How to anticipate and manage change of a social ("just") green

transition

EU-Japan EPA Joint Dialogue with civil society

27 January 2022



European Transport Workers '

Federation



The Paris Agreement

"Taking into account the imperatives of a just transition of the workforce and the creation of decent work and quality jobs in accordance with nationally defined development priorities,..."

> We have choices about how we manage the transition



PARIS2015 UN CLIMATE CHANGE CONFERENCE COP21.CMP11



Just Transition

- A just transition ensures **environmental sustainability as well as decent work**, social inclusion and poverty eradication
- Transition towards greener and more sustainable economic paradigms will trigger high economic costs carrying the risk of increasing social inequality and the erosion of social cohesion
- 2015 **UN Sustainable Development Goals** collectively represent the agenda of just transition, particularly the goals of
 - o decent work for all (Goal 8)
 - o clean energy for all (Goal 7)
 - climate protection (Goal 13)
 - poverty eradication (Goal 1)
- 2015 ILO Guidelines for a just transition towards environmentally sustainable economies and societies for all

"Job losses are not an automatic consequence of climate policies, but the consequence of a lack of investment, social policies and anticipation."

Annabella Rosemberg (2010)



Key Principles

- There are several key policy components necessary to guarantee a close link between a green transition and social justice
 - Generating quality jobs and investing in new skills
 - Strong and forward-looking social dialogue
 - Providing strong social protection
 - Keeping public services in public hands so that they are able to support the transition
 - Protecting occupational health and safety from the risks coming from climate change
 - **Preventing energy and transport poverty** by making both available and affordable
 - Inclusion of all civil society actors



Challenges for transport sector

- Example of global shipping which is responsible for the movement of 90% of world trade and currently accounts for nearly 3% of global GHG emissions
- Over **1.4 million seafarers globally**, with the majority of this workforce originating from emerging economies
- To meet emission targets, thousands of zero-carbon vessels will need to be operational by 2030 and most vessels will need to be zero-carbon by 2050
- US\$1.4 trillion to **US\$1.9 trillion will be needed to fully decarbonize shipping** by 2050
- 87% of this investment will be in land-based infrastructure, creating jobs in ports, renewable energy systems, and beyond; but this has to be **matched by investment in the maritime workforce**
- Example of alternative fuels which pose **significant challenges for safe operation** everything from explosion risk to corrosion risk to toxicity. Rush to implement technology and introduce new policy often forgets the human element, whereas it should be built in from the start

Race to decarbonise the transport sector needs to be coupled with an inclusive and worker-led just transition



A choice to lead by example

- Just Transition Maritime Task Force launched at the COP26 in Glasgow
- Joint initiative of the International Chamber of Shipping (ICS), the International Transport Workers' Federation (ITF) and the UN Global Compact, the world's largest corporate sustainability initiative
- International Labour Organization (ILO) and the International Maritime Organization (IMO) join the task force as formal partners
- Drive decarbonisation of the industry and push forward shipping's climate goals while protecting its workers and their communities
- Best of sectoral social dialogue and echoing the tripartite approach set out in the ILO's
 2015 Guidelines for a just transition



EU-Japan EPA

ARTICLE 16.5

Trade and investment favouring sustainable development

- Parties recognise the importance of enhancing the contribution of trade and investment to the goal of sustainable development in its economic, social and environmental dimensions.
- (a) recognise the importance of the principles concerning fundamental rights at work, decent work for all, and fundamental values of freedom, human dignity, social justice, security and non-discrimination for sustainable economic and social development and efficiency, as well as the importance of seeking better integration of those principles into trade and investment policies



EU-Japan EPA

ARTICLE 16.12

Cooperation

- Recognising the importance of cooperation on trade-related and investmentrelated aspects of environmental and labour policies in order to achieve the objectives of this Agreement
- (f) cooperate on trade-related aspects of ILO's Decent Work Agenda;
- (g) cooperate on trade-related aspects of multilateral environmental agreements, including through the exchange of views and information on the implementation of CITES and through technical and customs cooperation;
- (h) cooperate on trade-related aspects of the international climate change regime, including on means to promote low-carbon technologies, other climatefriendly technologies and energy efficiency;





