

NO&T Infrastructure, Energy & Environment Legal Update

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Overview of Sustainability-Related Regulations Enacted

in 2024 Ordinary Session of Diet

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1. Overview

During the 213th Ordinary Session of the Diet, which lasted 150 days from January 26 to June 23, 2024, 61 out of 62 bills submitted by the Cabinet were passed. These included significant laws and regulations related to carbon neutrality, ESG, and sustainability. While the above took place, the 11th GX Implementation Council held on May 13 indicated the formulation of the "GX2040 Vision," which outlines GX measures targeting the year 2040, and the Ministry of Economy, Trade and Industry's council commenced discussions on developing the next (7th) Strategic Energy Plan in May. The movement toward achieving a carbon-neutral society in Japan is becoming increasingly active.

This newsletter highlights several important laws and regulations related to climate change and biodiversity conservation that were passed in the last Diet session¹.

2. Key points to know

(1) **Hydrogen Society Promotion Act**

The Act on Promotion of Supply and Utilization of Low-Carbon Hydrogen and its Derivatives for Smooth Transition to a Decarbonized, Growth-Oriented Economic Structure (the "**Hydrogen Society Promotion Act**") aims to facilitate the supply (domestically produced or imported) and use of low-carbon hydrogen and other resources. By providing support measures to business operators with approved plans, the Act seeks to ensure a smooth transition to a decarbonized, growth-oriented economic structure in line with the objectives of the GX Promotion Act.

Particularly noteworthy are the support measures (support focusing on the price gap and support for the development of hubs) provided through Japan Organization for Metals and Energy Security (JOGMEC). Businesses that manufacture or import low-carbon hydrogen and supply it domestically or businesses that utilize low-carbon hydrogen can, either individually or jointly, create and submit a "Business Plan for Low Carbon Hydrogen Supply, etc." Upon approval by the competent minister, these businesses will be eligible for grants related to price gap support and support for the development of hubs. Additionally, they may benefit from special provisions concerning the High-Pressure Gas Safety Act, the Port and Harbor Act, and certain road occupancy regulations. The Act, however, does not detail the conditions for subsidies - the details are expected to be fixed by the government in the near future.

The Act is scheduled to come into effect within six months from its promulgation on May 24, 2024, as specified by a Cabinet Order that is to be published – it is announced that the government aims to implement the Act around the summer of 2024.

¹ For further details of the Hydrogen Society Promotion Act and the CCS Business Act, please see our newsletter "[NO&T Japan Legal Update No.46](#)" (July 2024).

(2) CCS Business Act

The Act on Carbon Dioxide Storage Businesses (the “**CCS Business Act**”) is the first domestic legislation specifically addressing the CCS (Carbon dioxide Capture and Storage) industries. It does not cover the entire CCS value chain, however. The Act primarily focuses on two main areas: (i) establishing a licensing system for exploratory drilling and storage projects and (ii) regulating business and safety standards for pipeline transportation projects.

For storage and exploratory drilling projects, the Minister of Economy, Trade and Industry designates areas where reservoirs exist or are likely to exist as “specified areas.” Through a public solicitation process, the most capable applicant is then selected to conduct the storage or exploratory drilling projects.

The CCS Business Act will be fully enforced on a date specified by the Cabinet Order, which will fall within two years from its promulgation. Ahead of this, regulations related to exploratory drilling will be enforced on a date specified by the Cabinet Order, which will fall within six months from the promulgation.

(3) Amendment to Act on Promotion of Global Warming Countermeasures

The “Act on Promotion of Global Warming Countermeasures,” which serves as Japan’s fundamental regulation for promoting global warming countermeasures, has undergone frequent revisions in recent years. The Amendment passed during the last Diet session, which will come into effect on April 1, 2025, except for some provisions, primarily aims to:

- (i) expand the system for local decarbonization promotion projects introduced by the 2021 Amendment Act; and
- (ii) establish procedures to ensure the steady implementation of the Joint Crediting Mechanism (JCM).

