The Burden of Applause

What should we make of Prime Minister Hatoyama Yukio's bold new target for emissions reductions? Professor **Yamaguchi Mitsutsune** comments.

At the United Nations Summit on Climate Change held on September 22, new Japanese Prime Minister Hatoyama Yukio declared that Japan would make a new mid-term goal of cutting greenhouse gas emissions by 25% if compared to 1990 levels by 2020. A premise was that major economies would agree to make ambitious targets themselves. Also indispensable would be a fair and effective framework agreed to by major economies, one condition being a mechanism for ensuring fairness.

While European and developing countries welcomed Hatoyama's proposals, at home, some expressed confusion at the sudden announcement. Having taken office on a platform of cutting the power of the bureaucracy, the Democratic Party of Japan made the announcement to the international community without consulting the bureaucracy regarding past international negotiations concerning mid-term goals and without listening to the views of government advisory committees or the business world.

During the administration of Aso Taro, a Mid-Term Target Committee was established comprising experts from leading research institutes. After deliberations lasting six months, the Committee described the necessary technology and the economic impact of six different policy options. Following public commentary on these options, then Prime Minister Aso decided in June of this year to target a 15% reduction from 2005 levels on condition that China, the United States and other major greenhouse gas emitting countries participate. One premise was that the cuts would all come through the implementation of domestic policy efforts. The marginal abatement cost in this effort would be $150/ton of CO_2, about three times higher than that for the United States or the European Union. Technically, achieving the Aso target would require a vast, twenty-fold increase in solar cell generation and construction of nine new nuclear power plants, among other efforts. Compared to the previous policy goals, the new target would reduce GDP by an estimated -0.6% or more and decrease disposable income per household by more than 40,000 yen per year.

The new prime minister has taken a bold step with a view to advancing negotiations toward the next framework. Policy measures cited include emissions trading, carbon taxes and a variety of subsidies, but considerations of specific details and cost of achieving the goal have only just begun. Also unclear is the extent of the roles to be played by carbon sinks and foreign carbon credits.

Japan's marginal abatement costs stand out even under the Aso proposal, and it is difficult to imagine any further domestic reduction by Japan. Assuming all of the additional reductions under the Hatoyama plan would come through foreign credits, the additional payments to foreign countries in 2020 would be $10 billion at an emission credit price of $50 and $16 billion at a price of $80, which would correspond to reductions in GDP of 0.15% to 0.25%. As domestic reductions are increased, GDP loss mounts proportionally.

International Impact

Is it indeed possible for Japan to move the rest of the world by making these sacrifices? The answer is no. Health care is the most important issue for the United States at this moment, and it is an open secret that Congress will not be able to enact any laws on global warming by the time the Conference of the Parties of the United Nations Framework Convention on Climate Change (COP15) convenes in Copenhagen in December. Moreover, even if Congress passes a bill afterwards, the result is likely to be much the same as the Waxman-Markey bill (which targeted a reduction of 17%for capped sectors and 20% economy-wide by 2020 versus 2005 levels), which passed the House of Representatives in June. Another point which should not be forgotten is that this target for the United States is aspirational. Though the United States is legally bound to introduce various policies and measures, it will bear no outside responsibility if it fails to achieve the numerical target.

If this is the situation in the United States, it is difficult to imagine that China, the biggest CO_2 emitter, will commit itself to an ambitious numerical (effective) target. In this situation, there will be no assurance of ambitious targets to be pursued by all the major emitting nations nor fairness among participating nations as assumed by Prime Minister Hatoyama. What, then, is to be done?

The European Union's targets are two-tiered, anticipating a unilateral 20% reduction versus 1990 levels and a 30% reduction if an international convention is agreed on. Japan should learn from this concept. For example, Japan's unilateral goal would be the Aso proposal of a 15% cut versus 2005 levels and no more. This proposal was also conditioned on the participation of all other major emitting nations. And if conditions are satisfied, it would become a 25% reduction versus 1990 levels. Japan's first effort should be to consider various measures toward achieving a unilateral target along the lines of the EU. Of course, the nation would obviously be responsible for efforts to achieve the target. However, Japan should bear no outside responsibility in the event the target proves unattainable. Given the situation in the United States, there is very little chance that an international framework will be agreed upon which made one nation responsible to the international community for achieving an impossible numerical target. Given the example of Canada's declaration that the target of the Kyoto Protocol was unachievable, such a target would have no force and effect even if it were agreed on.

Japan's Mid-Term CO_2 Reduction Targets: Aso and Hatoyama Compared

		Kyoto Protocol (2008-2012)	Mid-term target (2013-2020)	
			Aso	Hatoyama
Target	(compared to 1990 level) (compared to 2005 level)	-6%	-8% -15%	-25% -30%
Breakdown	Domestic measurements (compared to 1990 level)	-0.6%	-8%	?
	Sink	-3.8%	?	?
	Kyoto Mechanism	-1.6%	?	?

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