



INSIGHT: NORTHEAST ASIA

With green transformation investments, Japan inches closer to carbon-neutral future

THE TAKEAWAY

Japan's commitment to a carbon-neutral future was enhanced by Prime Minister Kishida Fumio's November 7 announcement of an C\$18-billion (2 trillion yen) investment in green transformation (GX) projects over the next three years. This pivotal move is part of Japan's broader C\$1.4-trillion (150 trillion yen) GX Initiative, which aims to revolutionize the country's economic and social systems by transitioning from fossil fuels to clean energy. The investment reflects a significant pivot to sustainable practices for Japan.

IN BRIEF

- [Japan's GX Initiative](#), rooted in the [Basic Policy on Economic and Fiscal Management and Reform 2021](#), promises a profound shift towards sustainability. Since its inception in 2022, the GX Implementation Council has [met](#) eight times, showcasing a committed effort to shift the country from fossil fuels to a clean energy future. These gatherings culminated in a [robust action plan](#) revealed in February 2023 that seeks public engagement, highlighting the inclusive nature of Japan's green revolution.
- The initiative, a harmonious blend of economic growth and environmental responsibility, sets forth a bold vision to infuse C\$1.4 trillion (150 trillion yen) into the economy over 10 years. This grand strategy extends beyond climate response; it is a proactive

leap into fostering a [resilient, eco-friendly economy](#) powered by green innovation.

- The November 7 [blueprint](#) specifically details initiatives such as subsidies for high-efficiency appliances and residential solar power systems, as well as improvements in home insulation. These measures are directly aimed at enhancing daily life and reducing household energy expenses. Additionally, Kishida's plan includes substantial incentives, up to C\$7,779 (850,000 yen), for electric vehicle (EV) purchases.

IMPLICATIONS

Japan's GX Initiative, with its significant economic and technological implications, serves as a potential catalyst for the country's long-term growth and innovation. Subsidies for purchasing EVs and investing in [carbon capture technology](#) exemplify the government's approach to fostering a market conducive to clean energy transitions. By allocating substantial funds to these areas, Japan is looking to drive technological advancements and industry transformation. This aligns with global decarbonization efforts and positions Japan as a competitive player in the burgeoning green technology sector.

Despite these advancements, the GX Initiative faces scrutiny from some [pundits](#) and [environmentalist groups](#), particularly regarding the inclusion of liquefied natural gas, ammonia-generated hydrogen, and nuclear

energy within its framework. Critics argue that these energy sources, despite being touted as transitional solutions, still contribute to greenhouse gas emissions and that the initiative might be ‘too little, too late’ to avert the escalating climate crisis. The [environmental community](#) is urging a more aggressive shift towards renewable energy sources, suggesting that the current measures may not be sufficient to meet the urgency of climate targets.

Furthermore, there are [concerns](#) that Japan’s GX Initiative does not represent a fundamental resolution to the growing energy consumption issue. While the initiative propels Japan’s energy transition, it does not adequately address the underlying increase in energy usage. The active involvement of [private sector stakeholders](#), who bring investment and innovation, is a double-edged sword of GX. The collaboration between government and industry is vital for the success of Japan’s green agenda, yet it also demands a balance between immediate economic interests and long-term sustainability goals. As the initiative unfolds, the co-operation among these stakeholders will be crucial in steering Japan towards a truly sustainable and resilient green future.

WHAT’S NEXT

1. Canada’s role and public-private co-operation

[Anticipated co-operation](#) between Canada and Japan is poised to play a significant role in shaping the global energy transition, with both countries aligning on long-term tax incentives for green investments. The expected policy, which includes tax deductions for hydrogen plants, power facilities, and mineral-related infrastructure, will solidify corporate foresight and foster sector-wide innovation.

2. Green financing through bond issuance

Japan is set to finance its GX initiatives through the [issuance of green bonds](#), which will likely encourage sustainable investments and aid in meeting the country’s carbon neutrality goals. This strategic move signals Japan’s commitment to leveraging financial markets for environmental objectives.

3. Development of carbon emissions trading market

The development of a carbon emissions trading market is a pivotal element of Japan’s GX strategy, aimed at integrating carbon pricing into the economy. This mechanism is designed to incentivize reductions in greenhouse gas emissions, potentially transforming environmental responsibility into a financially advantageous strategy for businesses.

Produced by CAST’s Northeast Asia team:
Dr. Scott Harrison (Senior Program Manager)
scott.harrison@asiapacific.ca; Momo Sakudo (Analyst);
Tae Yeon Eom (Analyst). Edited by: Ted Fraser.
Design by: Chloe Fenemore.