

# **What Japan's Financial Markets can offer to Just Energy Transition in Asia?**

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# Transition Finance; Japan's Approach

## Basic Guidelines on Climate Transition Finance (May 2021)

Element1:  
Fundraisers' climate  
transition strategy and  
governance

Element2:  
Business model  
environmental  
materiality

Element3:  
Climate transition  
strategy to be  
science-based  
including targets and  
pathways

Element4:  
Implementation  
Transparency

A roadmap for decarbonization initiatives has been developed for each industrial sector

10 industrial sectors ; Iron and steel, Chemicals, Power, Gas, Petroleum, Pulp and paper, Cement, Shipping, Aviation, and Automobile, raise funds through transition bonds/loans while referring to the roadmap.

Each industry in Japan will work as a frontrunner in strategies and initiatives towards decarbonization.

Promote Japanese-style transition financing in the Asia-Pacific region, ensuring interoperability with taxonomy approach.

Source: Ministry of Economy, Trade and Industry; compiled by DIR.

# Transition Bonds Issued by Japanese Companies (As of the end of Aug. 2024)

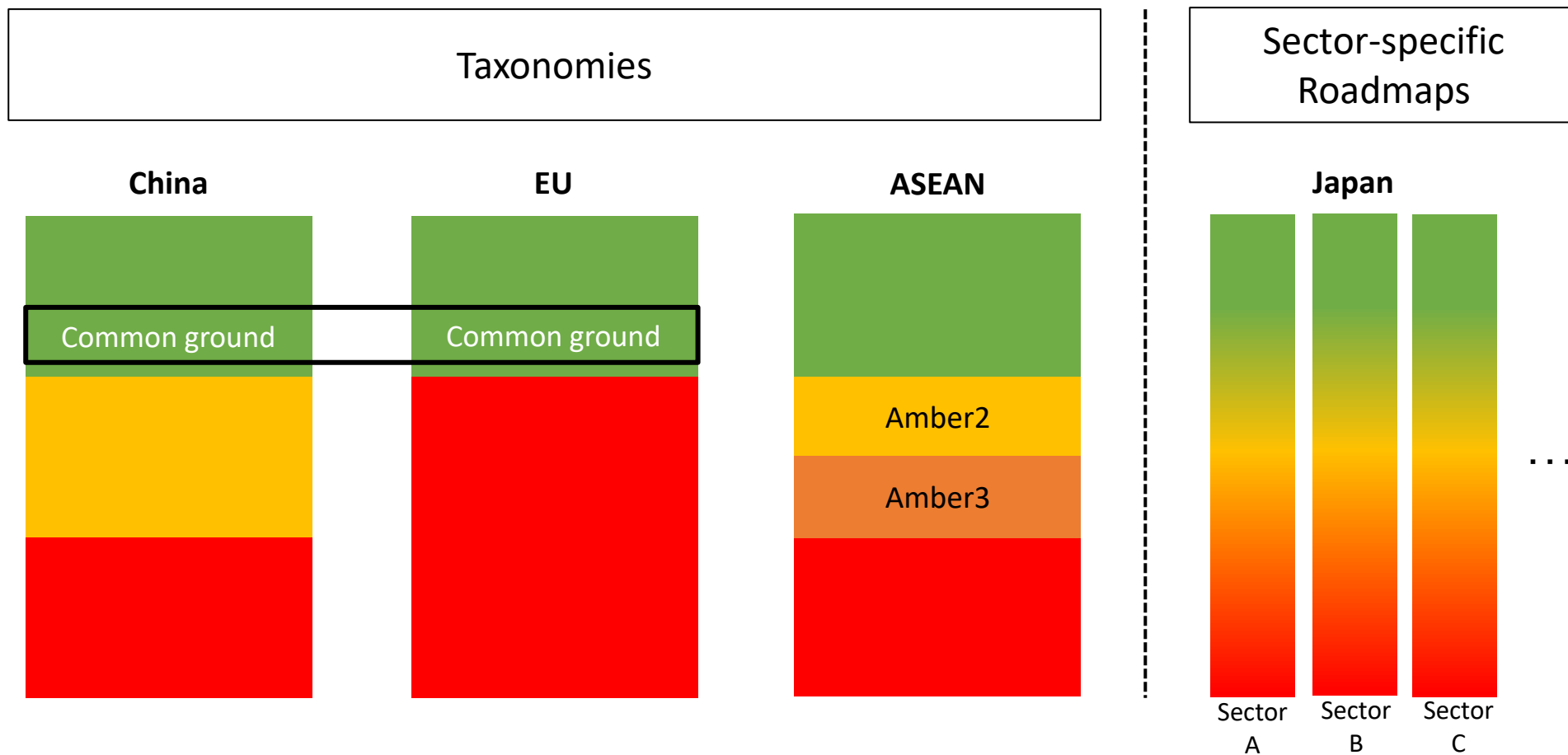
22 issuers, 59 bonds, 973 billion yen of total bonds outstanding

