「カーボン・クレジット・レポート（案)」に関する
海外からのパブリックコメント（※仮訳作成中）

- The Integrity Council for the Voluntary Carbon Market (IC-VCM)

Thank you for the opportunity to provide comments on the Carbon Credit Draft Report. This is an important body of work and we congratulate you on your very comprehensive analysis.

At the Integrity Council for the Voluntary Carbon Market (IC-VCM), we share your view that the voluntary carbon market (VCM) is an important tool to realise a carbon neutral society. We also applaud the Japanese government's pledge to mobilise all policy tools at its disposal to support investment and innovation by the private sector in support of this goal.

The IPCC's Working Group III report shows how desperately urgent the mitigation imperative is. To keep 1.5?C within reach and achieve carbon neutrality by 2050, we need every tool available to us working as effectively as possible to reduce and remove greenhouse gas emissions from our atmosphere.

The voluntary carbon market is an important complementary and low-cost tool to help realise a carbon neutral society globally as quickly as possible while contributing to economic growth. In a paper written by IETA and the CPLC[1], the potential benefits to international cooperation in achieving the NDCs under Article 6 are large and all parties could benefit. Potential cost reductions over independent implementation of countries' NDCs total about $250 billion per year in 2030.

However, the voluntary carbon market can only achieve its full potential in support of these goals if it is rooted in consistently high integrity on a global scale. A high-integrity, scaled VCM would efficiently mobilize billions of dollars in finance towards urgent mitigation and climate resilient development.
The urgency of building the necessary guardrails to ensure consistent high integrity cannot therefore be understated. We need to address the factors that undermine confidence and transparency today and that open the door to any potential concerns about greenwashing.
A high-integrity VCM
There are three key pillars to a high-integrity VCM that can scale to deliver its full potential:
Globally-recognised definitive threshold standards to ensure high-quality carbon credits

channel finance towards genuine and additional greenhouse gas reductions and removals Transparent markets based on rigorous standards and infrastructure to ensure the growth of deep, liquid markets where investors have confidence in the predictability of pricing Commonly-accepted standards for the legitimate use of carbon credits as part of a credible net-zero pathway to ensure carbon credits are used to complement robust policy and to support rapid internal decarbonisation by companies.

If we create the conditions that ensure high integrity in the generation, exchange and use of carbon credits, a powerful price signal will emerge.

This, in turn, will ensure the voluntary carbon market efficiently allocates capital that would otherwise not be available towards the most effective emissions reductions and removals on a global scale.

It will also provide an effective carbon price that can be referenced by policy makers and the private sector in the development and financing of emission reduction investments. This will support efforts to reduce value-chain emissions, by providing the right incentives to invest in cost effective emissions reductions beyond a company's value chain, bridging the gap between the emissions reductions that can be implemented now and the longer lead time structural decarbonisation solutions that require more investment and/or innovation, and a longer implementation runway.

A high-integrity voluntary carbon market, operating at scale, would be ' CLEAN', which means it would be: Catalytic, mobilizing finance towards mitigation, particularly into emerging markets, and accelerating uptake of technology solutions; Local, channelling finance into local communities, creating jobs and enhancing the livelihoods of marginalized groups; Empowering, accelerating implementation of nationally determined contributions and net-zero commitments and helping increase ambition across the value chain; Additional, channelling finance that otherwise wouldn't be available into emissions removals and reductions that otherwise wouldn't happen; and Nature-positive, protecting ecosystems, particularly forests and natural habitats, and promoting nature-based climate solutions.

The VCM needs independent, globally-recognized threshold standards To ensure the VCM accelerates a just transition to 1.5?C, the Integrity Council will focus on two key pillars; 1) develop assurance that credits are doing what they say they are doing and 2) generate confidence in prices and contracts;

To deliver on the first pillar, the Integrity Council will establish, host, and curate a set of Core Carbon Principles (CCPs) and Assessment Framework, will set new threshold standards for high-quality carbon credits, provide guidance on how to apply the CCPs, and

define which carbon-crediting programs and methodology types are CCP-eligible.
To deliver on the second pillar, the Integrity Council will provide governance and oversight over carbon-crediting programs on adherence to CCPs as well as on market infrastructure and participant eligibility.
The lack of an independent, over-arching threshold standard has been a material constraint to date. In the survey by the Taskforce for Scaling the Voluntary Carbon Market[2], conducted in late 2020, the largest concern, raised by almost half of buyers, was credit quality. There is a clear need in the market for a definitive quality standard, to allay doubts and hesitancy and improve confidence.

