

With respect to R&D, the government through MITI's Agency of Industrial Science and Technology launched its Moonlight project in 1978. Under this program, R&D for seven leading energy conservation technologies has been performed with the close cooperation of national research institutes, NEDO, private firms and universities.

ENERGY AND THE ENVIRONMENT

The environment has been the subject of much attention since the 1970s, when Japan committed itself to serious environmental research, backed up by legislation. The Japanese Environmental Agency was established in 1971 and the National Institute for Environmental Studies began operations in 1974. By the mid-1970s, comprehensive legislation involving emission controls (both industrial and transportation-related) was in place, and the Central Council of Environmental Pollution Control had been set up.

In the early 1970s, atmospheric pollution was the main focus and the government's significant financial contribution helped Japan develop advanced desulphurization and denitrification technologies. Throughout the 1970s and 1980s, Japan invested an average of \$5 billion U.S. annually on environmental protection research and technology. Policies designed to enhance energy conservation and to promote the development of renewable energy forms have also had beneficial environmental impacts, even though they were initially undertaken to promote security of supply.

For sulphur dioxide (SO₂) and nitrous oxide (NO_x), emission standards have been established for various regions of the country. In the case of SO₂, a combination of technological innovation and judicious use of energy policy have contributed to significant reductions. Japan imports virtually all of its energy and so has been able to select low sulphur crude oil and coal as part of its efforts to reduce emissions. Market incentives such as pollution taxes based on SO₂ emissions have also been used to provide industry with an incentive to reduce pollution.

In regulating SO₂ emission limits, a regime of differentiated standards has been established to reflect existing levels of pollution within each of the 149 regions in the country. In addition, the varying characteristics between new and existing plants are taken into account