

Establishing a Guideline for Carbon Offsetting in Japan

~Introduction to Draft Guideline~

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Aims of establishing the guideline

- Encouraging individuals and business to take actions towards carbon offsetting
- Providing appropriate and basic framework or carbon offsetting in Japan
- Ensuring the reliability of carbon offsetting activities

Carbon offset: Our definition

- Carbon offsetting provides individuals and businesses with a way of mitigating *unavoidable* their emissions by cancelling/retirement “credits” which is equivalent to the amount of emissions.
- Therefore, in order to offset the emissions, individuals/businesses are encouraged to recognise the amount of their emissions and expected to reduce their emissions at first.

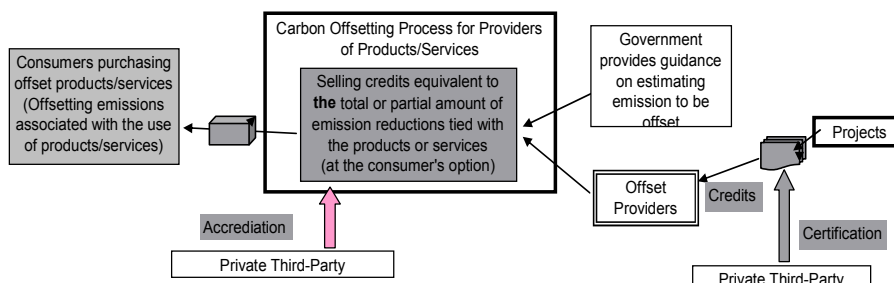
Issues on carbon offsetting

- Calculation/estimation of emissions to be offset
- Ensuring reliability of emission reduction associated with credits (and permanency of removals by sinks)
- Requiring appropriate accounting of emission reduction or removals to produce the credits
- Avoiding double-counting of the credits to be offset
- Ensuring higher level of transparency regarding offset provider’s activity
- Recalling offsetting may not be justification of no-action conducted for actual emission reduction

Types of Carbon offsetting

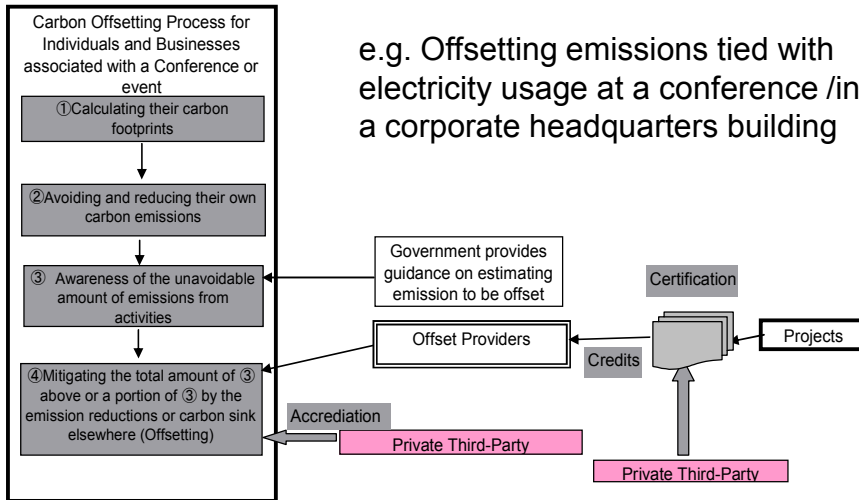
- Market-oriented offsetting
 - Offsetting products and services
 - Offsetting emissions from specific events/ from certain own activities
- Offsetting within particular individuals and businesses (Non-market oriented offsetting)

Offsetting products and services

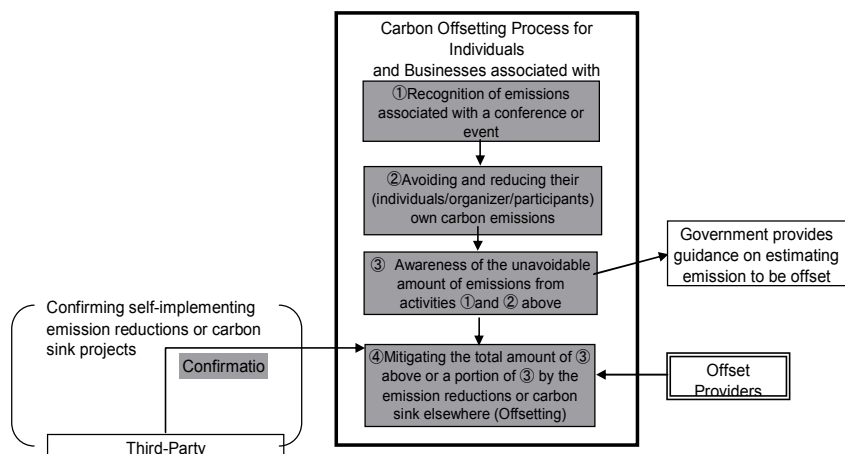


e.g. Purchasing electricity appliances for domestic use associated with offset credits cancelled/retired

Offsetting emissions from specific events / from certain own activities



Offsetting within particular individuals and businesses (Non-market oriented offsetting)



e.g. Specific biomass energy boiler financed by particular contributors who consider CO₂ reduction

Application of this guideline

- **In the cases of market-oriented offsetting** (where transactions of credits are taken place through market), application of the guideline is crucial and highly recommended
- **In the case of non market-oriented offsetting**, it is also encouraged to apply the guideline although verification/accreditation by professional verifiers are not necessarily required

Requirements for credits for carbon offsetting

- Credits should be verified by a third-party verifier, who should be confirmed by public sector, in order to ensure quality of the credits
- Credits used for carbon offsetting are required permanency in the case of removal, and should be avoided being cancelled/retired more than once (double counting)
- Eligible types of credits are, for example, Kyoto credits, JVETS credit (JPAs), other qualified VERs meeting certain standard
- Credits must be managed within a reliable registry system, again, to avoid double counting

Carbon offsetting by cancel/retirement of credits

- To avoid double counting, credits should be cancelled/retired within a registry system once they are used for offsetting emissions
- Such cancel/retirement of credits should be completed by individuals/businesses/offset providers within a certain period of time (6-12 months) after the occurrence of emissions/ after use of offsetting products and services

Ensuring transparency of carbon offsetting

- To maintain credibility of carbon offsetting, disclosure of information on the activities are required.
- The government will provide a framework to ensure higher level of transparency to support carbon offsetting activities

Third-party certification and Labelling of offset products and services

- Third-party certification is recommended for carbon offsetting products/activities
- Labelling of carbon offsetting (by public sector) products/activities can be effective to increase their reliability