The current plethora of national standards and international verification standards developed by organisations like ICROA, and the carbon-crediting programs such as Gold Standard and Verified Carbon Standard (that offer certification against their own standards) has created an 'apples and oranges' market environment that can be confusing to navigate.

The lack of a level playing field globally also creates a geographic disadvantage for issuers, especially given the role of multinational buyers, which risks fuelling a race to the bottom on price and quality.

It is therefore critical that we avoid fragmentation internationally and arrive at a globally-recognised and definitive high-quality threshold standard that is set and enforced by an independent body.

For a high-integrity VCM to achieve the scale necessary to realise a carbon neutral society, we will need an overarching, consensus-based threshold standard that is set and enforced through a formal governance process that is visibly independent of the carbon-crediting programs and verification (certification) standards being offered at international or national level.
The Core Carbon Principles and Assessment Framework The Integrity Council is working apace to deliver those definitive global threshold standards through our Core Carbon Principles and Assessment Framework.
The CCPs and Assessment Framework are being developed by the Integrity Council's Expert Panel, which is made up of twelve leading carbon market experts with long-standing experience in the environmental and social integrity of carbon markets, supported by eleven subject matter experts in topics ranging from carbon sequestration science to the rights of

indigenous peoples and local communities (IPLCs).
Our approach is consensus-based. The Expert Panel are leading the drafting of the Integrity Council's definitive quality standard, the Core Carbon Principles (CCPs) and associated assessment frameworks containing detailed guidance. These address the central questions in the integrity of carbon crediting methodologies, including permanence, additionality, baselines, and social and environmental co-benefits.

The CCPs and assessment frameworks will undergo a comprehensive and inclusive public consultation process, expected to launch in Q2 2022, overseen by the British Standards Institute (BSI).

Once the Integrity Council has published the CCPs and Assessment Framework, it will perform an independent assessment of standard-setting programs and credit types against these, which we expect will commence in
Q4 2022.
Supporting Japan's efforts to promote carbon pricing that contributes to growth We wholeheartedly agree that the public and private sectors should work together on the future development of this market.

This is a complex area where different approaches to market intervention can lead to dramatically different outcomes. Risk based regulation supported by voluntary standards is a pro-innovation approach that has been used very successfully in other sectors. Prescriptive regulation switches the burden of responsibility from business to government.

Experience from other sectors shows that the most effective approach to develop national and international standards that can be used in conjunction with government guidance, or to support the delivery of regulatory policy, is to convene the appropriate stakeholder community to work together on the desired outcome. This approach recognises that each stakeholder is part of a system, and effective system-change relies on deep collaboration and co-creation.

There are also different approaches by which standards can be used alongside or to support regulation (co-regulation, earned recognition,
nudge) and these also need to be modelled as a whole system.

There is great opportunity for Japan to demonstrate leadership in the development of a holistic approach to the use of standards, including regulation, to build a high-integrity voluntary carbon market that accelerates a just transition to a carbon neutral society. Clarification of which carbon credits can be used within the Japanese carbon credit market and the support of the CCPs will send strong signals both domestically and internationally.

The work the Integrity Council is doing to develop the Core Carbon Principles and Assessment Framework is highly complementary to your efforts to develop policies that promote carbon pricing that contributes to growth.

By creating the conditions that ensure high integrity in the generation and exchange of carbon credits both nationally and globally, the CCPs and Assessment Framework will directly support the development of policies that will be critical to deliver the direction and specific measures outlined in the Carbon Credit Report.

We would welcome the opportunity to discuss this in further detail with you.

