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## UPDATE 2-Japan aims to pass climate bill by yr-end UN talks

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- \* Climate bill shelved, but govt to resubmit to parliament
- \* Japan hopes for minimal impact on emission trading plans
- \* Japan to mull bilateral credits to offset domestic surplus (Adds details in 14th para and afterwards)

By Risa Maeda and Chisa Fujioka

TOKYO, June 15 (Reuters) - Japan will aim to pass a shelved climate bill setting tough emission reduction targets before an annual U.N. meeting in Mexico later this year, the environment minister said on Tuesday.

The ruling Democratic Party of Japan (DPJ)-led government had hoped to enact the bill, which paves the way for a mandatory emissions trading system, by the end of the current session of parliament ending on Wednesday.

But with time having run out for deliberations, the bill will be delayed. The government now plans to resubmit the bill to parliament after an upper house election expected on July 11.

Environment Minister Sakihito Ozawa said he wanted to have the bill enacted by a U.N. meeting in Mexico from Nov. 29-Dec. 10, where negotiations will take place for a global agreement on fighting climate change.

"We want to complete the bill by COP 16, so we can show our determination (on climate policy)," Ozawa told a news conference.

Japan is the world's fifth-biggest greenhouse gas emitter and its pledge to cut emissions by 25 percent from 1990 levels by 2020 is government policy and part of the bill.

Ozawa could not rule out the possibility of the bill being watered down if the DPJ failed to win an outright majority in the upper house election, but said the government aimed to enact the bill in its current form. [ID:nTOE62A091]

The DPJ has a comfortable majority in the more powerful lower house, but a weak outcome for the party in the upper house election would force it to rely on help from smaller parties to pass bills smoothly, since the upper chamber can stall bills.

"We think the bill is the best proposal, so we don't plan to make any changes," Ozawa said.

### CLIMATE BILL

The bill includes a plan for Japan to consider imposing an environment tax from 2011, an aim to boost renewable energy sources to 10 percent of primary energy supply by 2020 and a target to cut emissions by 80 percent by 2050.

Ozawa also said he hoped plans for a mandatory emissions trading system would remain on track despite the bill's delay.

The climate bill calls for the government to draft separate legislation to design the trading scheme within a year after the climate bill is enacted.

The government had initially planned to enact an emissions trading bill in the next regular parliamentary session in early 2011, aiming to launch a compulsory carbon market either in 2012 or in 2013. [ID:nTOE65802U]

Eisaku Toda, director of the environment ministry's market mechanism office, said experts and industry officials have been discussing details on when and how to launch a new carbon market to make proposals to the government.

Currently, Japan only has a voluntary carbon market at the national level based on companies' pledged goals, which are mostly caps on emissions per unit of production and leave room for rises in emissions when output grows.

#### BILATERAL CREDITS

Linking a new compulsory carbon market with those abroad would be a supplementary step to keep domestic carbon credit prices from rising too high, Toda said at a Tokyo seminar.

His ministry is also looking into the usage of offset credits proposed in a climate bill in the United States now under Congress debate.

"We understand a U.S. bill would accept both domestic and bilateral offsets. We'll study and learn more about this feature by exchanging views with the United States," Toda said.

His comments underlined a report on June 1 by Japan's trade ministry proposing Tokyo seek bilateral agreements with developing countries to reflect in its 2020 goal the value of emission cuts through transferring its low-carbon technology and products. [ID:nTOE65005J]

The trade ministry's proposal is expected to be included in a mid- to long-term economic growth strategy the government is set to announce as early as on June 18, paving the way for making such bilateral carbon credits a part of Tokyo's foreign policy goals in climate change talks, including COP 16. (Additional reporting by Chikako Mogi; Editing by Sugita Katyal)

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