Climate Integrate

Japan's Spending Plan for Climate and Energy 2026

Unpacking the National Budget and GX Investment

日本の気候・エネルギー予算 政府予算とGX投資の分析 2026

English

Contents

The total FY2026 draft budget announced by the Japanese government in December 2025 is 140 trillion yen (122 trillion yen in FY2026 plus 18 trillion yen in the FY2025 supplementary budget), far exceeding that of FY2025 (129 trillion yen).[1] As components of the budget designed to "strengthen and enrich the Japanese archipelago," the government has increased the budgets for social security, defense, and support for education and child-rearing.[2] The shortfall between tax revenues (83.7 trillion yen) and the budget is to be covered by government bonds. As of the end of FY2025, outstanding government bonds issued amounted to 1,129 trillion yen, and outstanding government debt, including government bonds, amounted to 235% of GDP.[3]

Although the government releases annual figures for the "Budget for Global Warming Countermeasures,"[4] that does not cover fossil fuel-related spending, nuclear safety, and supplementary budgets, hindering a full understanding of the overall climate and energy spending landscape.

Accordingly, in this report we aim to provide a comprehensive overview of the government's climate and energy budget by independently aggregating and analyzing the FY2026 figures. Furthermore, we review the status of Green Transformation (GX) budget since FY2023, evaluating progress toward budget targets and sectoral allocations.

1 In line with government reporting practices, this report groups budgets by their effective fiscal year of execution, aggregating the initial budget for the current year and the supplementary budget from the preceding year. The following websites were referenced for the budget information. Ministry of Finance(MOF), MOF, Ministry of Economy, Trade and Industry (METI), Ministry of the Environment (MOE), Ministry of Land, Infrastructure, Transport and Tourism (MLIT), Ministry of Education, Culture, Sports, Science and Technology (MEXT), Ministry of Agriculture, Forestry and Fisheries (MAFF), Ministry of Internal Affairs and Communications (MIC), Ministry of Foreign Affairs (MOFA), Ministry of Defense (MOD), Cabinet Office, Nuclear Regulation Authority (NRA) (All in Japanese)

2 Cabinet Secretariat "Press Conference by PM Takaichi regarding FY2026 draft budget" December 26, 2025

3 MOF "Thinking about Finance for the Future of Japan" accessed March 23, 2026 (in Japanese)

4 MOE "Results of the Calculation of Budget amounts related to Global Warming Countermeasures" (in Japanese)

Key takeaways

FY2026 climate and energy budget

- Within the 140 trillion yen national budget for FY2026, the total climate and energy component is 4.7 trillion yen (3.3% of the total budget), of which the GX budget accounts for 37% (1.7 trillion yen).
- Over the three years since FY2024, the total climate energy budget has remained stable in the 4 trillion yen range.
- By ministry, the Ministry of Economy, Trade and Industry (METI) accounts for more than 70% of the climate and energy budget in FY2026, while the Ministry of the Environment (MOE) represents about 10%, with no significant change over the past three years.
- By category, energy efficiency is the largest at 52%, followed by fossil fuels, including hydrogen and its derivatives ("hydrogen"), and carbon capture, utilization and storage (CCUS), at 21%. Notably, renewable energy accounts for a very small share at 3%.
- Three-year trends by category exhibit the following key characteristics:
  - The allocation for energy efficiency has increased by about 50% over the past three years (mostly for AI and semiconductors).
  - Allocations for nuclear power and fusion energy have increased annually over the three-year period.
  - The allocation for storage batteries has decreased to about one-tenth of its FY2024 level.
  - Fossil fuels (including hydrogen and CCUS) in FY2026 decreased significantly from FY2025 due to a reduction in fuel price mitigation measures following the abolition of the provisional gasoline tax rate. Despite this, fossil fuels still represent a large share.
  - Renewables have decreased since FY2025.
- A breakdown of categories for FY2026 exhibits the following key characteristics:
  - In the energy efficiency category, AI and semiconductors have the largest share, while the next largest, housing and buildings, is about a quarter of that size.
  - In the fossil fuel category, price mitigation measures account for the majority, followed by stockpiling and fuel-related expenditures.
  - In the nuclear power and fusion energy, crisis management (safety measures, disposal, and Fukushima-related costs) represents the largest share, followed closely by advanced reactors.

- For renewables, renewable energy-related projects (such as deployment support not specifying a technology) have the largest share, with remaining funds allocated to specific technologies like solar, wind, geothermal, and hydropower.

● The utilization of climate and energy funding exhibits the following key characteristics:

- Deployment, Research and Development (R&D), and measures against rising prices account for most of the spending.
- Renewables, resource circulation, and storage batteries have high shares for deployment.
- The R&D budget is mostly concentrated in AI/semiconductors, and nuclear power and fusion energy.
- All spending on measures against rising prices is related to fossil fuels.