Pricing Date	Issuer	Amount (billions of yen)	Term
Jul-21	NYK Line	10 · 10	5 · 7
Feb-22	JAL	10	5
Feb-22	Tokyo Gas	10 · 10	7 · 10
May-22	JERA	12 · 8	5 · 10
May-22	Kyushu Electric Power	30 · 25	5 · 10
May-22	Osaka Gas	10	10
May-22	IHI	11 · 9	5 · 10
Jun-22	JFE H	25 · 5	5 · 10
Jun-22	ENEOS H	85 · 15	10 · 20
Jul-22	Idemitsu Kosan	10 · 10	5 · 10
Aug-22	Osaka Gas	27	10
Aug-22	Daido Steel	10	5
Sep-22	Mitsubishi Heavy Industries	10	5
Nov-22	Toho Gas	10	10
Nov-22	Hokuriku Electric Power	18.5 · 15.3 · 10.6	5.4 · 10 · 20
Dec-22	Saibu Gas	10 · 5	5 · 10
Dec-22	Tokyo Gas	10.1 · 9.7	60 · 60
Mar-23	Tohoku Electric Power	10 · 5	10 · 20

Pricing Date	Issuer	Amount (billions of yen)	Term
May-23	Osaka Gas	10 · 10 · 15	5 · 20 · 10
May-23	Chugoku Electric Power	20 · 60	5 · 10
Jun-23	JAL	20	10
Jul-23	NYK Line	10 · 10	5 · 10
Aug-23	Mitsubishi Heavy Industries	10	5
Oct-23	Chugoku Electric Power	20 · 16	4.5 · 10
Nov-23	Mitsubishi Materials	20	5
Feb-24	Kawasaki Heavy Industries	10	5
Feb-24	JERA	10	10
Mar-24	Mazda Motor Corporation	15	5
Apr-24	NYK Line	15	5
Apr-24	Mitsubishi Materials	15	5
May-24	JAL	15 · 65	15 · 10
May-24	Chugoku Electric Power	10 · 16	5 · 10
May-24	Osaka Gas	25	10
May-24	Kyushu Electric Power	10 · 20	5 · 10
Jul-24	JFE H	15	5
Jul-24	Kansai Electric Power	30 · 15	5 · 10
Aug-24	DEVELOPMENT BANK OF JAPAN	10	5