Yours sincerely,

[1]
https://www.ieta.org/resources/International_WG/Article6/CLPC_A6%20report_no%20crops.pdf

[2]
Source: TSVCM Phase 1 Report

- The International Emissions Trading Association (IETA)

About IETA

The International Emissions Trading Association (IETA) is the leading voice of the business community on carbon markets and market-based solutions to climate change. IETA promotes a carbon pricing regime based on the establishment of effective market-based trading systems that result in real and verifiable greenhouse gas emission reductions, delivering both economic efficiency and environmental integrity.

Since its establishment in 1999, IETA has remained committed to its vision of a global greenhouse gas market. IETA's 200+ member companies include some of the world's leading corporations in the energy, utility, cement, aluminium, chemical, paper, agri-food, transport and technology sectors; as well as leading firms in the data verification and certification, brokering and trading, legal, finance, and consulting industries.

Key messages

- IETA welcomes the publication of the draft Carbon Credit Report and the opportunity to provide comments. We encourage the publication of English translations of key policy documents to enable contributions by a broader set of stakeholders.
- IETA welcomes the clarity provided on the role of different types of credits. Further clarity on key credit demand drivers such as the functioning of the GX League is also needed.
- IETA believes that all international credits with Corresponding Adjustment (and not only JCM credits) should be allowed to count towards Japan's NDC and GX League targets.
- IETA agrees with the view that international credits without Corresponding Adjustment should not count towards Japan's NDC and GX League targets. However, these credits can still play a positive role in Japanese companies' efforts to decarbonise.
- IETA supports strong action to scale up the supply of carbon credits. We believe greater involvement of the international private sector in the JCM is the best way to achieve it.
- IETA believes market growth and a diverse set of participants will support the emergence of clearer price signals. Trading should be encouraged, both on exchanges and OTC.

Introduction

IETA welcomes the publication of the draft Carbon Credit Report and its translation into English. We look forward to engaging with Japanese stakeholders on the development of an effective carbon pricing regime.

We encourage METI and other government departments to make English translations of key policy documents more widely available going forward. Access to documents in English is crucial for many non-Japanese companies to timely understand policy developments in Japan and contribute to its success by providing comments to early drafts and aligning their business objectives to policy directions. As an association of companies headquartered in over 30 countries and active in many more, IETA can contribute to Japan's policy discussion with a host of expertise and international knowledge on carbon pricing, carbon credits, and emissions trading.

IETA supports Japan's plans to develop a market for domestic and international carbon credits and meet its NDC by making use of cooperative mechanisms under Article 6 of the Paris Agreement. Carbon credits and markets are a key tool to achieve emission reductions and removals in an efficient and cost-effective manner. By lowering the cost of abatement, carbon markets allow for greater ambition in climate action for the same amount of investment. International markets are a particularly powerful mechanism that could mobilise up to US$ 250 million a year in 2030 and up to US$ 1 billion a year in 2050*1, while delivering significant co-benefits such as investment flows to developing countries, improved local sustainability results, and incentives for further technological innovation.

Comments on Sections 1 to 3 – Domestic and international trends in carbon credits

IETA agrees with the concepts outlined in these sections, which provide a clear and comprehensive overview of the theory of carbon credits, the main crediting schemes in Japan and abroad, the state of the market, and key trends.
We appreciate the reference to the ICROA Code of Best Practice at pp. 6-7. We believe ICROA principles are sound and globally recognized by project developers, standards, and buyers of carbon credits.

We welcome the clarifications on the use of JCM credits by private actors and the interaction between corporate offsetting claims and Japan's NDC provided at p. 14 and further specified in footnote 19. We believe such an interpretation is consistent with the letter and spirit of the Article 6 Rulebook agreed upon at COP 26 and does not constitute double counting, provided that no credit is used for compliance towards more than one NDC or international compliance scheme such as CORSIA.

Comments on the "roadmap for using carbon credits" (section 6.1.1)

IETA welcomes the classification of different credit types and their intended uses provided in section 6.1.1.
It is imperative that only domestic credits and international credits with Corresponding Adjustment can be utilized for compliance towards an NDC. Hence, we agree with the position expressed in the report that only credits listed in category (1) at page 41 can count towards Japan's NDC. We emphasise that credits based on improved energy efficiency and energy savings can be significant contributors to decarbonisation and energy security, so their role should be fully taken into account.