(4) Act on Promotion of Activities for Enhancing Biodiversity in Local Communities

The “Act on the Promotion of Activities for Enhancing Biodiversity in Local Communities” was enacted and promulgated on April 19, 2024. Following “Kunming-Montreal Global Biodiversity Framework,” which was adopted at COP15 in December 2022, the government adopted the “2030 National Biodiversity Strategy 2023-2030” in March 2023, with “nature positive” as one of its key pillars. In addition to these government-level actions, companies have become increasingly aware of the importance of biodiversity and natural capital, driven by the recent TNFD (Task Force on Nature-related Financial Disclosure) guidelines.

The aim of the Act is to ensure rich biodiversity and promote the realization of a nature-positive approach by taking measures to enhance biodiversity in local communities. The main points of the Act are:

- (i) *Establishing a Certification System:* This system is for implementation plans for enhancement activities prepared by companies or others and for coordinated enhancement activities prepared by municipalities. Municipalities are expected to play a coordinating role in the cooperation with various local entities; and
- (ii) *Simplifying Procedures:* A one-stop and simplified system has been established to enable certified entities to complete the procedures required under the Natural Parks Act and other relevant regulations, depending on the nature of their activities.

(5) Act on Promotion of Advanced Recycling Business for Resource Circulation

As the need to transition to a circular economy increases, this Act was enacted to promote the collection, transportation, and recycling of waste, as well as to advance the technology and equipment used in recycling. The goal is to enhance the recycling of resources and significantly reduce greenhouse gas emissions. The Act will come into effect on a date specified by the Cabinet Order, which will fall within a period not exceeding one year and six months from the date of its promulgation (May 29, 2024), except for some provisions.

Under the Act, the following systems are supposed to be established:

- (i) *Formulation of Standards:* Standards of determination regarding the promotion of the advanced recycling business by waste disposers will be established;

- (ii) *Reporting and Publication*: A system will be introduced for the reporting and publication of the recycling status by industrial waste disposers with particularly large disposal volumes ("specified industrial waste disposers");
- (iii) *Certification Systems*: Several certification systems for advanced recycling operations will be introduced; and
- (iv) *Special Exceptions for Licensing*: A special exception rules will be established for licensing procedures under the Act on Waste Management and Public Cleaning for certified businesses.

(6) Amendment to Urban Green Space Conservation Act

The "Act for Partial Revision of the Urban Green Space Conservation Act, etc." was enacted on May 22, 2024, and promulgated on May 29, 2024.

The Ministry of Land, Infrastructure, Transport and Tourism (MLIT) has recently focused on addressing several global-scale issues: (a) climate change (e.g., actions related to CO₂ absorption, energy efficiency, heat control), (b) biodiversity (e.g., procurement of habitat and growth environment for living creatures), and (c) improvement of well-being (e.g., health and optimal childcare environment). These efforts also function as a response to lifestyle changes triggered by the COVID-19 pandemic, and promote the diverse functions of urban green spaces and energy use in urban areas.

The Amendment aligns with the MLIT's "Urban Development GX" initiative, aiming to establish a framework to facilitate activities by local governments and private businesses to secure urban green spaces.

The key points from the Amendment can be broadly classified into three categories:

- (i) government-led strategic acquisition of urban green spaces;
- (ii) support for active conservation and renewal of urban green spaces; and
- (iii) attracting private investment into the development of urban environments in harmony with green spaces.

The Amendment is scheduled to come into effect within six months from the date of its promulgation.

3. Conclusion

Of the 62 bills submitted by the Cabinet, the only bill not enacted was the amendment to the "Act on Promoting the Utilization of Sea Areas for the Development of Marine Renewable Energy Power Generation Facilities." The proposed bill of the Amendment aimed to:

- (i) expand the scope of offshore wind power projects from general sea areas (territorial waters and inland waters) to the Exclusive Economic Zone (EEZ) and establish a permit system for installing offshore wind power generation facilities in the EEZ; and
- (ii) introduce the "central system regarding environmental impact assessments" applicable to the general sea areas, where the government is responsible to conduct the initial stage of the environmental impact assessment procedure.

Although the bill was passed by the House of Representatives on May 28, 2024, the House of Councillors resolved unanimously on June 21, 2024, to continue examining it.

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