Seven Questions for the Sectoral Approach

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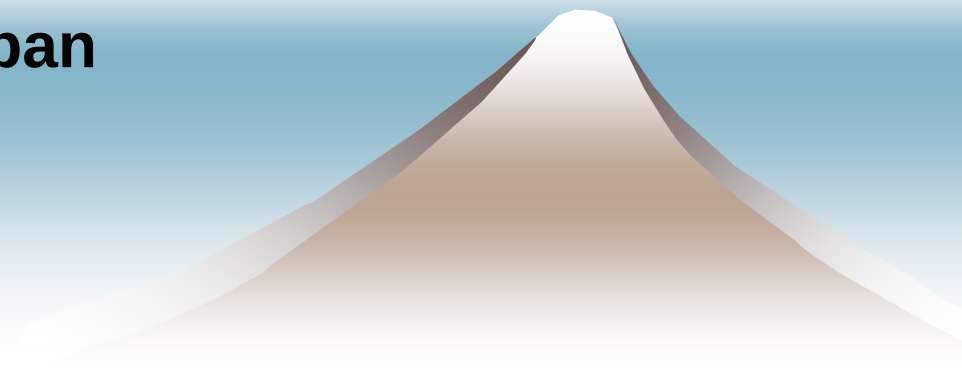
Japan

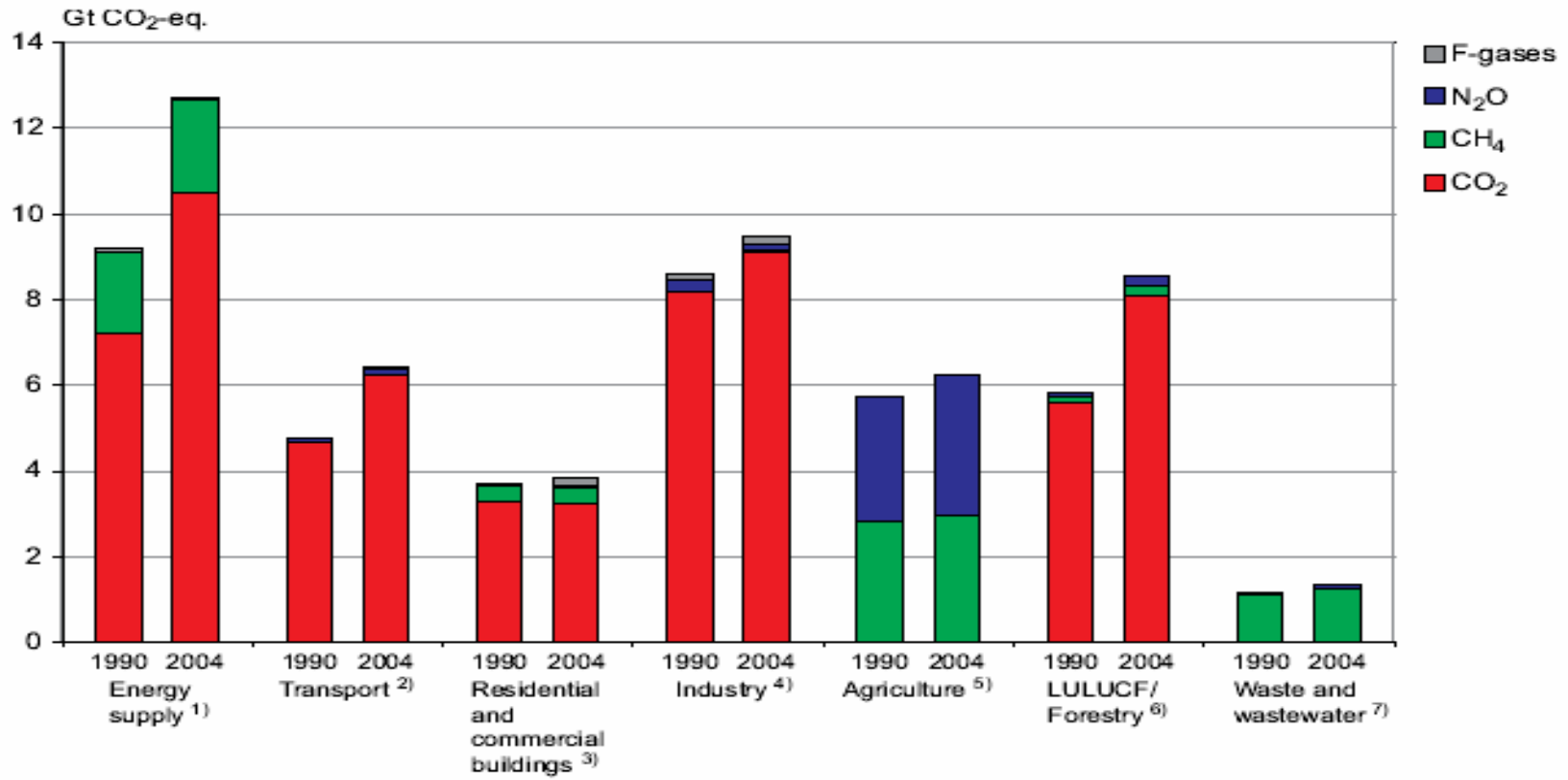


Q1. Is the Sectoral Approach a new idea?

