

2. Implementation of subsidized projects to reduce CO₂ emissions

Regarding subsidized projects on CO₂ emission control, the Board presented opinions that the Ministry should efficiently and effectively implement projects by taking measures such as setting up a target volume for emission control. (Presented opinions)

Outline of the subsidized projects on CO₂ emission control

For carbon dioxide generated with a use of energy (hereafter “energy origin CO₂”), the Ministry of Environment has delivered subsidies to various projects undertaken in order to control and reduce the emission of CO₂ (hereafter “emission control”). For the contents of these subsidized projects (hereafter “subsidy menu” and for the project implemented by the subsidies based on the subsidy menu, hereafter “subsidized project”), those contents were stipulated such as in the outline of subsidy delivery and the project implementation guideline (hereafter “outlines”).

Audit result

The audit on 126 subsidized projects (total project costs: approximately 23,542 million yen, subsidized project costs: approximately 17,918 million yen and total subsidy: approximately 7,889 million yen) relating to 18 subsidy menus implemented from FY2005 to FY2009 revealed following findings.

(1) Setup of the target volume of emission control on energy origin CO₂

The objective of all 18 subsidy menus was aiming at the emission control on energy origin CO₂. As such, in order to grasp the effect of subsidized projects properly, it was required to set up a appropriate target volume for the emission control on energy origin CO₂ (volume of energy origin CO₂ to be controlled which the implementing entities proposed as the result of the emission control while applying for subsidy, hereafter “target volume”) and compare it with the volume of energy origin CO₂ actually controlled by the implementation of the subsidized projects (hereafter “actual volume”).

However, the audit revealed that with regard to the four subsidy menus (23 subsidized projects, total project costs: approximately 1,608 million yen, subsidized project costs: approximately 1,575 million yen and total subsidy: approximately 795 million yen), the outlines did not specify that the target volume should be set up. As a result, although in some subsidized projects, implementing entities had set up target volumes calculated by their own standards, the calculations were not conducted based on clear bases and neither of the implementing entities was able to grasp the effect of subsidized projects appropriately.

(2) Achievement situations of the target volume of emission control on energy origin CO₂
With regard to 103 subsidized projects under 14 subsidy menus where the target volumes had been set up, the audit revealed that while in 57 projects the actual volumes met the target volumes, except for four projects where the achievements were not confirmed, in 42 projects, they failed; considerable discrepancies among the projects have been observed.

Among these 42 projects, in six projects, in case the project failed to meet the target volume, the implementing entity should purchase the emission entitlement equivalent to the unattained volume from other entities according to the Voluntary Emissions Trading Scheme of the Ministry of Environment. However, in 36 projects, such measures to be taken were not considered in the same situation and among those projects, it was noted that in 13 projects of those projects (total project costs: approximately 4,315 million yen, subsidized project costs: approximately 3,428 million yen and total subsidy: approximately 1,573 million yen), the rates of the actual volumes against the target volumes were less than 50%.

The Ministry responded that the objectives of subsidized projects were for the implementing entities to develop a plan to reduce CO₂ by incorporating a target volume and build infrastructure according to the plan but there was no such obligation for the entities to reduce CO₂. The Board deemed that considering that the financial resources of subsidies were taken from such as taxes, it was not appropriate not to specify concrete measures to promote the target achievement in the outlines.

(3) Unit price of emission control on 1 ton of energy origin CO₂
As an index to evaluate the effect of 103 subsidized projects under 14 subsidy menus where the target volumes had been set up, the Board calculated the amount of subsidies spent for the emission control on 1 ton of energy origin CO₂ (unit price for actually controlled volume) and the amount of subsidies granted to the implementing entities (unit price for target volume) by using the actual volumes one year after the project completion year and target volumes which the entities proposed for subsidy; both among the subsidy menus and among the subsidies projects in the same subsidy menu, considerable discrepancies were observed.

The Board deemed it inappropriate that in some subsidy menus, the discrepancy between unit price for actually controlled volume and target volume reached as high as more than 1000 times, which was not appropriate in view of effective implementation of subsidized projects.

As mentioned above, the Board deemed that in the said ministry, the situation where appropriate

measures for effective implementation of subsidized projects were not taken and measures to improve the effect of subsidized projects were not properly taken, such as not setting up target volumes in the outlines, not specifying concrete measures in the outlines while the actual volume did not meet the target volume and considerable discrepancies observed in some subsidy menus between unit price for actually controlled volume and target volume, was not appropriate and should be rectified.

Opinions presented by the Board

The Board presented following opinions that the Ministry should take measures to efficiently and effectively implement subsidized projects relating to emission control on energy origin CO₂:

- A The Ministry should have relevant departments set up appropriate target volumes for the subsidy menus where no target volume for emission control was set up considering the contents of each subsidy menu:
- B The Ministry should specify concrete measures to promote the achievement of the target volume according to the extent in case the actual volume did not reach the target volume:
and
- C The Ministry should consider for the subsidy menus where the unit costs for target volume were high strengthening the examination to avoid adapting inappropriate menus and for the menus where the unit costs for actually controlled volume were high considering the appropriateness of those menus by reconsidering their contents.