

Structural Changes in Environmental Policies in the Japanese Real Estate Industry

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Abstract: *In the context of Japan's goal of achieving carbon neutrality by 2050, there is also a trend towards greening the Japanese real estate sector. This paper focuses on categorizing environmental policies related to the real estate industry in Japan and analyzing the structural changes of current environmental policies. These policies can be classified into three categories: 'regulatory scheme', 'incentive scheme' and 'market-based scheme'. There are mainly three structural changes. First, a shift from regulatory control to urban stock management is in progress. Second, incentive and market-based schemes are increasingly being emphasized. Third, it is necessary to redesign urban management legislation and the environmental regulations incorporated in the planning process from the perspective of the desired urban vision.*

Keywords: Environmental Policy, Structural Change, Japanese Real Estate Industry.

1. Introduction

In October 2020, Japan proposed a low-carbon development goal for the first time, which is to achieve "carbon neutrality" by 2050. In order to achieve the goal, Japanese government released the "Green Growth Strategy" at the end of 2020, which will promote greenhouse gas emission reduction in 14 key areas, including real estate, shipping, aviation and so on. Therefore, there is a greening trend in the Japanese real estate industry. Along with a move away from development-orientation, environmental real estate and environmental investment have emerged as development trends with the environment as a keyword. Behind this are changes in the real estate market order, such as environmental contributions as part of the social responsibility of real estate companies and the shift in market needs in line with the growing environmental awareness of consumers.

These trends are also reflected in the proactive legal policy development of the administration towards the real estate market. Here, not only conventional development regulations, but also administrative regulatory mechanisms that encourage the greening of real estate development are being developed in a characteristic manner. This paper focuses on the greening of real estate development and structural changes in environmental policies, and examines the structure and characteristics of the legal policy about building development in urban areas.

2. The Transformation of Environmental Regulations for Real Estate Development

2.1 Urbanization of Environmental Policy

Environmental protection in urban areas is becoming increasingly broad and diverse. In addition to traditional pollution control, consideration is being given to new environmental factors such as biodiversity conservation, urban greening, global warming countermeasures, energy conservation and landscaping. Although new regulations have been developed accordingly, there are many aspects of environmental elements inherent in urban spaces that cannot be adequately addressed by the regulatory framework

provided by the Environmental Law.

In view of such a broad and diverse legal framework for the environment, environmental protection in urban space cannot be guaranteed entirely by the 'Environmental Law' regulations. It is necessary to implement cross-sectional measures under a regulatory framework based on several laws and regulations pertaining to urban space. Here, environmental policy needs to be reflected in urban law.

2.2 Requests for Greening of Development Legislation

Such demands have led to the greening of various laws relating to urban development. In addition to the development of procedural laws such as the Environmental Impact Assessment Law, environmental considerations clauses have been successively adopted in existing development-related laws. Environmental considerations are also being emphasized in development, which had previously been regarded in opposition to environmental interests. The City Planning Act has also gradually introduced mechanisms to incorporate environmental factors into urban development, such as green areas, and a certain level of environmental consideration is now a standard feature of urban development legislation.

With regard to real estate development, as buildings from the period of rapid economic growth reach the age of renewal, there is a strong demand for environmental considerations, such as energy conservation and global warming countermeasures in new developments.

3. The Classification of Environmental Policies in Japanese Real Estate Industry

The policy schemes for realizing development of buildings incorporating environmental considerations can be classified into three categories from a functional perspective: 'regulatory scheme', 'incentive scheme' and 'market-based scheme'.

3.1 Regulatory Scheme

Administrative regulation based on legal enforcement is the

classic method for schemes that require environmental considerations in urban development. In addition to substantive and procedural regulations, environmental consideration requirements for developers are also included.

3.1.1 Development regulation

As a substantive regulation, development regulation is a system whereby zone rules are set through urban planning, etc., on the basis of which a permit system is established for development activities and the acceptability of such activities is judged on an individual basis. In this framework, it is possible to control development that may have an impact on the natural environment through the designation of zones.

Even where development is permitted, there are statutory restrictions on buildings from the perspective of the urban environment. In addition to the location restrictions, structural restrictions on buildings based on the scale of development, altitude, floor-area ratio, etc. are used in combination, and play the role of environmental regulations.

3.1.2 Procedural regulation

In addition to the substantive regulation, there are also statutory procedures requiring environmental considerations by developers. A typical example is the environmental assessment mechanism. Environmental assessment is a procedure to investigate and evaluate the environmental impact of a development project.

Such procedural regulations do not oblige developers to take specific environmental protection measures, but they incorporate procedures involving relevant administrative bodies and the public, which can require development projects to take the environment into account. However, as the scope of the regulation is limited to large-scale development, new construction and renovation of buildings are often not covered by the system.

3.1.3 Requests for environmental considerations based on guidelines

Local government guidelines are used for small-scale development. By negotiating with developers when regulating development in accordance with laws and ordinances, environmental protection in accordance with the guidelines is sought through administrative guidance. Although it does not have the same enforcement powers as legislation, it is a mechanism for flexible administrative involvement in small-scale development and is also an important part of the regulatory scheme.

3.2 Incentive Scheme

For aspects where regulatory schemes are not expected to be sufficiently effective, a type of approach that induces environmental considerations through the provision of incentives is used.

