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Climate as a New Pillar of U.S.-Japan Cooperation— New Opportunities and Uncertainties

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The Biden administration views climate change as both a crisis as well as an existential threat, and has placed it at the center of U.S. foreign policy and national security. In the words of Secretary of State Antony Blinken, the Biden administration will “take into account how every bilateral and multilateral engagement—every policy decision—will impact our goal of putting the world on a safer, more sustainable path.” The centrality of climate change to the Biden administration agenda is already starting to re-shape the U.S. relationship with Japan in several major ways, presenting new areas for deeper cooperation while raising new areas of uncertainty for Japan.

Climate change has emerged as a key pillar to the U.S.-Japan partnership. Alongside regional security issues like an assertive China and a nuclear-armed North Korea, Covid-19 response and economic security, climate change was a topic at the mid-April summit between President Biden and Prime Minister Suga. As highlighted by the Joint Leaders’ Statement, climate is among the major areas of bilateral cooperation under the newly launched U.S.-Japan Competitiveness and Resilience (CoRe) Partnership.

Under the auspices of the newly launched climate partnership, the two countries have confirmed a joint commitment to leading on climate action in the international community while also reaffirming the continued cooperation in advancing clean energy technology, and supporting energy transition in third countries. In particular, the focus on clean energy technology innovation did not come as a surprise. Not only is innovation where the two

countries have the shared competence and interest, but also central to both Washington's and Tokyo's ability to transform their energy systems and decarbonize their economies, including the two countries' abilities to achieve a mid-century carbon neutrality goal.

While the elevated attention to climate at the Biden-Suga summit was noteworthy, it was Prime Minister Suga's ambitious emissions reduction announcement at the Leaders' Summit on Climate on April 22-23 that made Japan a key climate partner to the United States. The Leaders' Summit was the first important benchmark in the Biden administration's effort to restore U.S. leadership on the global climate effort. Instead of waiting until closer to the 26th United Nations Climate Change Conference of the Parties (COP26) in Glasgow in November, the Biden administration chose to invite 40 world leaders to the virtual meeting and announced the U.S. nationally determined contribution (NDC) for 2030. Not only did all 40 leaders accept President Biden's invitation, but the ambitious U.S. NDC of halving its greenhouse gas emissions by 2030 was joined by a few other ambitious goals. Among them was Japan's 2030 NDC of a 46 percent reduction. Roughly doubling the previous pledge has brought Japan in a much closer alignment with the United States in the scope of climate ambition.

In tandem with the ambitious U.S. NDC for 2030, the Biden administration announced the U.S. International Climate Finance Plan, to provide and mobilize financial resources to assist developing countries in climate mitigation and adaptation efforts. For example, the U.S. government intends to double its annual public climate finance to developing countries by 2024, including a tripling of its adaptation finance. Also, in order to mobilize private finance internationally, the U.S. International Development Finance Corporation will increase its climate-related investments beginning in Fiscal Year 2023, while the Export-Import Bank of the United States will significantly increase its support for U.S. exports with environment and climate benefits, such as renewable energy and energy storage. The centrality of climate in the U.S. developmental assistance will elevate non-fossil energy sources and technologies to be the area where the Biden administration will likely seek Japan's collaboration in facilitating third-country energy transition.

The emergence of a climate-focused U.S. administration also generates some uncertainties.

One of the key international climate agendas for the Biden administration is to end

international financing of “carbon-intensive fossil fuel-based energy.” The aforementioned International Climate Finance Plan instructs U.S. federal agencies to begin concrete work on this front, including cooperation with likeminded countries to reorient official export financing away from carbon-intensive activities. Phasing out the official finance for coal projects overseas was a major area of contention between the two governments under President Obama and Prime Minister Abe. Since then, a few of Japan’s major banks, insurance companies and sogo-shosha have essentially turned away from coal projects. In addition, the Japanese government announced its decision to stop supporting coal plant exports albeit with some caveats.

