

Carbon Trading Business Accelerating

– Nippon Steel to Undertake World's Biggest GHG Project in China –

NIPPON Steel Corporation and Mitsubishi Corporation will launch a joint greenhouse gas (GHG) emission reduction trade with Dongyue Chemical, China's largest chlorofluorocarbon (CFC) production company. The quantity of the tradable emissions is equivalent to 10 million tons of carbon dioxide (CO₂) per year – making it one of the largest projects of its kind in the world. More Japanese companies are expected to undertake similar projects to achieve the targeted GHG emission reductions under the Kyoto Protocol.

Under the Kyoto Protocol's Clean Development Mechanism, Nippon Steel and Mitsubishi will help Dongyue Chemical cut its CFC emissions and the

Japanese partners will acquire GHG emission rights equivalent to the reduced amount. Nippon Steel will provide Dongyue Chemical with a plant that will degrade the by-product gas and will also offer technological support, then trade the emission rights in Japan. Of the 10 million tons, Mitsubishi will acquire 8 million tons of emission rights and sell them to Japanese companies.

Nippon Steel and Mitsubishi see merits in CO₂ trading in China because they can acquire a large amount of GHG emission rights at a low cost. They also expect to expand their business chances in the growing Chinese market through technical cooperation and trading in emission rights.

The Kyoto Protocol obliges the industrialized signatory countries to reduce their GHG emissions by at least 5% by 2012 from their 1990 levels. Japan is required to cut them by 6%. As Japan has fully implemented energy-saving measures after the oil crises in the 1970s, a further domestic cut in GHG emissions will lead to major cost increases. In fast growing economies like China and India, energy-saving technologies are lagging behind. Japanese corporations expect there will be more chances to acquire large GHG emission rights at low cost in these countries where many factories and facilities are emitting huge amounts of GHG.