- No it isn’t.
- The concepts of the sectoral approach are already embedded in the basic structure of the FCCC.
- The handling of LULUCF and of energy related CO2 are discussed separately.
- The EU used the sectoral approach (the Triptych approach) to consider national allocation of commitments under the Kyoto Protocol.
- Japan’s proposal represents the evolution of these concepts.

Sector-based approach by the IPCC

- **Energy supply sector is the biggest and the emission grows rapidly.**
- **We need to elaborate MRV actions, policy and measures best fit for each sector under CBDRRC principle.**



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Q2. Does the Sectoral Approach replace the National Emission Reduction Target?

- No it doesn’t.
- The sectoral approach can be used as a tool to set national emissions reduction targets, as well as to enhance the cooperative sectoral actions.
- Japan has committed to set national emission reduction targets in the continuous period beyond 2012.

Q3. Does the Sectoral Approach force a single common global standard on some developing countries?

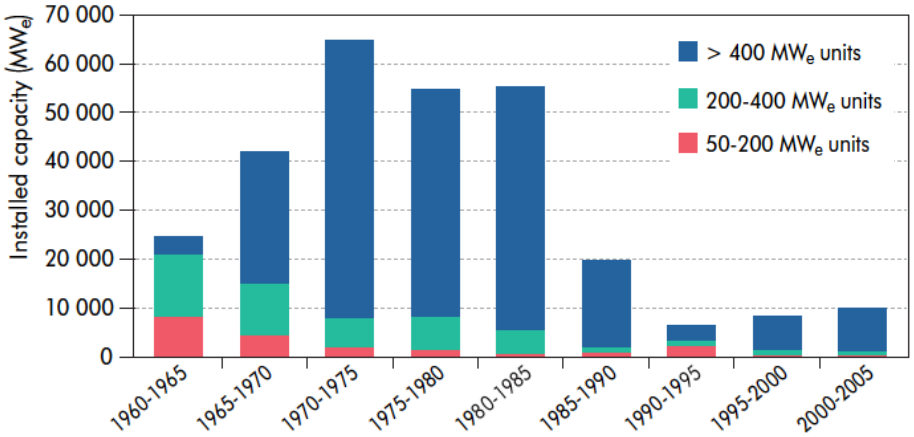
- No it does not.
- It is not necessary and feasible to apply a single benchmark.
- In the activities of APP, target setting takes national circumstances into account, including social, economic and energy situations.
- This confirms the principle of common but differentiated responsibility and respective capability.
- Even if countries set different levels of targets, they can take common actions.

Age distribution of coal-fired capacity by size

“Common efficiency target for coal-fired power generation” won’t be feasible under the different national circumstances.

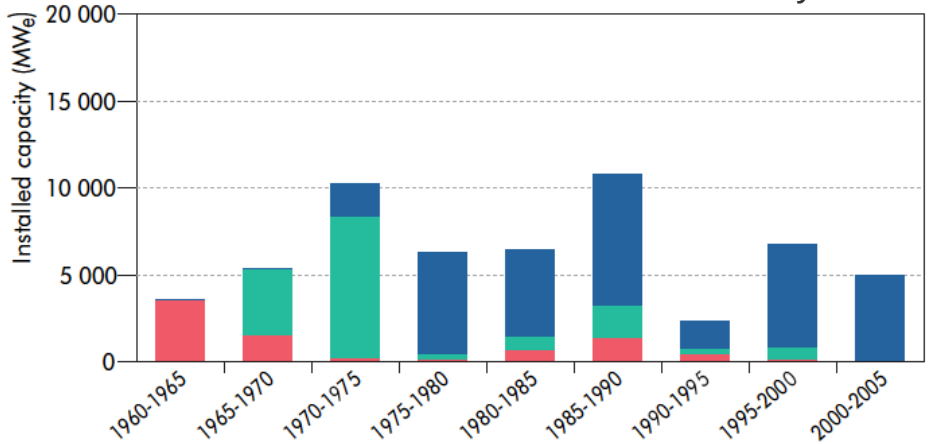
Many old plants in the U.S. and Germany

U.S.