Thank you and welcoming our debate

Tanja Buzek Member of the EU DAG EU-Japan EPA





Industry perspectives to deliver inclusive economic growth and promote sustainable business behaviour

27th January 2022

Yukako Kinoshita CSR Committee Chair Japan Business Council in Europe (JBCE)

Who is JBCE

- Created in 1999, JBCE is a leading European organisation representing the interests of nearly 90 multinational companies of Japanese parentage operating in Europe.
- Our members operate across a wide range of sectors, including information and communication technology, electronics, chemicals, automotive, machinery, wholesale trade, precision instruments, pharmaceutical, steel, textiles and glass products.
- Building a new era of cooperation between the EU and Japan is the core of our activities, specifically in the fields of Green, Digital and Trade.

*JBCE has been referenced as a key actor to foster cooperation between the EU and Japan.

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JBCE CSR committee activities

Engaging in EU policies related with Corporate Sustainability to foster responsible business conduct while achieving the growth of business

CSR Strategy & SDGs

- Participated in EU CSR multi-stakeholder Forum
- Discussed SDGs policies with the European Commission Secretariat General
- Issued position papers

EU-Japan CSR Business Dialogue

- Enhance mutual understanding on the common societal issues
- Exchange best practice between companies
- Establish cooperative relationships

Best practice sharing

- Business and Human rights
- Gender diversity /Work-life balance
- Transparency and anti bribery , etc.

Conflict Mineral/Responsible supply chains

- Discussions with DG TRADE
- Joint statement with JEITA
- Contributed to the OECD, ILO on responsible supply chain in Asia programme

Sustainable Finance (EU taxonomy)

- Responded to the public consultations
- Discussions with DG FISMA and PSF
- Issued position papers

Corporate sustainability reporting directive

- Responded to public consultations (Discussions with DG FISMA & EFRAG
- Issued position paper and joint comments with Digital Europe

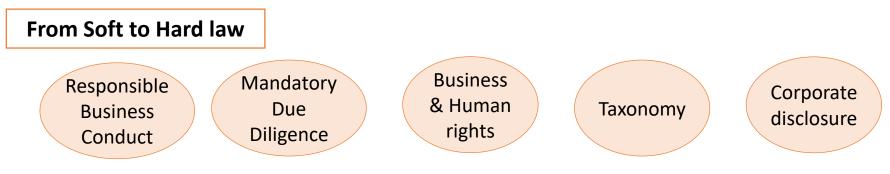
SCG (Mandatory DD/Duty of care)

- Discussions with DG JUST & DG GROW
- Contribution to consultation and issued position papers



3rd EU-Japan Business Dialogue in Brussels (November 2018)

Expectations under EU-Japan EPA



Not solely responsibility of companies

1. Action oriented multi stakeholder approach

Dialogue among governments, industry and stakeholders to create value for business and society across different cultures and systems

2. Supporting measures for companies to be encouraged to accelerate responsible supply chains

Providing infrastructures and incentives, such as capacity building and training, to address issues in supply chains

3. Strong G-to-G cooperation and leadership

Hand-in-hand cooperation between government to close the governance gap between countries and regions to nurture the environment to promote RBC

Proposal for future activities

Launching Scoping Study Project

- Establish the environment for industry to achieve resilience in supply chains, while increasing corporate values -

[Potential areas for the study]

Practical study between EU and Japanese government to encourage industry to prepare for increasing mandatory human rights and environmental due diligence obligation. It will involve:

- 1. Providing information to companies to practice risk-based due diligence; information to identify high-risk regions, sectors and suppliers.
- 2. Identifying mutual strategic supply chains and establishing a platform with third countries to improve the fundamental issues in the supply chains. This should involve a variety of stakeholders, including governments, businesses, and civil societies.



Elena Suárez, BusinessEurope EU-Japan EPA Joint Dialogue with civil society 27 January 2022



- Broad support for the EU's Climate ambitions. Important that the EU Green Deal ensures:
 - The sustainability triangle of climate action, competitiveness, and security of supply of energy and critical resources
 - Market access is important to enable the distribution of state-ofthe-art technologies globally
 - Global level-playing field (ensure competitiveness and access to foreign markets while implementing domestic measures)
 - Manage and implement solutions to carbon and investment leakage.