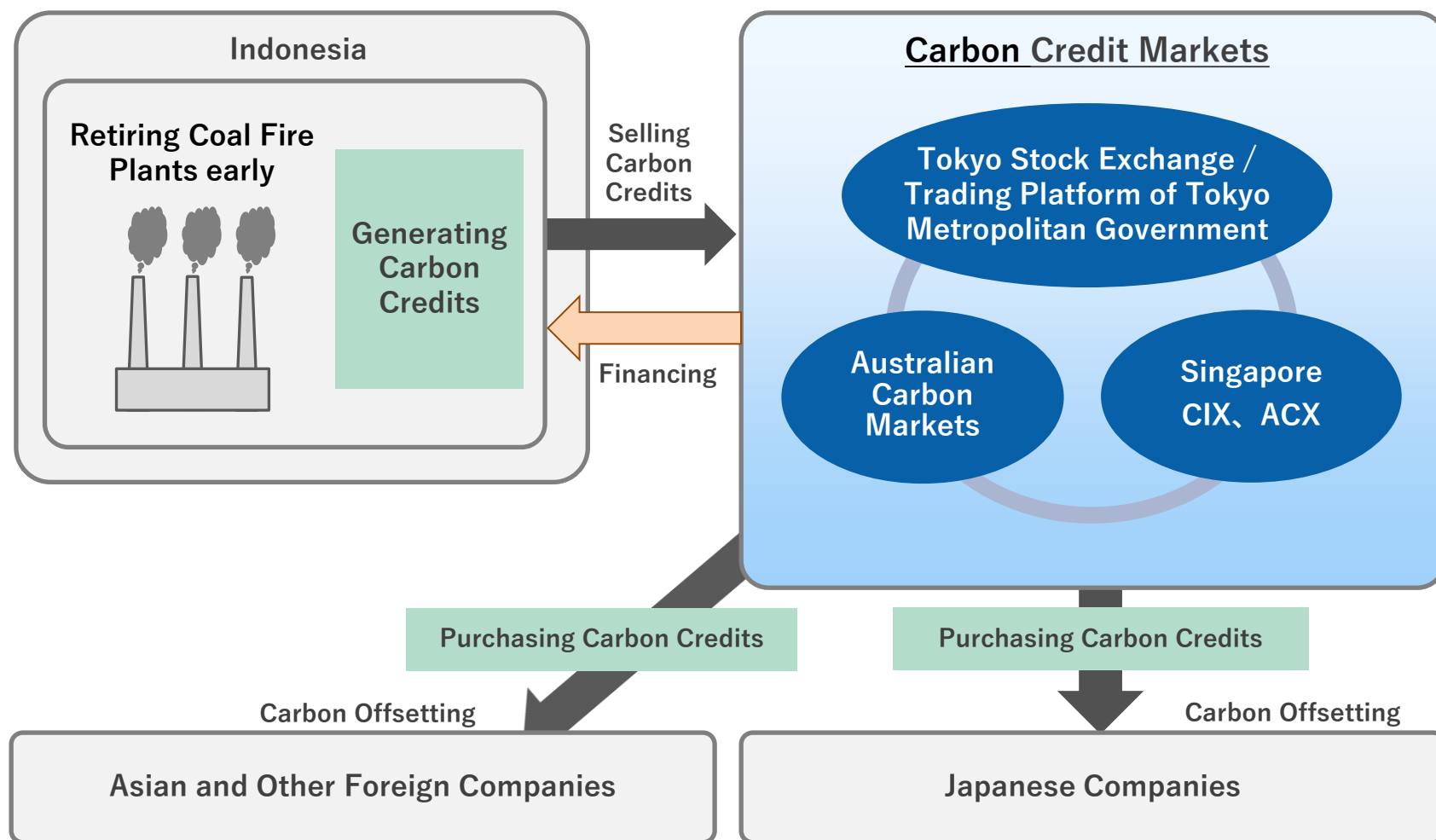
Source: Japan Exchange Group; compiled by DIR.

# Transition Finance; Taxonomies Approach



Note: Various source; compiled by DIR.

