

**The Asian Co-benefits Partnership (ACP)** serves as an informal and interactive platform to improve information sharing and stakeholder coordination on co-benefits in Asia. The ACP was launched with the support of the Ministry of the Environment, Japan in 2010 to help mainstream climate and environmental co-benefits into decision-making processes in Asia. Learn more about us at our website. <http://www.cobenefit.org/>



## Highlights

### Facilitating the Transfer of Environmental Technologies between Japan and China



**Shoji Oonogi**

Managing Director

Japan-China Environmental Service Centre Co., Ltd.

#### Can you tell me a little about the company you run, Japan-China Environmental Service Centre Company?

My company is a private-sector environmental consultancy that focuses on three main business areas. First is the research and business intermediary services we provide for Japanese government agencies (such as the Ministry of the Environment, Ministry of Foreign Affairs, Japan International Cooperation Agency (JICA)) on China's environmental protection policies and technologies. We serve as an intermediary between Japanese and Chinese environmental companies (that are frequently working with their own local governments); for instance, Shizuoka-based environmental businesses were introduced through us to Zhejiang Province for early-phase, pre-technology-transfer interactions. The second area is the consultancy service for Japanese environmental businesses entering China's green market. The third area involves providing legal advisory service for Japanese environmental businesses entering China. We advise Japanese businesses in China on how to comply with China's environmental policies, laws, and regulations. Many Japanese businesses are unable to follow recent trends in China's environmental policies; for instance, some Japanese businesses in China submitted Environmental

Impact Assessment (EIA) reports with content that were insufficient and inconsistent with the actual production situation, resulting in authorities halting their production lines.

#### What are the opportunities and obstacles to transferring environmental technologies between Japan and China?

When China's environmental policies become more strict (on areas such as air pollution mitigation and volatile organic compound (VOC) treatment) that leads to a larger environmental protection market in China and presents more opportunities for environmental business. Many Japanese VOC businesses have therefore entered China or become interested in entering China. However, successfully entering the Chinese market requires that these businesses overcome a number of obstacles. First, there are rivals that come from Europe, the United States, Korea, etc. as well as Chinese rivals (that are advancing in terms of technological levels). Second, there are institutional differences. Some products should pass testing in China before distribution to markets and the testing could be costly to the manufactures. There are also differences in the way of conducting business between Japan and China. Some of these differences are most pronounced when it comes to negotiation; for instance, some Japanese small and medium-sized businesses are used to 'comprehensible

ambiguity' that may prove unacceptable in international business negotiations; this could cause misunderstandings and scepticism in early-phase communication between both sides. I, therefore, suggest the participation of a third-party in the negotiations by consultancies (i.e. the Institute of Global Environmental Strategies (IGES) or a government agency) whose involvement would give the Japanese businesses confidence. A final important obstacle are local alternatives. Japan is generally more advanced than China in terms of environmental technologies; however, in some fields, Chinese technologies are good and cost less. Japanese companies are likely to face higher cost performance and greater competitiveness in the Chinese market moving forward.

### How do Japanese environmental technology companies expand their markets and overcome some of the obstacles you mentioned? What experiences can Japanese companies draw upon?

Japanese environmental businesses, regardless of size, consider Japanese and other foreign businesses in China (i.e. European and American businesses) as the preferred options for clients because of a greater ease in communication, higher certainty in payment, and stronger environmental consciousness; those factors could result in greater willingness to purchase environmental protection technologies. It can be expected that more Chinese businesses will become clients of Japanese environmental businesses as their environmental consciousness increases. The inexperience in Chinese VOC treatment businesses presents a great opportunity for Japanese businesses

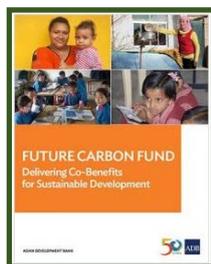
who accumulated decades-long experience in that field.

Japanese environmental businesses provide high-performance and reliable technologies. Due to these advantages, they consider market differentiation is important and they position themselves in the Chinese market to attract clients willing to pay more for higher-quality technologies. Currently, only a few Chinese businesses consider the advantages of Japanese technologies in their purchasing decisions—although more can be expected to follow in the years to come. To provide an example related to co-benefits, Japanese solar panels are high-efficiency electricity generators that perform at a high electricity generation rate; however, they are sold at high prices and are not suitable for the Chinese market.

### How can relevant Japanese industries take advantage of the low-carbon/decarbonisation revolution to contribute to sustainable development and achieve co-benefits?

There is significant scope for Japan and China to cooperate in developing low-carbon/decarbonisation products. China has a huge demand for these technologies, while Japan can supply advanced technologies. One way to strengthen that collaboration is through the annual China-Japan Energy Conservation and Environmental Protection Comprehensive Forum. This Forum serves as a platform to facilitate cooperation between two countries, as both China's National Development and Reform Commission (NDRC) and Japan's Ministry of Economy, Trade and Industry (METI) are committed to strengthening collaboration on environmental governance.

## Publications



The Asian Development Bank (ADB) published a report *Future Carbon Fund – Delivering Co-Benefits for Sustainable Development* which presents the contribution of the Future Carbon Fund portfolio projects to sustainable development in Asia and the Pacific. The report highlights that these projects are reducing 2.95 million tCO<sub>2</sub>e per annum as well as delivering a host of social, environmental, and economic co-benefits to more than 10.5 million people in the region. The report is accessible through the following link: <https://www.adb.org/publications/future-carbon-fund-benefits-sustainable-development>

Yamashita, Ken and Yasushi Honda. 2018. "Climate Change and Air pollution in East Asia: taking Transboundary Air Pollution into Account." (pp.309-326) in Rais Akhtar ed. *Climate Change and Air Pollution: The Impact on Human Health in developed and Developing Countries*. Springer: Cham.