In the weeks leading up to the Leaders’ Climate Summit in late April, the speculation was abound that Tokyo might announce unconditional ban on official coal finance. The climate summit came and went, and the absence of such announcement was noticeable, particularly in contrast to Seoul’s announcement to ban finance to new coal projects abroad. A combination of host country preference and fierce market competition from Chinese manufacturers of coal power plants seems to render the financing ban politically unpalatable in Japan’s industrial circle. Building a strong coalition consisting of major Indo-Pacific economies could be a key to advancing the Biden administration’s agenda to stop China from financing and exporting coal projects, and a full alignment on coal finance policy with Japan is something that the U.S. administration is unlikely to give up easily. In fact, Washington is joined by London in the strong desire to have a unified stance on international public coal finance among the leading industrialized democracies, such as the Group of Seven (G7) industrialized nations. Pressure is only likely to increase for Japan to jointly “promote the flow of capital toward climate-aligned investments and away from high-carbon investments,” as stipulated in the U.S.-Japan Competitiveness and Resilience (CoRe) Partnership.

Another key uncertainty stems from the rising U.S.-China rivalry. In the words of Secretary Blinken, managing relationships with China is the “biggest geopolitical test of the 21st century” for the United States. The strategic rivalry with China may necessitate U.S. climate strategy to be dynamic and flexible as Washington may wish to periodically review and recalibrate its mode of engaging China, which is the largest GHG emitter in the world. In 2019, China’s annual GHG emissions surpassed those of the developed economies combined, including the United States, Japan and the European Union. In its relationship with a growingly assertive China, the Biden administration will be “competitive when it should be,

collaborative when it can be, and adversarial when it must be” (Secretary Blinken, March 2021). Climate change is one area where collaborative relationships could yield the optimal pace of progress. It thus is an undeniably positive sign that Special Presidential Envoy for Climate John Kerry has been in consultation with his Chinese counterpart and that Xi Jinping of China attended the climate summit although China’s scope of political commitment and operational progress on emissions reduction remain disappointing.

Is China’s cooperation on climate change so essential and desired that the Biden administration would overlook a host of security and human rights concerns it has with China? Could U.S.-China climate cooperation come at the expense of the security, governance norms and values that are important to Japan or any other U.S. ally in the Indo-Pacific region and beyond? As far as its intent goes, the Biden administration is unequivocal that “climate is not a trading card” and that progress on climate is not “a chip [other countries] can use to excuse bad behavior in other areas that are important to [U.S.] national security” (Secretary Blinken, April 2021). While the centrality of climate crisis to the Biden administration is undeniable, climate cooperation with the U.S. administration is unlikely to translate into a diplomatic currency for U.S. counterparts, allies and competitors alike. Cooperation on the climate mitigation and adaptation front likely signifies to the Biden administration a welcome demonstration of a country’s appreciation for the need to combat the climate crisis as well as the shared sense of responsibility over global commons. U.S.-Japan climate cooperation is no exception. The Biden administration likely views Tokyo’s ambitious GHG emissions reduction target and enhanced commitment to facilitate energy transition in the developing countries as a reflection of the caliber of partnership that bilateral relations have evolved into.

Lastly, the U.S.-China rivalry in clean energy technology innovation and manufacturing is likely to heighten in the coming years as the Biden administration strives to achieve ambitious climate goals while also revitalizing the U.S. domestic manufacturing base. China has established a commanding position along clean energy technology value chains, including in solar PV and batteries for electric vehicles as well as their component minerals, metals and rare earths. The significant reliance on China is a strategic issue to Washington. In late February, President Biden ordered a 100-day review of risks in the supply chains for high-capacity batteries as well as critical and strategic minerals and materials. Its findings and policy recommendations are expected to come out in the coming weeks. Strengthening the

security of rare earth and critical minerals supply chains is a challenge the two countries have in common. It is also a growing area for bilateral cooperation, and likely multilateral cooperation including Australia, Canada, India and South Korea.

There is a wide range of specific climate issues that the United States and Japan can cooperate. The two countries are two major democracies with a significant economic might and techno-industrial expertise to help combat the climate crisis. How the two countries can align scope, priorities and perhaps a pace of actions warrant attention.

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