Stakeholder Engagement
Case in Tokyo Cap-and-Trade

Yuko Nishida  Tokyo Metropolitan Government-Environment
Agenda

1. Background information
2. What is Tokyo Cap-and-Trade?
3. Stakeholder Engagement in Tokyo C&T
4. What we learned
Background Information on Tokyo

Population 13 m
Economy (GRP) 815 b
Emission 59 tonnes
Industrial structure: Commercial dominant
Governor's power
Climate actions: Tokyo vs. National
Tokyo Climate Strategy TARGET

25% Reduction in GHG Emissions
By 2020 from the 2000 level
Policy Development in Tokyo

**Plans**
- **Climate Change Strategy**
  - Basic policy for the 10 yr project
- **Carbon Minus 10 yr project**
  - Action plan

**Programs**
- **Carbon Reduction Reporting**
  - 2002: Start
  - 2005: Revise
- **Tokyo Cap & Trade**
  - 2008: Enact
  - 2010: Start
  - Carbon Reduction Reporting for small & medium facilities
2. Tokyo Cap & Trade --Outline

Coverage and Scope
Cap and Allowances
Trade and Offset
Current Achievement
Tokyo Cap-and-Trade Coverage and Scope

Coverage
Covers 1,400 facilities with energy consumption over 1500kl crude oil eq.

Mainly buildings in the commercial sector
Covers 20% of Tokyo's total CO2 emissions 40% of commercial and industry sector emissions

Compliance Period
2010-2019 in two five-year compliance periods (2010-14, 2015-19)
Tokyo Cap-and-Trade Coverage and Scope

Total CO₂ Emissions: 59 million tonnes (FY2010)

- Transportation: 23%
- Households: 28%
- Commercial & Industrial: 47%

Emissions

- Large CO₂ emitting facilities: 40%
- Small & medium CO₂ emitting facilities: 60%

Number of Facilities

- 1,400 facilities = 0.2%
- More than 700,000 facilities = 99.8%
Tokyo Cap-and-Trade
Cap & Allowances

Cap
6% reductions for the 1st phase, 15% for the 2nd phase (two 5yr periods)

Compliance Obligation
Covered facilities are required 6 or 8% reductions over a 5 year period from their own base year emissions

Allowance Allocation
Grand-fathering, for free
Tokyo Cap-and-Trade Cap setting

Base-year emissions

1st period (2010-2014)

6% reduction 5yr average

2nd period (2015-2019)

15% reduction 5yr average

2010 2014 2015 2019
Tokyo Cap-and-Trade Allowance Allocation

Emission Allowance = \left( \text{Base-year emissions} \times (100\% - \text{Compliance factor}) \right) \times 5 \text{ years}

Compliance factor by category:

<table>
<thead>
<tr>
<th>I -1</th>
<th>Commercial buildings, District cooling &amp; heating facilities (plants)</th>
<th>8%</th>
</tr>
</thead>
<tbody>
<tr>
<td>I -2</td>
<td>Commercial buildings using DHC</td>
<td>6%</td>
</tr>
<tr>
<td>II</td>
<td>Factories, etc.</td>
<td>6%</td>
</tr>
<tr>
<td>Top level</td>
<td>Certified facilities as: Top Level / Near-top level Facility</td>
<td>1/2 or 3/4 of the compliance factor</td>
</tr>
</tbody>
</table>
Tokyo Cap-and-Trade Trade & MRV

Emission Trading:
Tradable allowances are limited to the excess reductions over compliance obligations

MRV:
Monitoring and annual reporting are required. Verification system has established for the program

Offset system, Linkage:
Renewable, Emission reductions in small facilities, etc. Linkage with the C&T of an adjacent Prefecture
Tokyo Cap-and-Trade Trading

Reduction Obligation

CO2

Excess reduction

CO2
Tokyo Cap-and-Trade Remarkable Results

In total **23%** Reduction from the base-year emissions

Cf. Their obligated reduction: 6 % or 8%

**93%** of the covered facilities reduced more than the obligations
3. Stakeholder Engagement
Tokyo's Case

The Overall Process
Key Issues and Concerns
Addressing the issues and concerns
SE in Tokyo's Case: Who are the stakeholders?

