Creating New Financial Flows: Extensive Diffusion of Renewable Energy through Green Gifts

Objectives

It is becoming widely recognised that in a global, carbon and resource-constrained economy, green investment must be scaled up and accelerated. Under the deteriorating fiscal conditions in many industrialised countries however, the solution cannot depend solely on public funds. There is a high risk that lack of finance will become a bottleneck in the shift to a green economy unless a significant level of private investment is mobilised. In Japan, the interest in green investment has been growing. Today, private capital of around JPY4 trillion per year has been already invested in renewable energy. Policies such as FIT (Feed-in Tariff) has pushed this trend.

At the same time, if society plans to shift 30% of its energy source to renewable energy, Japan needs ten times the current investment base. In addition to public funds, the session drew attention to the potential utilisation of individual savings for investment in renewable energy infrastructure. By using financial entities such as trust banks, the Green Gifts scheme aims to secure capital transfer to the younger generations, creating tax benefit for grandparents. This session discussed a) new financial flows to enable longer-term green investment on a large scale, and b) the feasibility of an innovative idea called “Green Gifts” in Japan to redirect gifts and inheritance towards investment in renewable energy.

List of Speakers

[Introduction Remarks]

Shuichi Katoh, Former Member of the House of Councillors

[Moderator]

Hikaru Kobayashi, Professor, Graduate School of Media and Governance, Faculty of Environment and Information Studies, Keio University (former Vice Minister, Ministry of the Environment)

[Speakers]

Kazuhiro Ueta, Professor, Dean of the Graduate School of Economics, Kyoto University

Sachiko Ai, Senior Deputy General Manager and Senior Chief Manager of Environmental Product Development Office, Frontier Strategy Planning and Support Division, Mitsubishi UFJ Trust and Banking Corporation

Masahiro Kobayashi, General Manager, Offering Ecological Solutions, AEON Delight Co., Ltd.

Rae Kwon Chung, Director, Environment and Development Division, United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP)

Richard Oppenheim, First Secretary and Head of the Climate Change and Energy Section, British Embassy Tokyo

Key Messages

- **The Japanese government is recommended to show a roadmap of a robust energy policy to provide security among investors to answer their investment appetite.**
- **The Green Gifts scheme is suitable for the demands of investors who want to invest for their grandchildren, rather than for a short-term return.**
- **The tax incentive is attractive to increase the investment base, and the Trust Bank Association backs the policy. There is some worry that the tax benefit may reduce the tax profit, however, the analysis indicated that the scheme would bring more profit than tax loss.**
- **The Green Gifts scheme is to be a part of a package policy to create synergy. The aim is to create a win-win situation among individual tax payers, machine and service providers, and the environment.**

Summary of the Session

Hikaru Kobayashi started his introductory presentation by making a comment as a member of the senior generation. Those in the older generation have savings but they may not feel secure enough to step into long-term investment when looking at insecure social security. If politics had more determination over energy policy, more people would be willing to invest in renewable energy. If a large amount of capital is poured into renewable energy, it would create a return, and thus Green Gifts would bring a win-win situation to tax payers, machine and service providers, the government and the environment.

Kazuhiro Ueta highlighted the importance of converting individual citizen's goodwill into tangible policy, and Green Gifts could be a trigger for this. Many of those in the older generations have ample individual savings but they prefer to use it for themselves or in short-term investments. Investments for grandchildren are the exception according to the survey. Green Gifts would have a positive effect on the actual economy, and it brings about solidarity among generations, as well as fostering green growth. Renewable energy has a unique character unlike other energy sources that use fossil or nuclear fuels, because renewable energy could be your own energy.

Rae Kwon Chung stressed tax neutrality, and the importance of encouraging Diet members to pass the law.

Richard Oppenheim agreed on a need for a package policy to ensure long-term returns.

Sachiko Ai confirmed that there was a general interest in renewable energy investment, and any tax incentives would be a trigger to boost the existing investment interest in renewable energy. This summer, tax incentives for gifts from grandparents to grandchildren have already started for educational funds. Such educational funding based on gifts from grandparents to grandchildren is receiving strong interest among private investors and Ms. Ai expects similar opportunities for Green Gifts. The Green Gifts scheme could bring about tax incentives when money is inherited for renewable energy investment, or it could be in the form of equity, loans or other financial instruments, through the trust banks.

Masahiro Kobayashi claimed that reducing energy was crucial as it comes directly back to business costs. Creating energy was the next target and he explained the high potential of Green Gifts to business.

The panel discussion concluded that the economy can be revitalised through this type of gift, and to ensure new capital flow, the policy could provide the security to investors to make long-term investments.