However, we believe this category should be expanded to include all types of international credits with a Corresponding Adjustment, rather than only JCM credits. Credits issued under other 6.2 cooperative approaches, credits issued under the emerging A6.4 mechanisms, and credits issued by reputable independent standards that have been authorized as ITMOs by the host country should all be considered valid for compliance towards Japan's NDC. We believe this is integral to the achievement of Japan's climate change objective given the country's ambitious 2030 and 2050 targets, its relatively modest domestic mitigation potential, and the limited supply of JCM credits.

Similarly, domestic voluntary credits described in category (2) should be allowed to transition to category (1) under certain conditions. While some sequestration and removal approaches may be at early stage and their mitigation benefits yet to proven over the long-term, others such as DAC and blue carbon are rapidly maturing. Hence, Japan's national GHG emissions inventory should be urgently improved so that emission reductions and removals related these activities can be properly accounted for and these credits can fall under the scope of the J-Credit scheme, thus becoming eligible for compliance towards Japan's NDC. When evaluating new activities and instruments, lack of adverse impact such as environmental pollution, loss of biodiversity, and human rights should be considered. The experience of international standards and international project developers – most of which are IETA members – should be used as a blueprint.

We understand the rationale behind the promotion of domestic and international credits contributing to "the positive cycle of economic growth and environmental protection" with a focus on the role of Japanese companies and Japanese technology. We are in principle supportive of the proposal to treat them as a separate category from other international credits without Corresponding Adjustment and make them eligible to meet GX League targets (category 3). However, the criteria outlined in the report are far from clear and require further specification. Significant work will be required to identify with precision each of the five types of activities cited in this category. For instance, concepts such as what constitutes a "novel technology" or a "long-term offset agreement" and what are the thresholds to consider a project as one in which "Japanese companies invest" or one that is "using Japanese technology" will have to be properly defined. In the case of domestic activities, it is not clear why these credits would fall under this category and not under category 1 (or possibly category 2 in case of technologies that are not yet mature). In our view, all domestic credits that are reflected in Japan's GHG emissions inventory (unless they are authorized for international transfer under Article 6) should count towards Japan's NDC.

We agree with the view that international credits without Corresponding Adjustment should not count towards Japan's NDC or GX League targets and should therefore fall under category 4. However, lack of Corresponding Adjustment does not equate to lack of environmental value. This type of credits, which are the vast majority of units currently traded in the voluntary carbon market, deliver verifiable and additional emission reductions and contributions to the NDC of the host country, which tend to be developing countries with limited ability to finance mitigation. Their positive contributions should be duly acknowledged and private sectors actors should be able to make environmentally-related claims on the back of these credits. We also believe that these credits should be used to meet some of the goals of the Nippon Keidanren Carbon Neutral Action Plan. In this respect, we agree with the statement made at p. 43 of the report that "on the assumption that information disclosure is properly implemented when utilizing carbon credits, a wide range of voluntary utilization of carbon credits by private entities (…) should be allowed."

Finally, we welcome references to "local community contribution credits" and "low carbon credits in daily life", which we understand as tools to promote grassroots activities and green consumerism whose impact goes beyond global climate change mitigation. However, their function and uptake are uncertain, and it is not clear why these credits cannot be treated as a subset of category 1, as they are effectively domestic credits delivering certain co-benefits beyond GHG emissions reductions.

Comments on "issues involving demand"

Overall, we see a risk in the proliferation of programmes as demand fragmentation leads to complexity and higher transaction costs. Japanese authorities should consider coordinating and harmonising ongoing efforts and initiatives to ensure there is no confusion among companies and stakeholders – this would be more efficient and would address the stated objectives of promoting transparency and liquidity.

Given the scope of the programme and the large number of the companies that volunteered to participate so far, we believe the GX League has the potential to be the largest contributor to carbon credit demand going forward. On the one hand, without a successful GX League a functioning carbon credit markets is unlikely to emerge in Japan. On the other hand, the GX League is unlikely to be successful if participants cannot access a functioning market for domestic and international credits. The two processes are reflexive as they mutually reinforce each other.