How? Options at multilateral/plurilateral, bilateral and unilateral level

• Multilateral and Plurilateral:

- Environmental Goods Agreement (negotiations stalled among others due to the inability to agree on a list and definition of "green goods")
- Increasing activity at the WTO (several statements December 2021):
 - Trade and Environmental Sustainability Structured Discussions (TESSD). 71 WTO members. Work in trade and climate change, trade in environmental goods and services, circular economy, and sustainable supply chains. Roadmap for 2022.
 - Informal Dialogue on Plastics Pollution and Environmentally Sustainable Plastics Trade (IDP). Sixty-seven WTO members. Support global efforts to reduce plastic pollution
 - Fossil Fuel Subsidies Ministerial Statement. Forty-five WTO members. Call for rationalization and phase-out of inefficient fossil fuel subsidies that encourage wasteful consumption along a clear timeline.



- Multilateral and Plurilateral:
 - Industrial subsidies and overcapacities (ongoing trilateral talks between the EU, the US and Japan to agree on stricter definitions and rules on subsidies and SOEs at WTO level).
 - Article 6 of the Paris Agreement on emission trading and carbon markets (The move towards climate neutrality will need to see the worldwide introduction of a robust carbon price signal reflecting ambitious decarbonisation trajectories worldwide (such as the ETS). Although not realistic in near future.
 - International Environmental Standards.



FSSFIIROPF



• Bilateral – e.g. Free Trade Agreements

- Tariff reduction schedules and non-tariff barriers on environmental goods and services (Any tariff liberalisation process should be accompanied by an elimination of non-tariff barriers and strong regulatory cooperation)
- Targeted provisions under Economic Partnership Agreements with ACP economies
- Capacity building / technical assistance
- Enforceability of sustainability chapters (there are current discussions on how to improve the enforceability of the sustainability.
- Bilateral dialogues on environmental standards

Unilateral

 Public procurement (The role of public procurement in stimulating climate action outside Europe will only be effective if access to third countries 'public procurement markets is guaranteed and implemented.





Unilateral

 Generalised Scheme of Preferences (GSP). The GSP+ mechanism already foresees a tool for the EU to move beneficiaries to protect forests and sustainably manage natural resources.

- Carbon Border Adjustment Mechanism:

- Why CBAM?
 - Part of the EU Climate strategy. Aim is to prevent the risk of carbon and investment leakage
 - CBAM will equalise the price of carbon between domestic products and imports
 - ensure that the EU's climate objectives are not undermined by production relocating to countries with less ambitious policies.
- How will it work?
 - EU importers will buy carbon certificates corresponding to the carbon price in the EU
 - If a non-EU producer has already paid a price for carbon, the cost can be fully deducted.





Unilateral

- Carbon Border Adjustment Mechanism:
 - What is the scope and timeline? (COM proposal)
 - Initially limited scope to some sectors (i.e. iron and steel, cement, fertiliser, aluminium and electricity generation).
 - Transitional phase starts in 2023 until end 2025. The definitive system becomes fully operational in 2026.
 - Important aspects:
 - WTO compatible
 - Comprehensive, transparent and manageable (administratively & financially)
 - EU should pursue climate diplomacy to convince other countries to implement carbon pricing.
 - Carbon and investment leakage thoroughly addressed and monitored.





Unilateral

- Carbon Border Adjustment Mechanism:
 - State of play of CBAM and proposal and interinstitutional negotiations:
 - Draft Commission proposal in July 2021
 - The European Parliament and the Council are now discussing the draft among themselves before they enter into Interinstitutional negotiations or tripartite meetings ('trilogues').





Thank you!





