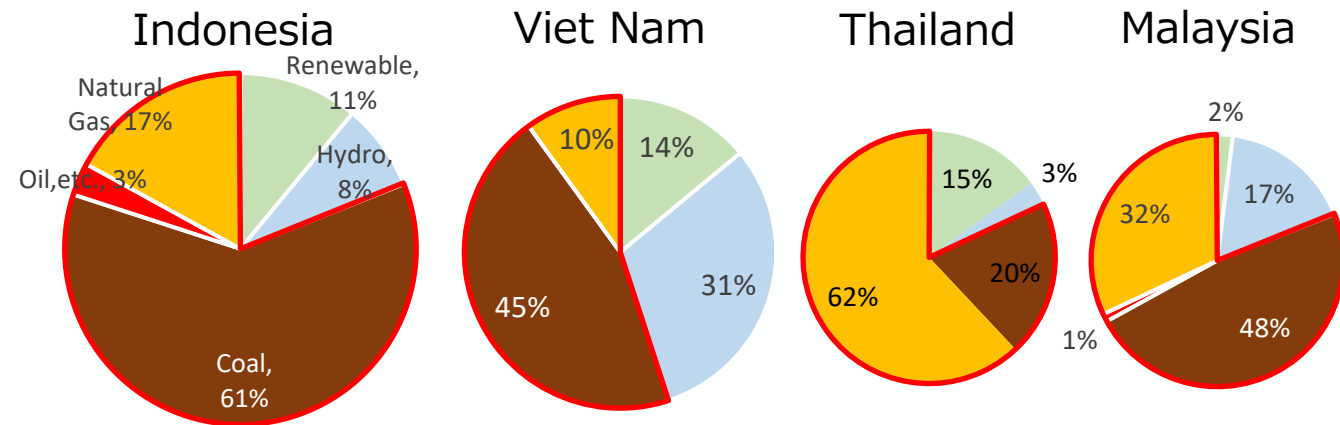


Asia Zero Emission Community (AZEC)

- Japan proposed AZEC in January 2022 with the goal of fostering a shared philosophy of decarbonization among Asian countries and collaborating to promote energy transitions.
- Many southeast Asian countries face similar decarbonization challenges as Japan, with heavy dependence on coal- and natural gas-fired power generation and a high share of manufacturing in the industrial structure.
- However, decarbonization needs to be achieved simultaneously with economic growth and energy security.
- Therefore, it is essential to steadily promote decarbonization in a practical manner, through various pathways depending on the circumstances of each country.

AZEC Partner countries



※ The area of the pie chart is proportional to the amount of electricity generated in each country. However, Cambodia and Brunei are approximately four times of the actual area.
Source : IEA

Outcome of the 2nd AZEC Leaders Meeting

- At the 2nd AZEC Summit held in Laos on October 11, 2024, leaders of AZEC partner countries agreed on a joint statement with “the Action Plan for Next Decade”.
- In line with the action plan, partner countries will implement AZEC solutions, which aim not only to promote tangible projects, but also to foster a favorable business environment through policy development and coordination as appropriate.

Main Points of the Leaders Statement

(1) Supporting Global Decarbonization / Accelerating the Operationalization of AZEC Platform and Implementation of AZEC Partner countries' Regional Strategies

(2) Reaffirming AZEC principles

- Triple breakthrough: addressing climate change, promoting inclusive economic growth and achieving energy security simultaneously
- One goal, various pathways: acknowledging that there are various and practical pathways towards carbon neutrality/net-zero emissions, taking into account each country's unique circumstances, existing targets or policies and developmental challenges



(3) Action Plan for Next Decade

Pillar1 : Facilitating AZEC solutions (including development of rules to facilitate activities that contribute to decarbonization)

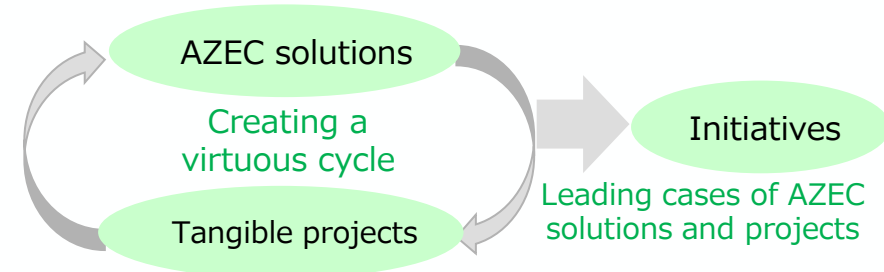
- E.g.) - Visualization of GHG emissions throughout the supply chain
- Promoting transition finance
 - Promoting emission reductions and carbon removals in the agriculture and forestry sectors

Pillar2 : Promoting initiatives

- E.g.) - Asia Zero Emission Center:
Sectoral Initiatives on Power, Transportation and Industry

Pillar3 : Promoting tangible projects

- E.g.) - Creating projects that contribute to decarbonization and emission reduction by utilizing ODA and government support (renewable energy generation projects, master plan development for energy transitions)



AZEC International Conference to Develop Carbon Markets (AZEC-DCM)

- The AZEC-DCM was established as a dialogue among policy practitioners to discuss **visualization of GHG (greenhouse gas) emissions** and **promotion of high-integrity carbon markets** that are included in the “Action Plan for Next Decade”, which was adopted at the Second AZEC Leaders Meeting held in October 2024.
- The AZEC-DCM meetings were held online for the first session in May this year, and the second session was held in Kobe, Japan, in August. **The results of the discussions will be compiled into a report by the Economic Research Institute for ASEAN and East Asia (ERIA)**. The report is scheduled to be published by the next AZEC Leaders Meeting.

(Reference) Excerpt from the Action Plan for Next Decade

1-1. Enhancing the competitiveness of industries through visualization of GHG emissions throughout the supply chain

To create and expand markets where emission reduction efforts are valued, we will work together to **advance visualization of GHG emissions throughout the entire supply chain**, depending on national circumstances. This may include **facilitating GHG measurement and reporting practice for business activities, developing indicators and approaches to evaluate GHG emission reductions achieved through advanced decarbonization technologies**, exchanging information and opinions on mutual recognition of certification and reporting systems where appropriate, leveraging existing method guidance such as that published by the IPCC where possible, and **sharing our knowledge and existing practices in carbon pricing**, which, among various policy instruments and if appropriate, can be effective not only in reducing emissions but also driving economic growth in Asia and the entire world. We will also work together to reduce emission in industrial sector by using renewable energy and implement energy management.