We believe it is crucial to ensure that the GX League promotes real demand for emission reductions. We understand that the GX League is based on voluntary targets set independently by participating companies. In order to avoid perverse incentives, it is necessary to clarify how such voluntary targets can be set. Guidance on how companies can set targets in line with Japan's 2030 and 2050 goals should be developed, while the hard-to-abate sectors should be identified and subject to special measures, also in the logic of ensuring a level playing field in international trade and spurring climate action globally. The treatment of Scope 3 emissions is another element on which clarity is needed.

These decisions may have significant implications on global carbon markets and are attracting interest of companies worldwide, so IETA calls on METI to make any concept notes and studies on these topics available in English, so all stakeholders will be able to fully contribute to the development and implementation of this programme.

IETA supports the principles on the promotion of information disclosure when using carbon credits outlined in section 6.1.2. Proper disclosure addresses the risk of double use of credits and ensures transparency on the use of offsets and the environmental claims made by corporates. An effective link between the carbon credit market and Japan's national reporting system SHK should be considered. Similarly, how reductions achieved in the context of the GX League would interact with accounting standards such as IFRS/ISSB and SEC should be clarified.

Comments on "issues involving supply"

IETA believes that strong action should be taken to support the scale-up of credit supply needed to meet NDCs and voluntary goals set by private actors worldwide.

We welcome the measures described in section 6.2 to increase the supply credits. We believe that JCM credits are the class of credits with the highest growth potential. In this respect, opening up JCM projects to the international private sector would be a very effective measure. JCM is one of the very few Article 6.2 cooperative mechanisms in operation worldwide, but has so far generated a minuscule amount of credits compared to its potential. Thanks to its framework agreements in place with several high-potential host countries and its established methodologies, allowing private project developers, buyers and financial institutions from Japan and abroad to access this mechanism is likely to lead to a significant increase in supply.

As mentioned above, Japanese authorities should also accept and encourage the use of other international credits with corresponding adjustment for both NDC compliance and voluntary GX League targets.

Efforts to increase credit supply should focus on both reduction and removal projects as both classes of credits have a positive environmental impact and both will be needed to achieve policy objectives and voluntary targets. In the long-run, credits from carbon sequestration and removals will be necessary to achieve net-zero goals, so efforts to support the generation of credits from nature-based and engineered removals are welcome. IETA is currently promoting an expert dialogue on CCS/CCUS to develop a common knowledge base and guiding principles, inform future standard developments, identify best practices and lessons learned.

More broadly, the involvement of international companies in the supply of credits for the Japanese market should be encouraged in light of their international experience with carbon credits and carbon markets.

Comments on "issues involving circulation"

IETA believes the lack of a clear price signal for J-Credits and JCM credits is primarily due to the very small size of these markets and the limited number of actors who transact these credits. As supply expands and more diverse players enter the market, price discovery and price-based signals are also expected to improve both for spot transactions and along the forward curve.

Regulatory action and pilot projects aimed at introducing greater transparency and reliability of prices should not necessarily lead to the establishment of a national exchange or platform for carbon credits. In general, successful exchanges and marketplaces are seldom created by political will and government funding but are the result of organic market growth and private initiatives. Moreover, OTC markets – which can better accommodate the needs for bilateral deals and bespoke transactions – can play an important role in responding to the needs of market participants and should therefore not be discouraged.

A more effective measure could be the promotion of a market where a diverse set of buyers and sellers (including international companies, financial institutions, and intermediaries) can trade J-Credits, JCM credits and other international credits with Corresponding Adjustment that would be eligible to meet NDC-related obligations and voluntary goals. Such a market design is likely to lead to the emergence of a large fungible liquidity pool, which will in turn deliver a reliable price signal.

*1

https://www.ieta.org/The-Potential-Role-of-Article-6-Compatible-Carbon-Markets-in-Reaching-Net-Zero/

- AirCarbon Exchange (ACX)

AirCarbon Exchange (ACX) has reviewed the Carbon Credit Draft report in detail and is honored to have been featured in the Report.
Our questions and comments have been captured in the table below.

