Taxonomy regulation is the first attempt to unify all kinds of environment-related goals, regulations and institutions in the EU, and there has never been such a broad and detailed mechanism. The issues are what will happen to the specific method of information disclosure, whether penalties will be applied if the standards are not met, how to perceive social taxonomy, and how to utilize taxonomy for public investment, etc. We should discuss from this point of view.

(discussion)

Tanabe: Do you have any questions for each speaker?

Kinoshita: The taxonomy system is complicated, but can it be used so that companies can use it to strengthen their competitiveness and acquire markets? I would like have an advice from Fabian of RPI.

Fabian: To make a story about financing. I think it will lead to the development of the company by bringing a story that can be said that we have become greener.

Omote: At the Ministry of Economy, Trade and Industry, I was formulating detailed standards in

setting standards, but what I learned from the EU was that the government set goals and then companies devised and decided on them. What about carbon neutrality? I think taxonomy is a fairly detailed rule.

Fabian: Taxonomy is like labeling, not what you force yourself to do. What is expected is transparency.

Affre: I basically agree with Fabian on this point. On the other hand, I understand that taxonomy roadmaps are often talked about in Japan, but how about the possibility of a big breakthrough?

Omote: I think there is a high possibility that innovation will occur in Japan. On the other hand, this requires investment and a constant review of the roadmap. The big difference from the EU is that carbon pricing is about to begin in Japan. We believe that full-scale introduction will be able to boost carbon neutrality.

Tanabe (Q from participant): About the taxonomy third-party certification, is it an authorization or certification ?

Omote: At this stage, either one has not been decided yet.

Tanabe (Q from participant): Will there be more fields in the taxonomy in the future?

Fabian: I think it is inevitable that the EU will constantly review and expand its scope.