## Illustration of Generating Carbon Credits to Promote Decarbonization across Asia

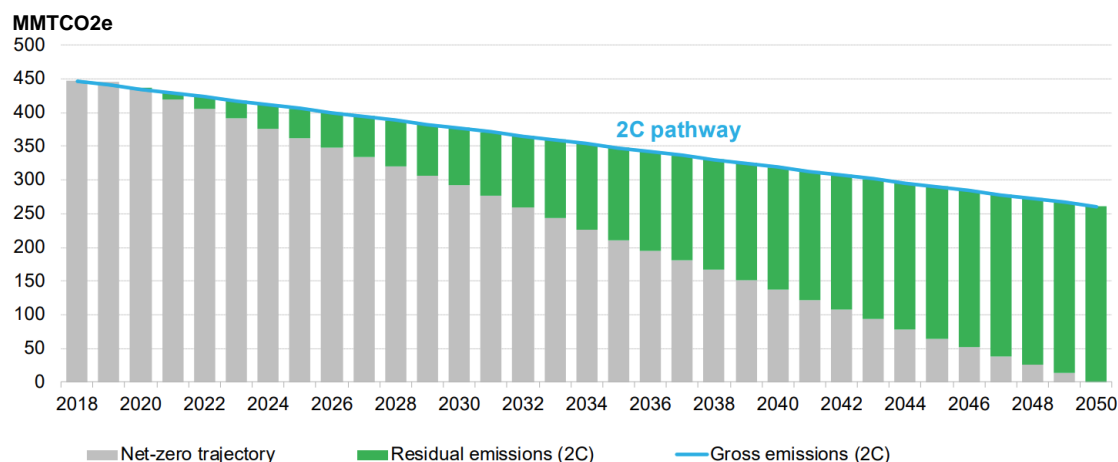


Source : Various Sources; compiled by DIR.

# VCMs Can Play a Critical Role in Mobilizing Sustainable Finance

- Expected growth of cumulative residual emissions will create a huge and growing demand for carbon offsets in the run-up to 2050

Cumulative Emissions Covered Under Net Zero from Select Asia-Pacific Companies



Note: Select companies include: PetroChina, Sony, Singapore Airlines, POSCO, BHP Group, Reliance Industries, Hon Hai Precision Industry, Geely Automobile, Petronas and CC ALL PLC.

Note: Chart only includes emissions covered under a net-zero target.

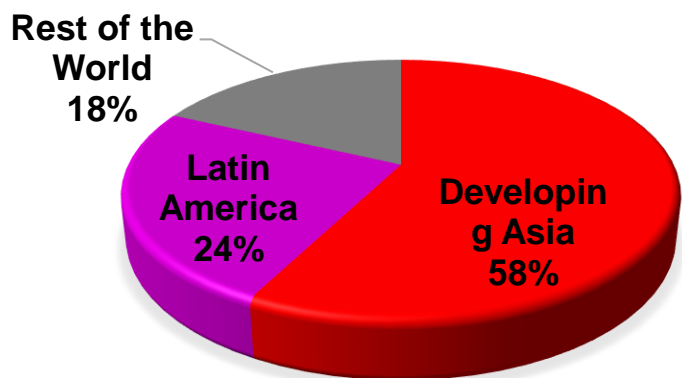
Source: BloombergNEF, Bloomberg Terminal, company filings.

## Demand and Supply

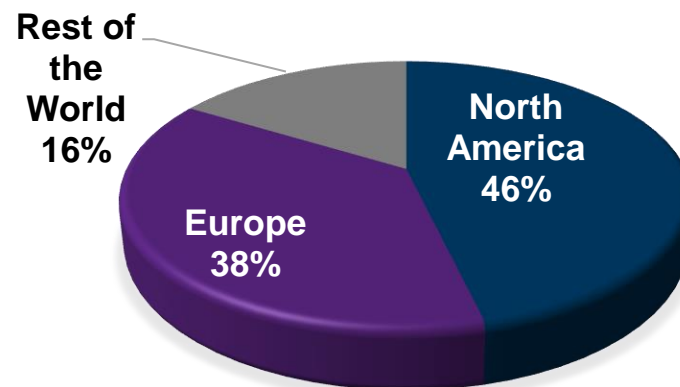
### **APEC Economies Are Well-Positioned to Use VCMs to Reach Their Net Zero Goals and Become Leaders If They Are Able to Collaborate in Developing Interoperable High-Integrity Markets**

Currently, over 80% of carbon credit supply come from Developing Asia and Latin America, while almost half of demand is from North America.