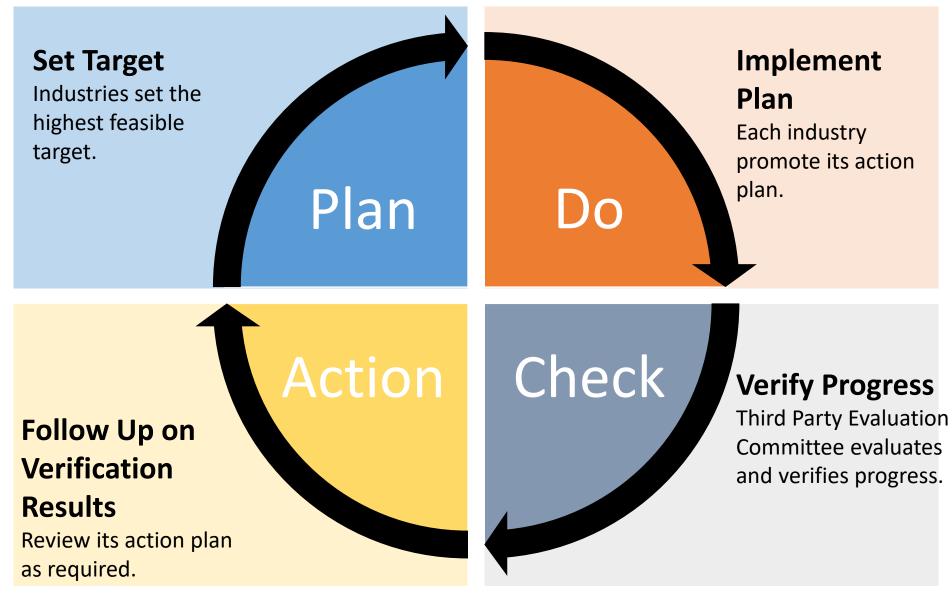
Keidanren's Initiatives towards Carbon Neutrality

27 January, 2022 Keidanren

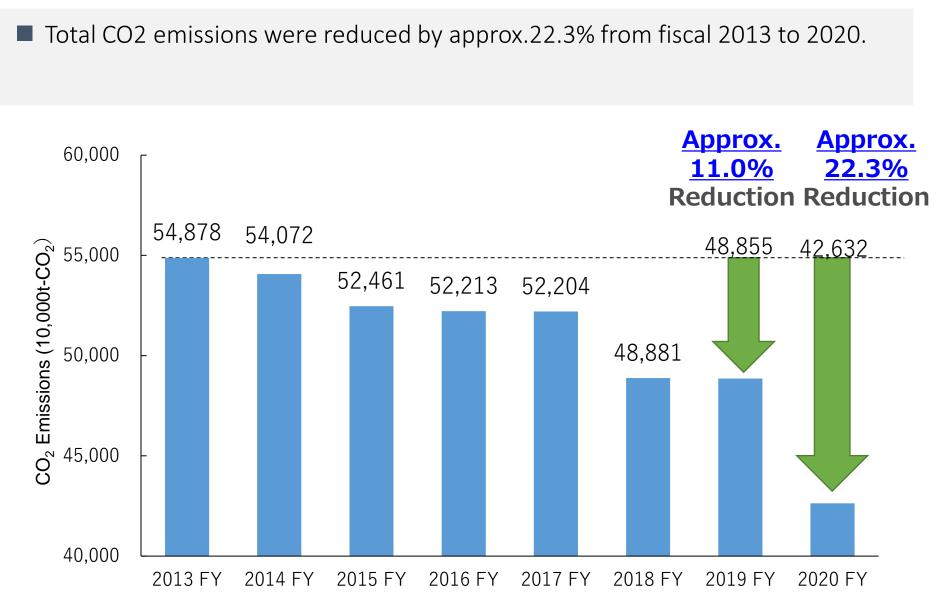
Keidanren's Efforts to Combat Climate Change

April 1991	Global Environment Charter
June 1992	Adoption of the Framework Convention on Climate Change
June 1997	Voluntary Action Plan on the Environment
December 1997	Adoption of Kyoto Protocol (COP3)
January 2013	First phase of the plan for Commitment to a Low Carbon Society (FY 2020 targets)
April 2015	Second phase of the plan for Commitment to a Low Carbon Society (FY 2030 targets)
December 2015	Adoption of the Paris Agreement (COP21)
November 2018	Concept Book "Contributing to Avoided Emissions through the Global Value Chain"
January 2019	"Actions by the Business Community on Long-term Global Warming Countermeasures up to 2050"
June 2020	"Challenge Zero"
November 2021	Carbon Neutrality Action Plan

