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Impact of Introducing Carbon Pricing

Japan's value added remains flat, China's value is negative, and the EU's value is positive.

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Summary

- According to the Green Growth Strategy announced by the government in June, it was stated that the government will begin working without hesitation on the adoption of economic instruments using a market mechanism (carbon pricing, etc.) that contributes to growth, and that they will continue to discuss the issue. Mechanical estimates of the impact on the value-added effect of carbon pricing of 60 euros and 120 euros/ton CO₂ uniformly introduced in each country indicate that the value added of the European Union will increase while the value added of China will decline significantly. Value added in Japan is expected to remain largely unchanged.
- Carbon border adjustment mechanisms, which adjust for differences in carbon price between countries and regions, are systems that impose tariffs on products of countries that are not fully committed to decarbonization. The EU is moving concretely toward the introduction of measures, and is expected to begin in 2026. In the United States, it was included in President Biden's campaign commitment, but the introduction will be postponed for the time being.
- The introduction and spread of carbon pricing is expected to increase the prices of products of corporations whose decarbonization measures are inadequate, while bearing an appropriate level of carbon prices and increasing the competitiveness of companies that are expanding their decarbonization investments. However, if the corporate burden of carbon decarbonization investment becomes excessive, it may restrain economic growth. Therefore, it will be necessary for the government to simultaneously take measures to promote economic growth using the increase in tax revenues as a financial resource. This requires a framework to support corporations and workers who are adversely affected by changes in the industrial structure due to decarbonization, such as "The Just Transition Mechanism" of the EU, and policies to support technological development and the dissemination of those technologies.

Attention

This report is a summary translation. The official document is only in Japanese.