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Introduction

On behalf of the Government of Japan as one of the sponsors, I thank the OECD for the opportunity to speak at this Forum again this year, even though I very much regret that I cannot be with you in person today.

Decarbonization as Part of Strengthening Resilience

I understand that the theme of this year's Forum is *Investing for energy security, transition and resilience in a changing world*. Before turning to a discussion of specific policies and measures, I would like to welcome this broader setting of the agenda.

Discussions on green finance and investment sometimes tend to focus solely on decarbonization. Transition toward a low-carbon economy does remain an important priority. However, in an uncertain world characterized also by growing geopolitical tensions and concerns over energy security, the issue of climate should be put in a broader perspective. In other words, it is important to see decarbonization as part of the efforts to strengthen the resilience of our economies and societies.

Reducing the economy's dependence on imported fossil fuels can also contribute to strengthening its energy security. At the same time, the objective of decarbonization does not always align with that of stable energy supply or economic growth. This is why it is important to pursue an effective, sustainable path for transition that strikes an appropriate balance with other policy objectives. Measures aimed at adapting to climate change are also necessary from the standpoint of strengthening resilience. In addition, whilst significant mobilization of capital would be required for climate mitigation, transition and adaptation, the resilience of the financial system also needs to be preserved.

From this broad perspective, I would like to introduce to you Japan's efforts to address risks and opportunities in tackling with climate change and natural disasters.

Sustainability-related Disclosures

First, we need reliable climate-related financial data and information to assess the risks arising from climate change. Given the global nature of climate change, climate-related information should be as comparable across jurisdictions as possible.

To this end, Japan has been enhancing sustainability-related financial disclosures, which provides a foundation for assessing climate-related risks and opportunities in corporate activities. Japan's standard-setting body for sustainability-related disclosures has developed the national standards that are functionally aligned with the ISSB Standards, and mandatory disclosure according to these standards will be introduced in phases for listed companies with large market capitalizations, starting from the financial year ending March 2027. Starting the following year, third-party assurance of sustainability-related information will also be introduced.

Availability of such information will encourage company boards and executives as well as investors to deepen their understanding of how climate change may affect the company's businesses and how the company's resilience could be strengthened. It will also promote constructive dialogue between companies and investors on the issue of climate, possibly leading to appropriate capital allocation.

Efforts toward Decarbonization

Second, Japan has been advancing on its efforts toward decarbonization from multiple standpoints.

Japan is a resource-poor country that relies heavily on overseas sources for its energy needs. Therefore, decarbonization is not just an environmental policy in Japan but should be seen as part of a national strategy to strengthen the resilience of our economy and society. Reducing its dependence on fossil fuels and diversifying energy sources would enhance Japan's ability to withstand possible supply disruptions and virulent price fluctuations.

Japan aims to achieve carbon neutrality by 2050 and to reduce greenhouse gas emissions by 60 percent by 2035 and by 73 percent by 2040, compared with 2013. To achieve these targets, Japan has committed to mobilizing a total of JPY 150 trillion (approximately USD 1 trillion) in public and private investment over the decade beginning in 2023. Through these

efforts, Japan seeks to achieve energy security, economic growth, and decarbonization at the same time.

To facilitate financing of climate transition activities, Japan's relevant government agencies developed the Basic Guidelines on Climate Transition Finance, sector-specific roadmaps, and follow-up guidance. Thanks in part to these measures, Japan's transition finance market has expanded steadily, with cumulative finance raised domestically exceeding JPY 3.7 trillion (approximately USD 23 billion) as of July 2026.

Furthermore, we are actively engaged in supporting decarbonization efforts across Asia. Since the region is the growth center of the world economy, there is a need to mobilize a significant amount of capital for climate transition. As Japan shares a number of characteristics with many ASEAN countries, including a manufacturing-based economic structure and constraints related to energy supply, Japan is seeking to work closely with its ASEAN partners to support practical efforts for climate transition that are tailored to the needs and circumstances of the region.

With this understanding, the Financial Services Agency (FSA) launched the Asia GX Consortium (AGXC)¹ in October 2024, jointly with financial authorities of ASEAN countries and inviting private financial institutions as well as the Asian Development Bank and government financial institutions. AGXC is expected to serve as a platform to share practical knowledge and experience on transition finance and promote regional collaboration.

Efforts for adaptation

Third, adapting to climate change and increasingly frequent extreme weather is also indispensable from the standpoint of strengthening economic and societal resilience.

Adaptation and reduction in disaster risks require efforts by multiple stakeholders in a wide range of areas, including urban planning, building standards, and collection and mapping of disaster-related data. Resilient infrastructure can also reduce damage when disasters occur. Given the scale of the investment required, public funding is expected to play an important role in catalyzing such investment. Blended finance is one of the leading approaches for achieving this objective.

¹ "GX" means green transformation.

Insurance can also play an important role in supporting societal resilience against natural catastrophes such as floods and wildfires. However, there is a huge gap between the total economic losses caused by natural disasters and the losses covered by insurance. As natural disasters become more frequent and more severe, this NatCat insurance protection gap has become one of the most pressing macroeconomic and financial stability challenges facing many countries.

As mentioned earlier, closing this gap requires efforts by multiple stakeholders. But the insurance industry has an important role to play, in terms of raising policyholders' awareness of risks and encouraging risk mitigation measures through innovative insurance products. Insurance supervisors can also play useful roles by promoting disaster risk reduction through regulatory measures and enhancing their supervisory approaches.

Against this backdrop, the FSA brought the issue of NatCat insurance protection gap to the global policy agenda in the context of Japan's G7 Presidency in 2023. The International Association of Insurance Supervisors, which I currently chair, has also identified this issue as a key policy priority and has been advocating a multi-stakeholder approach to addressing it.

Balancing Climate Action and Financial Stability

Last but not least, as a financial regulator, let me stress the importance of a stable and resilient financial system for sustained financing of climate action. Any discussions on revising regulatory frameworks and supervisory practices must be based on evidence and prudential considerations, so as not to undermine safety and soundness of financial firms or overall financial stability.

Conclusion

Let me conclude.

In today's highly uncertain world, a broader policy perspective is required to consider how the resilience of economies and societies could be strengthened. Accordingly, actions to address climate change or natural disasters should be viewed as part of the efforts to strengthen economic and societal resilience. Finance has a vital role to play in supporting such efforts, including climate transition and adaptation. At the same time, we must not lose sight of the need for robust and credible financial regulatory and supervisory frameworks,

because a stable financial system is indispensable to ensure that capital is mobilized in a sustained manner.

I hope that this Forum will provide an opportunity to think about green finance and investment from a broader perspective.

Thank you for your attention.