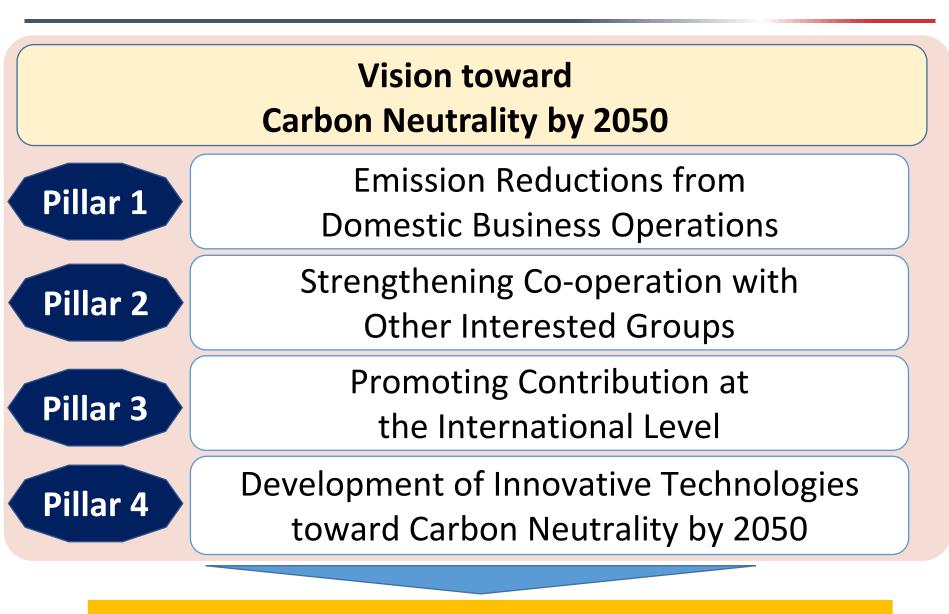
PDCA Cycle



Emission Reductions from Domestic Business Operations



Keidanren Carbon Neutrality Action Plan



Significant Global GHG Emission Reductions





Announced at COP 25 to accelerate the construction of a decarbonized society through innovation.

https://www.challenge-zero.jp/en/



Participating company declares one of the below challenges and reports specific actions regarding its declaration.

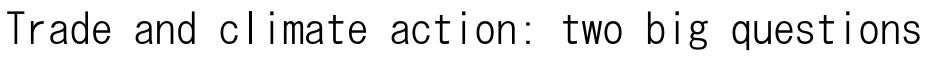
1. Development of Net-Zero Emission Technologies (including Transition Technologies)

2. Dissemination and Implementation of Net-Zero Emission Technologies

3. Finance Companies that are engaged in the above Challenges

193 Participants & 403 Challenges (as of January 20, 2022)







Masako Konishi, Expert Director (Conservation and Energy),WWF Japan

1. No explicit carbon price domestically in Japan yet.

Japan commits 46% reduction compared to 2013 by 2030, and aims for 50%. (which is much higher than previous target of 26%) However, Japan's main climate measures still depends on Industry's Voluntary Plan.

Japan has not yet implemented effective climate policies such as carbon pricing. Carbon tax is only 289 yen(=2 Euro)/tCO2, and no nationwide Emission Trading Scheme yet. As a result, there is no explicit carbon price in Japan.

EU's Carbon Border Adjustment Mechanism which will put a carbon price on imports of a targeted selection of products so that ambitious climate action in Europe does not lead to 'carbon leakage'. It aims to encourage industry outside the EU and our international partners to take steps in the same direction.

How is the level playing field be ensured between EU and Japan?