GX budget

● Under the government policy to issue 20 trillion yen in GX Economy Transition Bonds ("GX Transition Bonds") over 10 years, the cumulative GX budget for the four years from FY2023 is 6.5 trillion yen.

● Against the 10-year public-private GX investment targets starting from FY2023, the government's GX budget to date has been front-loaded into categories such as AI/semiconductors, storage batteries, housing/buildings, nuclear power/fusion energy, and Sustainable Aviation Fuel (SAF).[5] While over 30% of the investment target for nuclear/fusion has already been committed, allocations for next-generation renewables remain at less than 1% of the target amount.

● Regarding GX Transition Bonds, which fund the GX budget, the issuance amount of Japan Climate Transition Bonds ("CT Bonds," GX Transition Bonds issued through individual issuance) has been on a downward trend, reflecting declining investor demand.

Conclusions

● To encourage investment in CT Bonds by domestic and international investors, it is essential to deepen dialogue and to advance industrial and financial policies in an integrated manner.

● To achieve the government's greenhouse gas (GHG) emission reduction targets, it will be crucial to improve the transparency of current climate and energy budgets, rigorously assess their scale, allocation, and effectiveness, and reevaluate the framework for annual budgetary measures and GX investments.

5 METI "Sector-specific Investment Strategies (ver.3)" December 26, 2025 (in Japanese) . This differs from the government budget analysis in Chapter 1 of the current report.

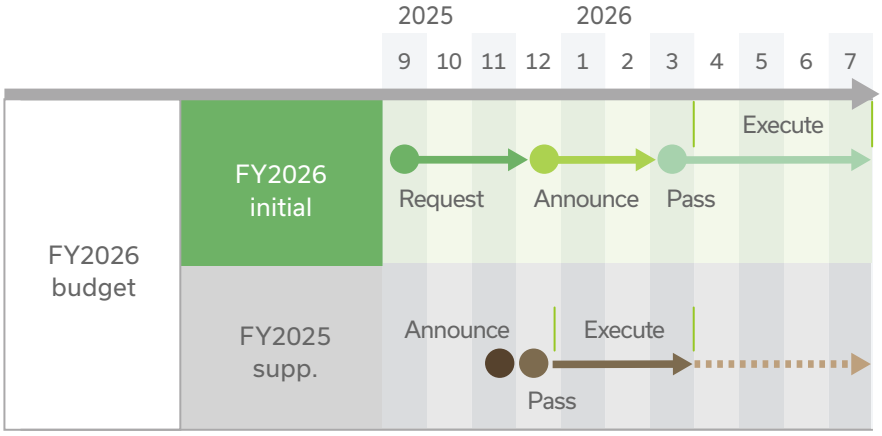
01 FY2026 spending plan for climate and energy

1-1 Overview

(1) Budget year analyzed

In this report, the FY2026 budget is calculated as the sum of the FY2025 supplementary budget and the FY2026 initial budget (Figure 1). While a supplementary budget is intended to address funding shortfalls or changes in circumstances after the initial budget is prepared,[6] in practice, its timing overlaps with the drafting of the following year's initial budget. It is frequently used to supplement or adjust the subsequent year's fiscal plan. Therefore, consistent with government fiscal documentation, this report groups budgets by their effective year of execution.

Figure 1. Budget year analyzed in this report



* Supplementary budgets are usually executed within the same fiscal year, but in some cases they are carried over to the following fiscal year.

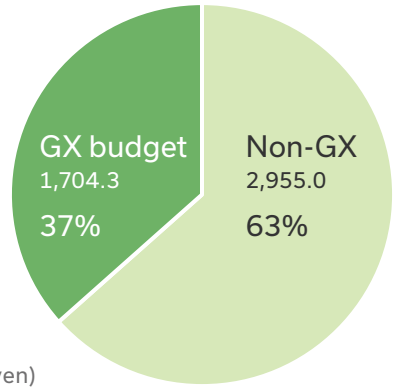
Prepared by Climate Integrate from government budget documents

6 MOF "Explanation of Terminology" (in Japanese)

(2) Total budget amounts

Based on our independent calculations, out of the 140 trillion yen total national budget for FY2026 (122 trillion yen initial + 18 trillion yen supplementary), the total for climate and energy budget stands at 4.7 trillion yen, accounting for 3.3% of the total.[7] This comprises 1.7 trillion yen (37%) in GX budget and 3.0 trillion yen (63%) non-GX (climate and energy allocations outside the GX framework) (Figure 2).[8]

Figure 2. Climate and energy budget for FY2026 (GX and non-GX)



(Billion yen)

