

[STATEMENT]

We oppose the "GX Promotion Bill" which creates an unclear flow of funds to nuclear power and large-scale emitters.

29th March, the House of Representatives Committee on Economy, Trade and Industry passed the Bill on the Promotion of a Smooth Transition to a Decarbonized Growth-Oriented Economic Structure (hereinafter "GX Promotion Bill"). The bill is based on the government's "GX Promotion Strategy," which calls for 150 trillion yen of public and private investment towards decarbonization, including the issuance of 20 trillion yen in "GX Economic Transition Bonds" and the establishment of the "GX Promotion Agency." We oppose the GX Promotion Bill for the following reasons:

1. It provides long-term public and private funding to nuclear power and emission intensive industries

On February 10, the "Basic Policy for the Realization of Green Transformation (GX)" (hereinafter "GX Basic Policy") was approved by the Cabinet. The policy includes: a steady restart of nuclear power plants and fostering public understanding of the restart, development and construction of next-generation innovative reactors, human resource development, improvement of relevant business environments, and promotion of the nuclear fuel cycle. The bill also provides economic support for the maintenance and promotion of fossil fuel power generation using hydrogen, ammonia, CCS, and CCUS. The "GX Promotion Bill" is a bill the content set forth in the Basic GX Policy.

The "GX Decarbonization Power Supply Bill¹", which is expected to be debated in the Diet at the end of this month, includes a proposal to amend the Atomic Energy Basic Law to position nuclear power plants as a decarbonizing power source and to utilize them under the purview of the nation. The "GX Promotion Bill" and the "GX Decarbonization Power Supply Bill" are two halves of a whole, and these bills will make it a statutory requirement for the government to continue to support the nuclear industry over the long term.

2. It is the equivalent to writing a blank check to the Ministry of Economy, Trade, and Industry (METI)

The GX Promotion Bill states that the issuance of 20 trillion yen in "GX Economic Transition Bonds" as well as financial support and debt guarantees by the "GX Promotion Agency" will generate 150 trillion yen in public and private GX investments, and the recipients of these funds

¹ A bundle of five proposed amendments to the Atomic Energy Basic Law, the Act on the Regulation of Nuclear Reactors, the Electricity Business Act, the Reprocessing Act, and the Renewable Energy Special Measures Act.

will be in line with the GX Promotion Strategy (Article 6) set forth by the government. The GX Promotion Strategy will be drafted by METI and approved by the Cabinet. In other words, METI will determine the targets of GX investments.

The "GX Promotion Agency" (Chapter 5), which will support GX investments by the private sector as well as collect Fossil Fuel Levy and specified business contributions, is an authorized corporation of METI. Business plans, finances, accounting, etc. will be set forth by METI's Ministerial Ordinances.

This means that METI will be given *carte blanche* to invest and manage huge sums of public and private GX funds generated by the GX Promotion Bill.

3. The absence of decarbonization standards and environmental/human rights considerations

Despite the GX Promotion Bill's commitment to "decarbonization," no criteria² has been indicated regarding GHG reduction requirements for private companies who will receive support from the government through the issuance of GX Economic Transition Bonds or from GX investments. If approved by METI, sectors and projects that are not expected to have decarbonization effects can be eligible for GX investments.

The GX Basic Policy, which has already been approved by the Cabinet, includes the use of hydrogen and ammonia derived from fossil fuels. This will increase the consumption of fossil fuels and lead to increased greenhouse gas emissions. It is also being promoted in combination with the active use and extended operation of existing thermal power generation facilities, including coal-fired power generation. If these measures stated in the GX Basic Policy are implemented, we will not be able to achieve the 1.5° C Paris Agreement target.

In addition, no standards have been established to prevent environmental destruction or human rights violations, despite public funds being used to promote investment and financial support³.

4. It is beneficial to large emitters, and the public will ultimately pay the price

The GX Promotion Bill is designed to benefit companies that emit large amounts of greenhouse gases. The funding will be provided by GX Economic Transition Bonds and other funds, and will be recovered in the future through a carbon levy and specified business contributions. Cost pass-through could result in placing this financial burden on consumers, or the public at large.

5. The flow of funds is unclear and cannot be monitored or verified

² For example, in the EU taxonomy, in the energy sector, there is no threshold for solar and wind power, GHG emissions per lifecycle for hydro and geothermal power are less than 100g per kWh, and direct CO₂ emissions are zero for transportation (during the transition phase, direct CO₂ emissions per km are less than 50g until 2025).

³ The EU taxonomy establishes six environmental objectives: climate change mitigation, climate change adaptation, sustainable use and protection of water and marine resources, transition to a circular economy, prevention and control of pollution, and protection and restoration of biodiversity. It states that to qualify as environmentally sustainable, organizations must not cause significant harm in any of these areas; and must meet "minimum safeguards" such as the UN Guiding Principles on Business and Human Rights.

The use of the funds obtained from the "GX Economic Transition Bonds" has not been specified at this stage, and the details will be decided by METI. In addition, the Fossil Fuel Levy will be collected by the "GX Promotion Agency," but the flow of these funds is unclear. Control, monitoring, and verification by the Diet (i.e., the public) is not possible.

6. Public opinion has not been reflected

The GX Promotion Bill does not reflect the opinions of the public whatsoever. The GX Basic Policy, which was approved by the Cabinet on February 10, was open for public comment for 30 days over the year-end holidays, and opinions opposing the policy were not reflected. From the start, the government's intention was to disregard the opinions expressed at the explanatory and opinion-exchange sessions held in various regions. It is a serious problem that the government only has ears for the voices of experts and industrialists who represent the interests of large corporations, and does not follow the process of listening to the voices of the public, even though this is an important bill that will affect the lives of current and future generations.

For these reasons, we oppose the "GX Promotion Bill" and call for its repeal.