- Covered facilities:
  - Facility owners
    - Developers
    - Real estators
    - Factory owners
    - Other facility owners
  - Facility managers
  - Engineers (in-house)

- Business Groups:
  - Industry/ commercial sector
  - Business sector/ category
  - Local/ National

- Business Groups:
  - Industry/ commercial sector
  - Business sector/ category
  - Local/ National

- Related Businesses:
  - Power companies
  - Energy service companies
  - Renewable energy companies

- Government:
  - Tokyo(TMG)
  - Tokyo Assembly
  - National: MOE, METI, MLIT

- Government:
  - Tokyo(TMG)
  - Tokyo Assembly
  - National: MOE, METI, MLIT

- Covering facilities:
  - Facility owners
    - Developers
    - Real estators
    - Factory owners
    - Other facility owners
  - Facility managers
  - Engineers (in-house)

- Stakeholders:
  - Experts
  - Consultants
  - Academics
  - Media
  - General Public

- Stakeholders:
  - Experts
  - Consultants
  - Academics
  - Media
  - General Public
<table>
<thead>
<tr>
<th>Stage</th>
<th>Major SE</th>
<th>Method Used</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stage0</td>
<td>Pre C&amp;T Reporting</td>
<td>Facility managers, Engineers</td>
</tr>
<tr>
<td>Stage1</td>
<td>Draft program design and proposal</td>
<td>Experts, FMGs, Engineers, Local business group representative</td>
</tr>
<tr>
<td>Stage2</td>
<td>Decision making (authorization) of introduction</td>
<td>Business Group (local &amp; nat'l), NGOs, General Public</td>
</tr>
<tr>
<td>Stage3</td>
<td>Detailed program design</td>
<td>Local Business Group, Leaders in real estaters &amp; developers, Engineers, Experts</td>
</tr>
<tr>
<td>Stage4</td>
<td>Implementation and improvement</td>
<td>FMGs, Engineers</td>
</tr>
</tbody>
</table>

Publications, Report submission & feedbacks, seminars, Expert panels, Ev. Councils, Questionaries, Stakeholder meetings, public comments collections, forums, Wis, Negotiations, discussions (One-to-one, one-to some), seminars, forums, Report submission & feedbacks, Call center.
Key Issues and Concerns from Stakeholders 1

1. Mandatory scheme vs. Voluntary scheme:
   Why mandatory scheme needed?
   Mandatory scheme restricts business growth and affect downward industries

2. Fairness Issue:
   Why only in Tokyo?
   Why only us? 20% of total emission is too small
   Fairness in C&T scheme
Key Issues and Concerns from Stakeholders 2

3. Issues on Cap and Trade Scheme:
   Speculation drives the market
   Leakage
   Fair allowance allocation is impossible!
* Skepticism on C&T scheme

4. Reduction Potential:
   We have already done a lot!
   We know our buildings well; There's nothing else we can do!
Key Issues and Concerns from Stakeholders 3

5. Typical Complains from Building Owners:

- Reduction potential
- Tenants issue: hardly get tenant’s cooperation
- It's costly to retrofit. We can not afford it!
Addressing the Key Issues and Concerns

1. Mandatory scheme
2. Fairness Issue
3. Issues on Cap & Trade Scheme
4. Reduction Potential

⇒ Better program design
⇒ Successful Political decision making
Addressing the Key Issues and Concerns 1

1. Draft design program and its process
To solve key concerns as much as possible
Key: Utilize data & knowledge from FMs and engineers on site.
   Inclusionary process of design (Expert panel: NGOs, local business group rep.)

2. Open discussion and debate:
   Stakeholder meetings
To remove skepticism, discuss the necessity and fairness issues
Stakeholder meetings: to Create Public Support

**Associate Participants:**
Business Groups, Companies with interests
Environmental NGOs,
Tokyo Metropolitan Government

**Open to the public**
About 200 audience members every time
with broad media coverage

**Disseminating data and information**

**Key:**
Multiple stakeholders balanced the discussion
The role of NGOs, media
Supportive data from previous program & communications
Supportive information from international relations
Addressing the Key Issues and Concerns 2

3. Negotiations with focused industry groups
   Issue-oriented discussion & negotiations
   Key: Outcome reflected to the program design improvement

4. Decision making process and politics
   Political Environment in the Tokyo Metropolitan Assembly
   Key: Governor’s leadership, Inclusion of local business groups, Public support

5. Designing program details
   Through various types of communication tools including meetings, seminars, forums, information dissemination, program design improvement and at the same time awareness of program are enhanced
4. What we learned
What We Learned 1

1. Mandatory Reporting Program prior to C&T introduction
   - Getting data on target facility and communicating with FMs and engineers of facilities were crucial.
   - The previous program enabled data correction and also preparation for the C&T scheme.

2. Consensus building through open discussions and debate (Stakeholder meetings)
   - Based on appropriate data and information
   - The role of NGOs and medias
What We Learned 2

3. Address to various aspects of Fairness
   - Fair and transparent discussions for introduction
   - Fairness among facilities plan to be secured through the program design and additional sub programs including those for tenants and top-level facilities.

4. Information on related carbon pricing programs was necessary
   - Getting detail information on related programs including EU-ETS, RGGI etc. were very important.
Intensive communications in various levels are always the key.

Reference:
- TMG Website: www.kankyo.metro.tokyo.jp/en