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JAPANESE ENERGY AND ENVIRONMENTAL POLICY

Energy and environmental policy in Japan is primarily driven by two imperatives: the country's dependence on oil, virtually all of which is imported; and the global challenge of reducing greenhouse-gas emissions from energy-related activities. This paper provides background information on the current energy situation in Japan, as well as the policy thrusts that have been developed to ensure a long-term, secure energy supply. It also discusses policy initiatives aimed at minimizing the environmental impacts of energy use.

THE CURRENT ENERGY SITUATION

Japan is ranked behind the United States, Russia and China as one of the top consumers of primary energy in the world. In terms of oil consumption alone, Japan rises to the number three position. These results should come as no surprise given its dominant position in the global economy. Moreover, the Japanese economy remains highly industrialized, with this sector accounting for slightly over 50% of all energy consumption (see Table 1).

Even though Japan is such a heavy consumer of energy, it uses this energy in a very efficient manner, giving it the lowest primary energy consumption per GDP of any OECD country. In fact, energy efficiency improvement has become a cornerstone of Japanese economic policy.

Despite this impressive efficiency performance, two features of the Japanese energy situation continue to dominate: the overwhelming dependence on oil (57% of total energy supply, down from 77% in 1973), and the almost exclusive reliance on imported oil (99.7% of oil requirements). To make matters even worse, a very high percentage (72%) of Japan's oil imports originate in a potentially unstable region, the Middle East.