2. The impact of including nuclear and natural gas in EU taxonomy

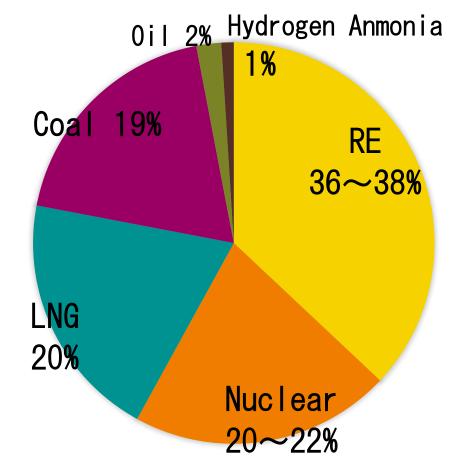
Japan's 2030 energy mixture(electricity)

• still maintains coal power plants 19%. No coal phase out plan yet.

• aims to use nuclear 20-22%, which is unrealistic, given around 6% currently.

• LNG plays bigger role as transition energy.

What is EU's CSO opinion on including Nuclear and Natural Gas in EU's taxonomy? 2030 electricity energy mixture





Importance of Combatting Illegal Logging In Pursuit of Sustainable Forest and Land Use

January 27, 2022

Makiko SOMA Forests Group Leader WWF Japan

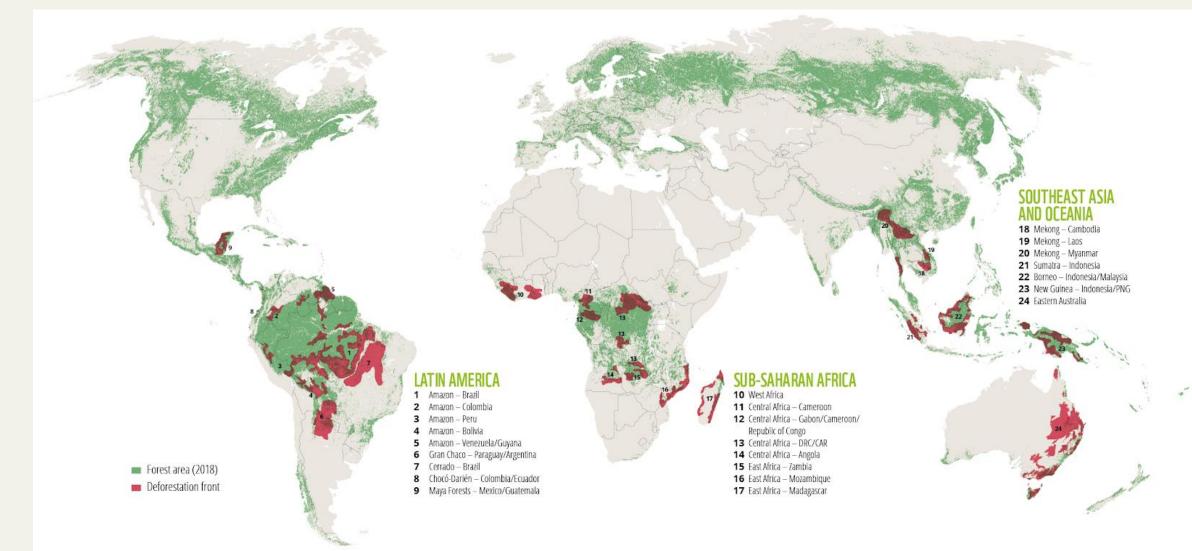
Topics

- World's Forest Situation
- Increasing Corporate Commitments to Tackle
 Deforestation and Conversion
- Importance of EPA Article 16
- Japanese Clean Wood Act
- Recommendations



DEFORESTATION FRONTS

Most forest loss is clustered in **24 deforestation fronts** & over 10% of the area = about **43 million ha** was lost within the boundaries of these deforestation fronts between 2004 and 2017, and nearly half of the standing forests (around 45%) suffered some type of fragmentation due to agriculture and other human induced activities etc.



Closing Market Access to Illegal Timber is a Minimum Requirement to realize Deforestation/ Conversion-Free Supply Chain where Human Rights are respected



Source: Compiled by Climate Focus based on data provided by Forest Trends' Supply Change Initiative.