3.2.1 Financial incentives

Some methods promote eco-friendly development through the

provision of financial incentives. Financial support such as tax incentives, subsidies and low-interest loans provide incentives for eco-friendly measures. Examples include subsidies for rooftop and wall greening, the housing eco-point system, which issues a certain number of points for the construction and renovation of eco-friendly houses, and tax incentives for energy-saving renovation work on houses.

3.2.2 Information provision incentives

In new areas, the public administration has prepared guidelines and case studies of measures to encourage businesses and others to take voluntary initiatives, or in other words, to provide subsidies through the provision of information. For example, the heat island countermeasure guideline is a compilation of thermal environment maps and a menu of countermeasures by regional characteristics and building use, which provides information to encourage private sector buildings to take heat island countermeasures when they are newly built or renovated.

The provision of such information is not limited to the provision of expert knowledge, but can be linked to market-based schemes, to promote voluntary initiatives by developers through the principle of market competition.

3.3 Market-based Scheme

In addition to regulatory and incentive scheme, there is also a market-based scheme. Different from the incentive type, this type focuses on strategically influencing the market mechanism to ensure that buildings with high environmental performance are favoured by the market, rather than granting benefits through legislation.

3.3.1 Evaluation and accreditation scheme

There are methods of promoting market competition by promoting differentiation in the market through evaluation and accreditation by the government. A typical example is the Building Environmental Consideration System, which uses assessment indicators such as the Comprehensive Assessment System for Built Environment Efficiency (CASBEE).

For example, Tokyo's system obliges building owners of new buildings above a certain size to prepare a building environmental plan based on the Guidelines for Environmental Considerations for Buildings. Environmental considerations include appropriate use of energy, conservation of the natural environment and mitigation of the heat island effect. Publication of the content of these evaluations leads to the evaluation of eco-friendly buildings and promotes the development of new environmental technologies.

3.3.2 Market trading scheme

Some market trading schemes have been adopted. A representative example is the cap-and-trade system for greenhouse gas emissions from buildings, pioneered by the Tokyo Metropolitan Government.

Emissions cap-and-trade is designed to utilize market

principles, but as seen in the example of the Tokyo Metropolitan Government, it encourages inducement through economic mechanisms by linking the two on the basis of the Building Environmental Consideration System. This system is based on a structure that not only leaves it to the market, but also uses it in conjunction with certain regulations.

4. The Features of Structural Changes in Environmental Policies

Based on the above overview of the environmental policies in Japanese real estate industry, this paper analyzed some features and trends of structural changes in environmental policies.

4.1 Shift from Regulatory Control to Urban Stock Management

A shift from regulatory control to urban stock management can be seen in environmental policies of Japanese real estate industry. There is a shift in the centre of gravity from urban development centred on administrative regulation of private development to spatial management focusing on the urban stock, where private developers can play an active role in the formation and management of eco-friendly urban stock.

For example, developers are responsible for environmental considerations through the environmental assessment and building environmental consideration systems, while the mitigation of existing regulations and various subsidy schemes are also measures to enable developers to form and renew urban stock through eco-friendly development. Here, the emphasis is on the promotion of voluntary eco-friendly development and management by developers, rather than on the strengthening of regulations.

Such schemes are expected in situations where administrative regulation has failed to achieve results, but there are still many problems to be solved. In particular, given the public character of the urban stock, the rationale for deregulation and subsidies for certain development activities and the justification for the use of local spatial resources need careful discussion.

4.2 Emphasis on Incentive and Market Trading Scheme

On the one hand, administrative regulations are limited to maintaining a minimum level of environmental considerations. Such a scheme is unlikely to lead to ingenuity aiming at environmental considerations that exceed the regulatory standards. In order to promote environmental management with an emphasis on urban stock, measures are needed to promote the spontaneous ingenuity and efforts of private developers. It is also expected to encourage the renewal of facilities for existing unfit buildings and to compensate for the lack of public investment financial resources. This is the reason why incentive and market trading schemes are emphasized.

On the other hand, incentive and market trading schemes are accompanied by reservations. One is the consistency between measures. It is essential to ensure that incentive scheme is in harmony with other measures and with the regional space.

Second, strong incentive schemes can be expected to have a correspondingly high effect, but they also carry the risk of side effects. Third, the cultivation of a market environment ethic is also important. For example, it is essential that the market matures in such a way that the concept of responsible property investment presented in UNEP can be used as a basis.

4.3 Reassessment and Redesign of Regulation

Regulations are the preconditions for the incentive and market trading scheme. Deregulation and subsidies are mechanisms that can only function under the strict regulations. These strict regulations are disciplines on the use of urban space in the region, and are a standard for environmental considerations.

From this perspective, it is important that urban environmental regulations are consistent with regional environmental management policies. It is necessary to present an overarching picture of substantial regional environmental management in the plans for urban management, which are the starting point for the regulations.

Urban development regulations are regionally adapted and structured in such a way that local authorities can determine the content of the regulations for each region. Therefore, the philosophy and discipline of urban management in a region determines the strength or weakness of the strict regulation in that region.

The recent trend towards 'sustainable cities' has led to changes in the design of urban spatial management, which also affects real estate development. In order to realize environmentally symbiotic cities in real estate development, it is necessary to redesign urban management legislation and the environmental regulations incorporated in the planning process from the perspective of the desired urban vision.

5. Conclusions

From the perspective of structural changes, first, there is a shift from regulatory control to urban stock management. Second, compared with administrative regulations, incentive and market trading schemes are being emphasized. Third, it is necessary to reassess and redesign urban management legislation and the environmental regulations incorporated in the planning process from the perspective of the desired urban vision.

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