

Activities of JAPIA (No.12)

Carbon Neutral Activities

Report: Carbon Neutrality Subcommittee

Disseminate information on CN response, its approaches, and case studies to members.

JAPIA Carbon Neutrality (CN) Subcommittee was established in April 2021 in response to Government's "2050 Carbon Neutrality Declaration." CN is an important issue that could shake the very foundations of the automotive industry, and the CN Subcommittee is working with the four main JAPIA committees to promote CN activities across the board. Mr. Hidehiro Yokoo (DENSO CORPORATION, Senior Executive Officer), CN Subcommittee Chairman, and other Subcommittee members will explain the challenges they face in dealing with CN and their outlook for the future.

◆ Roadmap to Achieve Goals and Positioning for FY2023

< What we aim for >

As an intermediate step toward achieving the 2050 CN, promote support activities for members and suppliers (with awareness of the SC as a whole) to achieve JAPIA's goal of "reducing CO₂ emissions in FY2030 by 46% or more from the FY 2013 level".

<Roadmap to Achieve Goals and Positioning for FY2023>

Roadmap to achieve goals: 3 years of preparation and support (FY2021-2023)

⇒ 5 years of implementation and results (FY2024-2029)

FY2021: Groundwork

•Development of basic information - Understanding the actual status of members
•Planning of goals and activity policies, etc. Promote activities for infrastructure development.

FY2022: Immediately implement what can be done

•Formulation of a collection of case studies and a collection of how to proceed with various activities
•Formulation of goals and action plans
•Identification of and response to issues facing small and medium-sized enterprises (SMEs)
•Collaboration with JAMA to establish industry-unified CO₂ assessment and calculation rules, etc.
Promote activities in a generally comprehensive way (some issues are individually identified)

※ Main issues as of the end of FY2022

- 1) Expand and disseminate the "CN Activity List in Practice", "CN Activity List in Practice[for suppliers]", and "Collection of Examples of New Business Creation and Business Transformation", Improvement of usability of the "Energy Conservation Casebook"
- 2) Expand the number of companies responding to the "CN Survey" and "Goals and Action Plans."
- 3) Identify and address "issues faced by SMEs" more widely and deeply
- 4) Quickly establish a "full-scale version" of the "CO₂ evaluation and calculation rules" (the "simplified version" is being promoted as planned).
- 5) Organize the ideas and responses of JAPIA with regard to "cost increases associated with CN".

FY2023: Wider and deeper

•Formulation of necessary information and tools, -Addressing various issues Completed
Completion of support activities ⇒ Implementation and results will begin in FY2024.

FY2024 - FY2029

•All members took action to reduce CO₂ emissions. Implementation and results Activities in full swing

Complete preparation and support for CN activities during FY2023 and implement from FY2024 onward.

CN Subcommittee was established when CN gained momentum in Japan from the latter half of 2020 to 2021, and JAPIA decided that it must also work on CN. This is the first subcommittee to cross-fertilize each committee, and to promote cross-fertilization with the four main committees of "Organizational Affairs Committee," "International Committee," "General Technical Committee," and "SME Committee," a vice chairperson has been selected from each committee chair company. The number of members has increased to 38 companies. Some companies were not originally members of JAPIA, but became members because of the CN subcommittee.

At first, we conducted a survey on CN; JAPIA members were quite interested, and the survey response rate was relatively high. In the first year, the main focus was to promote understanding of CN, and we also established a goal of reducing CO₂ emissions by 46% or more in FY2030, and in FY2022 we are starting to create more concrete guidance for CN initiatives. The first output is a "System and Role model," and one of our members' concerns is who and under what system should carry out CN initiatives. However, since companies vary in size, it is not possible to say "This is it" for all internal systems and initiatives. We are creating about three levels first, and then expanding them to create a full lineup.