#### Supply of Carbon Credits

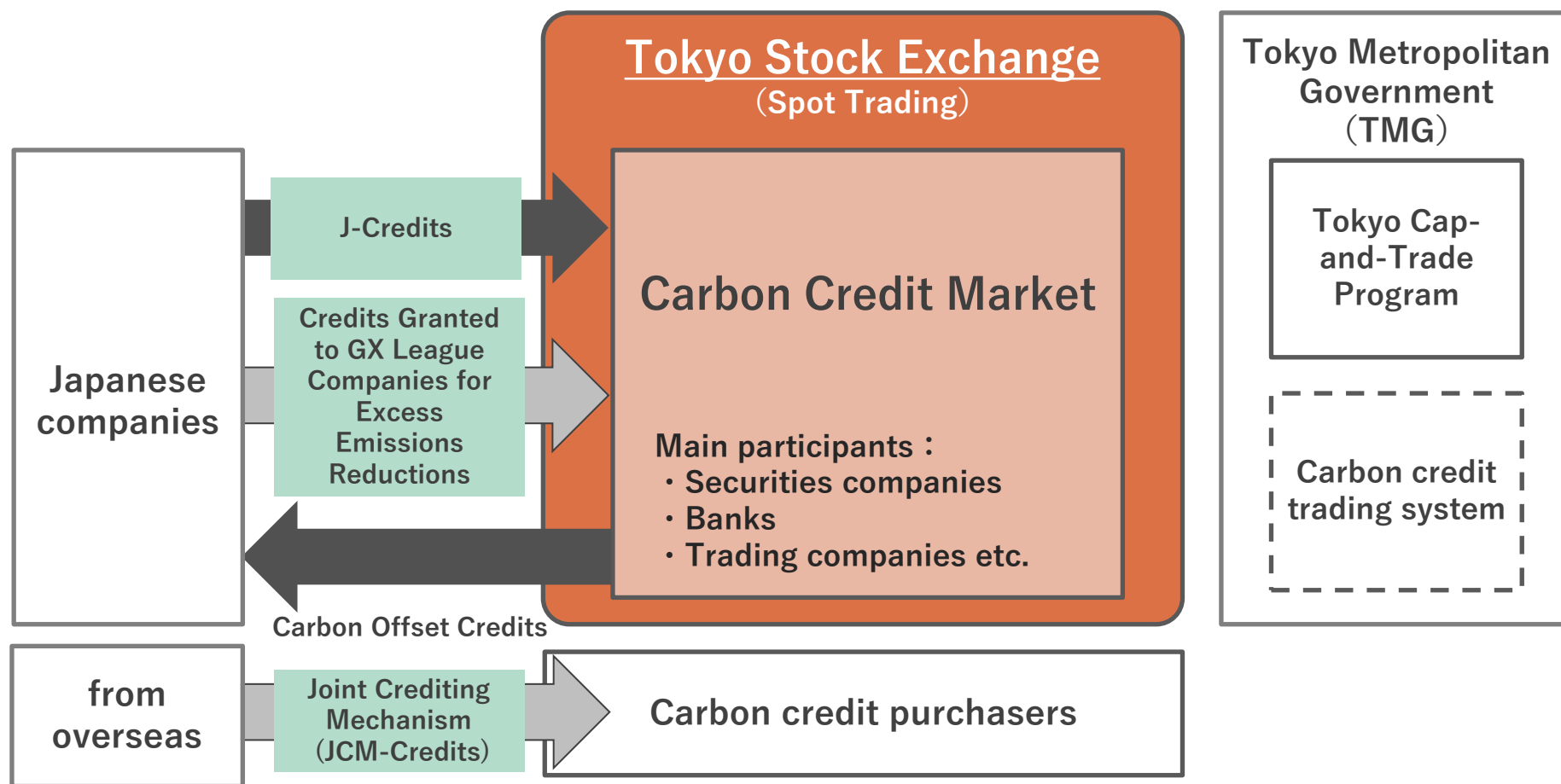


#### Demand from Buyers of Carbon Credits



Source: BloombergNEF, Verra; compiled by DIR.

