

A pair of newly published reports from The Center for Climate and Security argue that Japanese businesses and government policies are fueling climate change – threatening both Japanese business interests and the stability and prosperity of Southeast Asia.

JAPANESE BUSINESS IS UNPREPARED FOR THE MULTIPLE GROWING, DYNAMIC THREATS OF CLIMATE CHANGE

- The physical risks of climate change are growing and increasingly predictable – yet stubbornly under-appreciated and under-examined by business.
 - The 2011 Thai floods crippled more than 1400 factories and left 800 dead. Yet in 2018, almost 80% of Japanese companies surveyed by the Tokyo Chamber of Commerce and Industry in 2018 had no measures to cope with floods and only 27% had any business continuity planning for natural disasters of any kind.
- Climate-related security and instability risks are even further from the business agenda. Yet they are real and consequential. Climate change can exacerbate the drivers of instability and conflict by reshaping the distribution of scarce resources, setting back development efforts and destabilizing weak governance systems in places that can least afford it.
- There are economic disincentives for including such issues in corporate risk calculations. Asset management company Schroders calculated that the impact of climate risk could reduce corporate valuations by 2%-3%, while insuring assets against climate impacts could cost 4%. Meanwhile, the S&P 500 companies which disclosed figures on the impact of extreme weather events in 2017, reported a 6% earnings loss. Clearly, the time to invest in prediction, and prevention or adaptation, has come.

SOUTHEAST ASIA, WHERE CRUCIAL PARTS OF THE JAPANESE AUTOMOTIVE AND ELECTRONICS SUPPLY CHAINS RESIDE, IS PARTICULARLY VULNERABLE TO BOTH PHYSICAL AND SECURITY RISKS OF CLIMATE CHANGE.

- Fully 17% of Japanese imports come from nations with medium or high climate security risks. Including China would make this figure much higher.
- Adding the revenue from domestic consumption of Japanese electronics, automobiles and other high-quality goods in Southeast Asian countries, Japan's economic exposure to any climate-related disruption or destabilization in this region rises further.
- Climate change amplifies existing social and economic stresses.
 - We know where some of these stresses will hit (e.g. by 2030 most of the Mekong Delta, origin of 70% of Vietnam's agricultural crops, will be salinated or permanently inundated).
 - In other areas disruptive groups could be opportunistic. Poor fishing families unable to make a living with dwindling fish stocks are already being recruited by piracy and separatist groups. Agricultural communities one drought or storm away from destitution may face similar choices.
- Instability is bad for business.

THE US MILITARY EXPERIENCE CAN INFORM JAPANESE STRATEGY

- Both Japanese industry and the US military maintain assets, depend on infrastructure, and operate extensive supply chain and logistics networks throughout the region.
- Each of these dependencies are vulnerable to climate impacts.
- Yet 85% of all new coal development globally is in Southeast Asia. A significant proportion is supported by Japanese government and Japanese companies. These investments are locking in precisely the climate-affected future that Japan does not want and cannot afford.
- This introduces difficult and expensive questions:
 - internal/operational questions about whether to invest to “harden” facilities that are at risk of extreme weather or to move them elsewhere.
 - external / strategy questions about engaging with local governments and other stakeholders to protect populations at risk.
 - political questions, e.g. should a foreign business or military lobby a local government to eschew coal in favor of more expensive clean energy?

RECOMMENDATIONS

- The Government of Japan should prioritize its commitments under the Paris agreement.
- The Government of Japan and Japanese industry should invest in comprehensive climate and climate security risk management measures at home and abroad.
- Japanese firms and the Government of Japan should advocate for resilience investments by their trading and investment partners.
- Japanese companies should invest in dual-benefit technology, such as energy efficiency and renewable energy, that saves both money and carbon emissions.
- The Government of Japan should shift its investments to low-carbon energy sources, recognizing that a stable future rests on making a rapid, ambitious energy transition.
- The Government of Japan and Japanese industry should halt all policies and investments in dirty, high-carbon energy. Instead, leverage Japan’s famous technical prowess in low-carbon technologies for a climate-secure future.