The second was the creation of the "CN Activity List in Practice", a list of how the company will address its own CN and the extent to which it will support its business partners, in addition to JAPIA's goals. In addition, we also created a "CN Activity List in Practice [for suppliers]." We hope that this will serve as a collection of case studies, as there is much interest among our members in how to provide specific support to suppliers.

These support activities will be completed in FY2023 and will be put into action in FY2024 and beyond. The scope of activities will be expanded to include small and medium-sized enterprises.

Regarding the establishment of CO₂ calculation standards, it is difficult for parts manufacturers if each automobile manufacturer sets its own standards. In collaboration with the Japan Automobile Manufacturers Association (JAMA), we first created a "simplified version of the CO₂ calculation standard" and started a trial in FY2022. We are also working with JAMA on a "full-scale version" for more detailed calculations. The "full-scale version" should become an international standard, so it will be a theme of collaboration with Government.

What to do about the cost increase due to CN promotion is a major issue for the future. It would be good if the cost increase could be passed on to the price, but this is not an easy task. Government support is available, but CN is a matter

for everyone to work on, so it is not possible to give out subsidies to everyone. The fact that there is more interest in CN costs also means that companies are moving forward with their CN activities.

What I would like to say to our members is that there is no doubt that CN will accelerate on a global scale. Many companies have already started their activities, and JAPIA would like to provide more in-depth and practical information to respond to them. CN is not a competitive area but a cooperative area. We would like to receive advanced examples of various initiatives and ideas, which we can share and promote together. In this sense, I would like to ask for the continued cooperation of all member companies.

Each subcommittee chairperson explained the status of activities and outlook.

Mr. Seshita, Vice Chairperson of General Technical Committee, said, "We have completed a tool to support CN activities, 'CN Activity List in Practice', which provides a kind of reference book that gives concrete examples of how to make plans when trying to promote CN, internal organization, specific CO₂ calculation methods, and so on.

There are still many companies that have not yet calculated their CO₂ emissions, so first of all, we need to raise awareness of what CN is for, and then we hope that companies will use the 'CN Activity List in Practice' to promote their activities".

Mr. Kano, Vice Chairperson of International Committee, describes the efforts thus far, "We have been promoting awareness of how CN is progressing in countries around the world in the form of seminars. We have been collecting information on region-specific regulations that are difficult for individual companies to obtain, what we should pay attention to when selling parts overseas, and when we should reduce CO₂ emissions."

For FY2023, "We would like to introduce some kind of concrete examples of activities to show what kind of activities we can do to get on the CN trend. We would like to focus on raising awareness that we are entering the implementation phase," he said.

Mr. Takamura, Vice Chairperson of General Affairs Committee, commenting on past activities, said, "The automotive industry has a broad base, and CN support not only for JAPIA members but also for suppliers is becoming very important when looking at Scope 3 (other greenhouse gas emissions related to business activities). We have confirmed detailed information on companies that are taking CN actions for their suppliers and have started to create a model for supporting suppliers, which was rolled out to member companies at the end of FY2022."

As for goals for FY2023, "We would like to disseminate 'CN Activity List in Practice [for suppliers].' through explanatory meetings and other means. In addition, the cost increase associated with CN has become an issue for many companies, and we believe that we need to sort out how to deal with this issue," he explained.

Mr. Kinoshita, Vice Chairperson of SME Committee, said, "I believe that SMEs still lack understanding and awareness of CN, and in FY2022, we first worked to improve their awareness. We then asked them about their problems and encouraged them to act by starting with what they can do. Small and medium-sized enterprises face the problem of human resources needed to deal with CN, and it is also difficult to defray the cost. There are government subsidies, but it takes a lot of man-hours to fill out the paperwork, which is a heavy burden for small and medium-sized enterprises. We hope to provide such support. The position of small and medium-sized enterprises (SMEs) in CN is significant in an industry with a broad base, and it is important for them to work together in a coordinated manner" . He said, "The first priority is to raise awareness of CN".