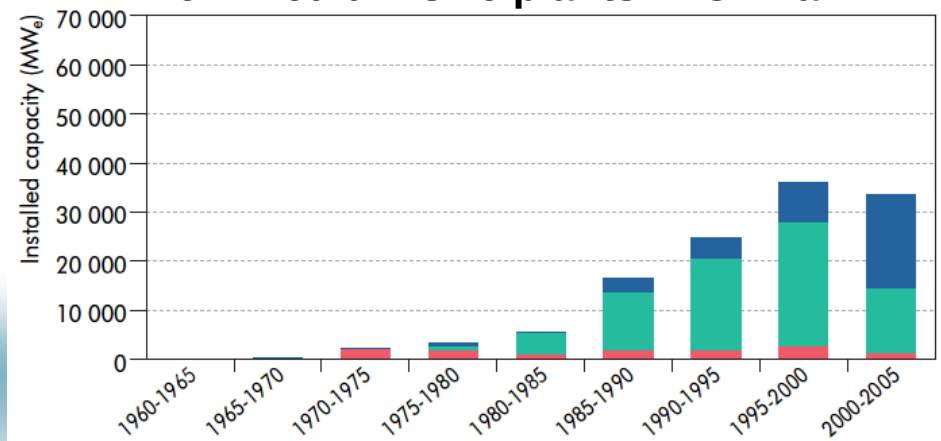
Source: IEA Clean Coal Centre, 2005b.

Germany



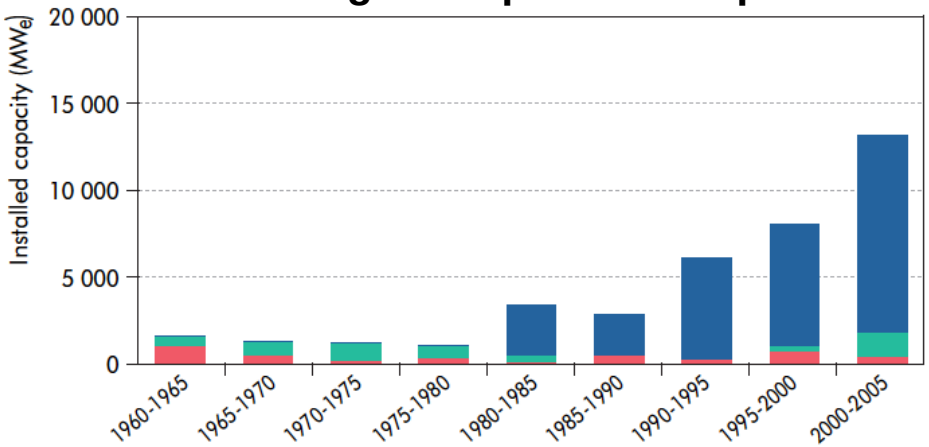
Source: IEA Clean Coal Centre, 2005b.

New medium size plants in China



Source: IEA Clean Coal Centre, 2005b.

New large size plants in Japan



Source: IEA Clean Coal Centre, 2005b.

Common actions and indicators

<Power Generation>

- ***Possible Common Actions: Clean Use of Coal, Use of non/low-carbon energy sources***
  - **Minimum efficiency standard of incoming plants (new and replacing plants)**
  - **Maintaining efficiency of existing plants**
  - **Best efforts for introducing non/low-carbon energy sources**
- ***Indicator***
  - **Power generation efficiency (energy consumption/kWh)**
  - **CO2 emissions/kWh**

<Steel, Cement and Aluminum>

- ***Possible Common Actions: Low Carbon Production***
  - **Specifying BATs for reducing energy consumption/CO2 emissions**
  - **Setting goals for introducing the above technologies**
  - **Setting goals for improving production efficiency**
- ***Indicator***
  - **Energy consumption and/or CO2 emission per unit production**

Q4. The Sectoral Approach cannot co-exist with Cap and Trade, right?

- Wrong!
- The sectoral approach is a tool to identify the mitigation options or potentials and evaluate economy wide absolute reduction targets.
- Information provided by the sectoral approach, such as the intensity indicator of each sector, can enhance the market function and allow participants to behave rationally.
- Therefore, it does not contradict with economic policy instruments, such as Emission Trading Schemes.

Q5. The Sectoral Approach cannot co-exist with the Flexible Mechanism, right?

- This is not correct.
- In regards to the CDM, improvement is needed in terms of efficiency, geographical distribution, and environmental integrity.
- There are some ideas for such improvements compatible with the sectoral approach, including Programmed CDM.
- Under the Programmed CDM, the mitigation efforts of advanced developing countries which exceed their voluntary targets could be counted as CDM.

Q6. The Sectoral Bottom-up Approach will not lead to the aspired goal, right?

- Well, this is both right and wrong.
- Sectoral bottom-up approach identifies the mitigation opportunities or potentials by using BATs and BPs.
- There would be a gap between reduction potentials based on bottom-up approach and requirement by top-down approach.
- This gap helps us to realize the necessary and additional efforts and actions which cannot be shown by the market-based approach.

Q7. Japan is taking the Sectoral Approach just as an excuse not to make more effort, right?

- Wrong.
- Japan has already decided to make every effort to maintain its world-leading, energy- efficient economy after 2012.
- For example, in the industrial sector, Japan's industry continues to develop innovative technologies and deploy them as soon as possible.
- This is not just a short-term cost minimization approach.

CO2 emission from industry will steadily decrease under the new energy supply and demand outlook

- **In the last 15 years, Japan's industry has positively introduced energy efficient equipment & technology such as waste heat recovery.**
- **For the next 15 years, Japan's industry will keep on introducing more advanced technology such as SCOPE21 for the steel sector.**