© WWF Indonesia



EPA ARTICLE 16 TRADE and SUSTAINABLE TIMBER

AGREEMENT BETWEEN THE EUROPEAN UNION AND JAPAN FOR AN ECONOMIC PARTNERSHIP ARTICLE 16.7

Sustainable management of forests and trade in timber and timber products

- 1. The Parties recognize the importance and the role of trade and investment in ensuring the conservation and sustainable management of forests.
- 2. In that context, the Parties shall:
 - a. encourage conservation and sustainable management of forests, and trade in timber and timber products harvested in accordance with the laws and regulations of the country of harvest;
 - b. contribute to combating illegal logging and related trade including, as appropriate, the trade with third countries; and
 - c. exchange information and share experiences at bilateral and multilateral levels with a view to promoting the conservation and sustainable management of forests and trade in legally harvested timber and timber products, as well as to combating illegal logging



- The Act on Promotion of Use and Distribution of Legally- Harvested Wood and Wood Products (Clean Wood Act or CWA) as Japan's first legislation requiring companies to trade legal timber
- CWA aimed to promote legal practices by creating provisions for companies to register as a "Registered Wood-related Business Entity" (no penalties for not registering)
- CWA imposes no penalties for those found to be trading in illegal timber or failing to conduct due diligence
- Applicable categories of laws and legislations not clearly specified
- CWA is expected to be reviewed (and revised if appropriate) in 2022





Recommendations and Comments

- Implementation of Article 16 of EPA plays a crucial role in eliminating illegal logging as it is a minimum requirement for realizing deforestation/ conversion free supply chain.
- In the forest and land use, as committed in the Glasgow Leader's Declaration, EU and Japan will lead the world in halting and reversing forest loss and land degradation by 2030.
- EU: The proposed Regulation for deforestation free products that was adopted by European Commission on November 17, 2021 will be very important for the above
- Japan: Through this year's review CWA could be revised so that:

 Measures taken to stop trading in ALL timber for which legality cannot be confirmed
 Make it mandatory for operators to conduct due diligence with clear standards and guidance
 Provide clear list of applicable legislation for the businesses to carry out due diligence smoothly



Thank you very much!

References:

• A comparison of the Japanese Clean Wood Act and the EU Timber Regulation <u>https://www.euflegt.efi.int/publications/a-comparison-of-the-japanese-clean-wood-act-and-the-eu-timber-regulation</u>

• AGREEMENT BETWEEN THE EUROPEAN UNION AND JAPAN FOR AN ECONOMIC PARTNERSHIP https://www.mofa.go.jp/files/000382106.pdf

• Discussion forum on trading and utilization of legally logged timber (Japanese) <u>https://www.rinya.maff.go.jp/j/riyou/ryuturiyou/210915.html</u>

GLASGOW LEADERS' DECLARATION ON FORESTS AND LAND USE
 https://ukcop26.org/glasgow-leaders-declaration-on-forests-and-land-use/

PROGRESS ON THE NEW YORK DECLARATION ON FORESTS Goal 2 assessment Eliminating deforestation from agricultural commodities

https://forestdeclaration.org/wp-content/uploads/2021/08/2020NYDFGoal2.pdf

Report: Deforestation Fronts
 <u>https://wwfint.awsassets.panda.org/downloads/deforestation fronts</u> drivers and responses in a changing world full report 1.pdf

Issues to Address in Japan in Order to Ratify ILO Fundamental Conventions (1) [C.105 – Forced Labor]

Issues in Japan: Restriction of political action by public servants

- (1) Imprisonment for certain political actions by national public servants
 - (E.g.) Actions such as conducting petitions or campaigns to encourage voting for the purpose of supporting or opposing specific political parties or supporting or opposing specific candidates for public office, as well as expressing political opinions in locations in which the person is likely to come into contact with many people
- (2) Imprisonment for involvement with labor disputes, or aiding and abetting labor disputes by national public servants and local public servants
- (3) Imprisonment for breach of work discipline, etc. by people that are engaged in certain jobs* *In addition to public servants, this includes people that are engaged in jobs relating to the postal service, electricity transmission, etc.