## Current Carbon Credit Markets in Japan

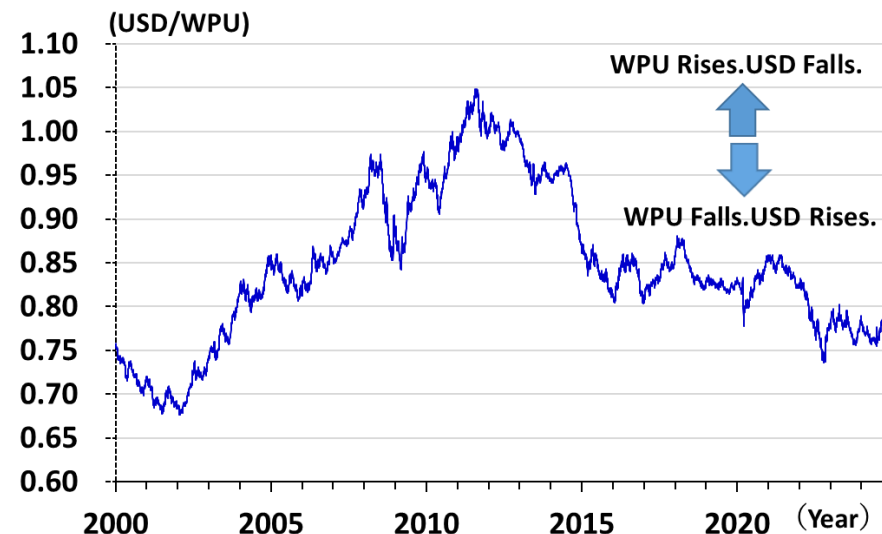
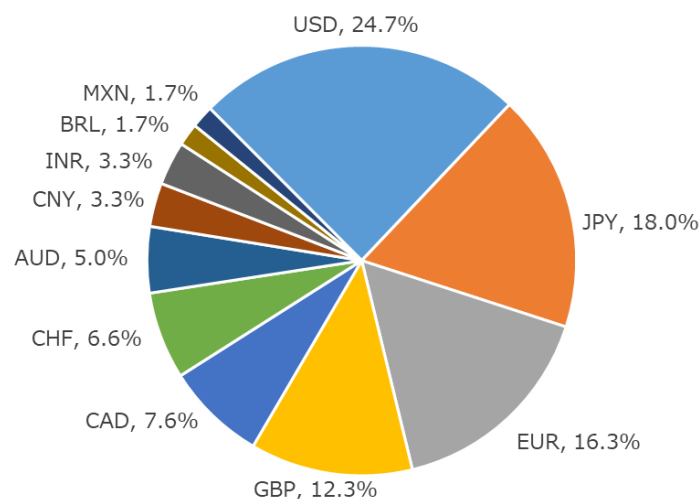


Note: Tokyo Metropolitan Government runs “Cap & Trade system” and plans to launch by the end of March 2025 a new trading system in which J-Credits and voluntary carbon credits are to be traded.

Source : Various Sources; compiled by DIR.

## World Parity Unit (WPU) Indexed Bonds

- **WPU is a currency unit comprising a basket of seven developed and four emerging currencies.**
- **FTSE Russell started calculating it from February 21, 2012. The base date is December 31, 2011, at which date WPU is indexed to the basket of currencies and its value is set at one against USD.**
- **Most WPU indexed bonds are to be issued and redeemed in dollars. Coupon payments and redemptions are indexed to WPU. WPU is designed to reduce currency risks through diversification.**
- **ABAC Finance and Investment Task Force is seeking to get the first WPU indexed bond issued this year.**



Note: As of September 24, 2024.

Source: FTSE Russell, Bloomberg; compiled by DIR.

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\* The amount of the trading commission cannot be stated here in advance because it will be determined between our company and you based on current market conditions and the content of each transaction etc.

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