Section 4	Issues to be tackled for the appropriate use of Carbon Credits in Japan
4.3	Issues involving Circulation Comments: ACX agrees with METI's assessment that the existing modality of trading carbon credits via OTC transactions is preventing the Japan carbon credits market from scaling up. OTC transactions are also opaque because the pricing information from private deals is not revealed to the rest of the market. This hinders the development of a carbon credit market from both a supply and demand side, as a clear price signal is not available. ACX has observed that many jurisdictions have established domestic carbon markets. Countries like Singapore are also in the midst of developing the broader carbon trading ecosystem and Carbon Exchanges in particular. They have done this to: ・ Develop markets for domestically produced carbon credits ・ Enable better access to international voluntary carbon credits ・ Allow for more efficient and secure trading of carbon credits within the environment of carbon trading platforms ・ Utilize exchange infrastructure and processes to establish quality standards and other criteria, for carbon credits ACX proposes that the Report contemplate the following questions: 1. Will Japan consider supporting the establishment of Carbon Exchange platforms such as ACX, within Japan? 2. What are Japan's views on the creation of exchange-traded standardized carbon contracts? (This would help to commoditize carbon credits which meet pre-set requirements)

Section 3	Carbon Market trends
3.1.3	Carbon Credit Trading AirCarbon Exchange was cited as an example of Carbon Credit Exchanges and Platforms in Table 7. Comments: ACX would like to provide an update as there have been several significant developments on ACX: ・ AirCarbon Exchange (ACX) has announced a partnership with and substantial investment by Deutsche Börse AG, the parent company of European Energy Exchange AG (EEX) in March 2022. ・ In Jan 2022, UNFCCC announced that AirCarbon Exchange (ACX) is the second exchange in the world, and the first in Asia, to list CERs held in the UNFCCC Clean Development Mechanism (CDM) registry. Through this partnership, ACX will work closely with the UNFCCC to raise awareness and facilitate the use of CERs in the carbon markets. ・ AirCarbon has transacted over 10 Million Tonnes of Carbon credits since we started trading in Feb 2021 this is higher than what was previously reported and is expected to grow significantly.
Section 6	Direction and specific measures toward the appropriate use of carbon credits
6.1-6.3	ACX strongly agrees with the conclusion in section 6 that 'it is necessary to take further actions to promote carbon credits in terms of both supply and demand' and believes that the Report would benefit from considering the regulatory actions that could be taken to encourage greater investment and efficiencies in carbon markets. In particular, ACX notes that regulation in the financial sector has been limited to compliance schemes (such as EU ETS) but there is a general lack of clarify as to the legal nature of the carbon credits as then can be considered as a property, as an administrative right or permit, or as a financial instrument, and all interpretations can be found in different legislation. This lack of clarity is confusing for investors, and leads to difficulties in valuations and balance sheet treatment. The issue is further

compounded in the voluntary carbon markets, where there is little clarity, consensus or consistency globally as to the legal nature of carbon credits / offsets.

ACX strongly believes that investment in carbon credits would significantly increase if this regulatory uncertainty was addressed, and welcomes the move by some global financial regulators to determine that carbon credits (and equivalents) can be considered Financial Instruments, and have hence extended their regulatory perimeter to capture spot and derivative markets in these.*1

ACX also considers that regulatory clarity will result in more efficient and transparent markets, including forward pricing for hedging purposes.

ACX proposes that the Report contemplate the following questions:

3. Will Japan consider extending/ adapting regulatory frameworks to provide greater clarity to market participants over compliance and voluntary carbon credits and associated markets?
4. Will Japan engage global regulators and international bodies (such as IOSCO) to establish a global consensus and approach to the regulatory treatment of carbon credits?

*1
See: https://www.adgm.com/documents/legal-framework/public-consultations/2022/consultation-paper-no-1/consultation-paper-no-1-proposals-for-enhancements-to-capital-markets-and-virtual-assets-in-adgm.pdf