A (2012) report of the Committee of Experts on the Application of Conventions and Recommendations expressed the view that in the case of forcing workers to work from jail for expressing specific political views, breaching work discipline, or participating in a strike, it would have problems implementing ILO Convention 105.

Thanks to RENGO's persistent efforts and lobbying etc. for the ratification of the ILO Convention 105, a legislative bill was passed in June 2021. Early ratification (approval by the Diet) based on this law is very much expected.

Status of sanctions for political activities of public servants, etc., in major countries (Investigation of the Ministry of Health, Labour and Welfare)

	USA	UK	Germany	France	Canada	Indonesia	Australia	South Korea (*Not Ratified)
(1) Are restrictions on freedom imposed as sanctions for political activities by public servants?	× (No)	×	×	×	×	×	×	0
(2) If restrictions are imposed, are there any work obligations imposed against the will of the worker?	× (No)	×	×	×	×	×	×	0
Note: Are there any work obligations imposed on workers that have been imprisoned against the will of the worker?	O (Yes)	0	0	×	×	×	×	0

Issues to Address in Japan in Order to Ratify ILO Fundamental Conventions (2) [C.111 – Prohibition of Discrimination]

Convention 111 is for the purpose of eliminating discrimination (1) based on 7 factors (race, color, sex, religion, political opinion, national extraction or social origin) and (2) in relation to employment and occupation.

Obligations of countries that have ratified C.111: It is required to create clear national policies for the purpose of eliminating discrimination and promoting equal employment or occupation opportunities and treatment;

(1) **<u>enact laws</u>** as appropriate to ensure acceptance of and compliance with said policies; and

(2) **abolish all provisions of laws and regulations, review all administrative orders and conventions** that are incompatible with said policies.

*According to the ILO, the obligation in (1) may be **progressively** implemented; however, the obligation in (2) must be **immediately** implemented.

Issues in Japan:

With regard to the obligation in (1), Japanese domestic legal restrictions are limited. There are only prohibitions against gender discrimination when advertising and hiring.

With regard to the obligation in (2), it is an issue that there are 1) **provisions that differentiate (protect) based on gender** in consideration of physical and psychological disparities with regard to hiring and labor conditions^{*1}, and 2) **provisions that differentiate (sanction) with regard to expression of political views by public servants** from the perspective of ensuring the neutrality of administrative agencies^{*2}.

- *1 The Ministry of Health, Labour and Welfare intends for provisions aimed at protecting maternity not to cause problems with regard to the application of convention 111.
- *2 According to the Ministry of Health, Labour and Welfare, it has been confirmed that the USA, the UK, Germany, Canada, and South Korea, etc. also have some restrictions. Although the content and scope of restrictions varies from country to country, there are many instances in which occupations (USA, UK) and actions/situations (Germany, Canada) are restricted.

Most Recent Moves toward Ratification of the ILO Core Conventions ① [Formulation of the NAP on "Business and Human Rights" [Oct. 2020]]

- A National Action Plan (NAP) based on the UN Guiding Principles on Business and Human Rights has at last been formulated in Japan (Oct. 16, 2020, Inter-Ministerial Committee for Japan's NAP on Business and Human Rights)
- Regarding the ILO Core Conventions, the "Plan" incorporates the following content, as the ministries and agencies in charge have clearly stated.
 - Chapter 2 Action Plan
 - 2, Action Plan by Sectors
 - (1) Cross-sectional items
 - a. Labor (Promotion of decent work, etc.)
 - (Concrete measures to be implemented)
 - Continual and sustained efforts will be made to pursue the ratification of basic ILO conventions and other ILO conventions that have been recognized as appropriate for ratification. (Cabinet Secretariat; National Personnel Authority; Ministry of Internal Affairs and Communications; Ministry of Foreign Affairs; Ministry of Health, Labour and Welfare; Ministry of Economy, Trade and Industry; Ministry of Land, Infrastructure and Transport; Ministry of Defense)

Domestic and International Trends in Harassment



"Power harassment" (incl. abuse of authority and harassment related to sexual orientation and gender identity) However, a prohibition on harassment was shelved. Relations with "third parties" was also left as "a desirable effort".