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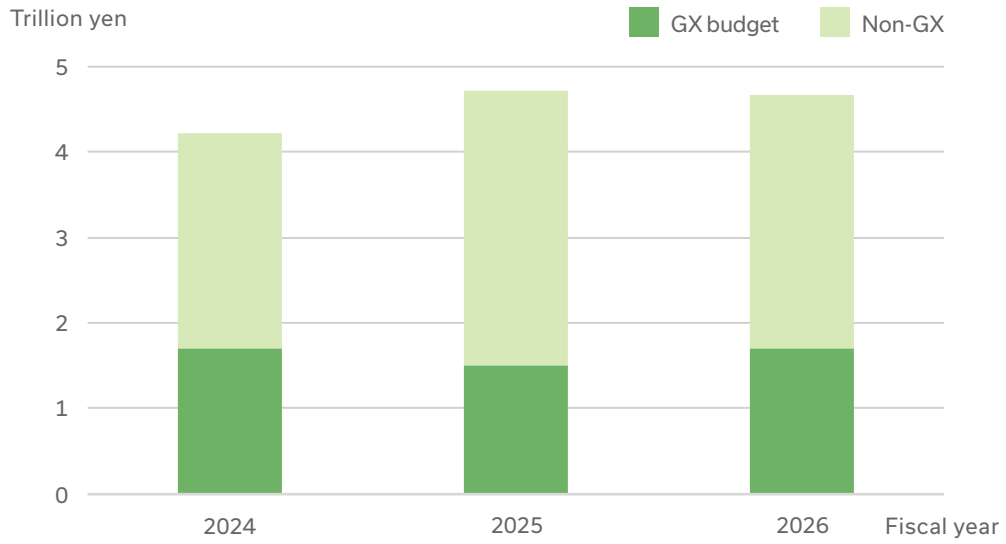
7 The total climate and energy budget within the national budget. This figure aggregates GX budget and budgets primarily consisting of mitigation and energy-related programs—specifically the Special Account for Energy Measures (excluding GX budget) and the General Account. It excludes carbon sink measures (such as forestry and erosion control), contributions to international organizations, expenses for hosting international conferences, climate observation, adaptation programs, and budgets under the Special Account for Reconstruction from the Great East Japan Earthquake. For budget items where only a portion of the project relates to mitigation or energy, the specific amount was included only if it could be clearly demarcated; otherwise, it was excluded from the calculation.

8 The government issues GX Transition Bonds as part of its measures to promote front-loaded investment to advance GX (as outlined in the (GX2040 Vision, February 2025, in Japanese). GX budget funded by these bonds are aimed at stimulating such investments. Under the provisions of the GX Promotion Act, the government is authorized to issue GX Transition Bonds exclusively during each fiscal year from FY2023 to FY2032, with the fiscal burden borne by the Special Account for Energy Measures.

(3) Three-year trends in total budget

Over the three-year period beginning in FY2024, the total climate and energy budget has hovered in the 4-trillion-yen range,[9] with GX budget remaining steady at about 1.6 trillion yen (Figure 3).

Figure 3. Trend in total climate and energy budget



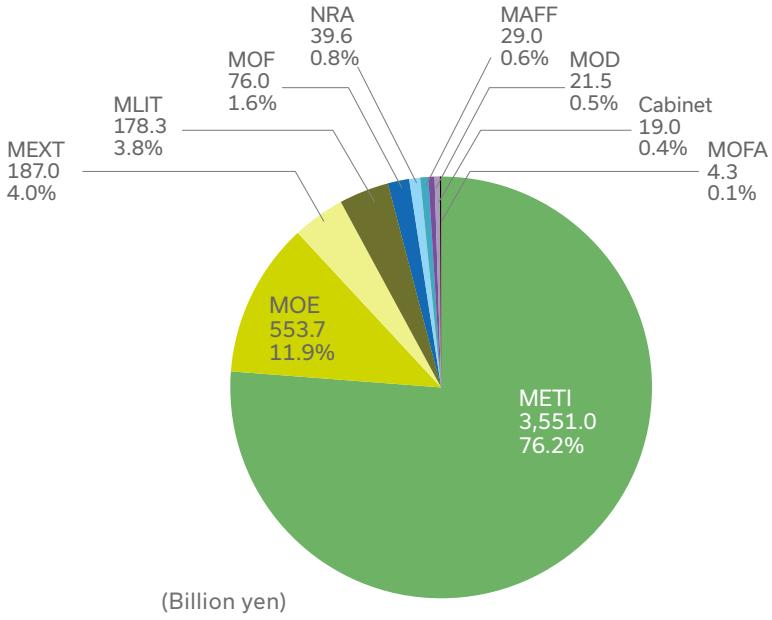
Prepared by Climate Integrate from government budget documents

9 In this report, a minor revision was made while following the aggregation method in the previous report. For this reason, the historical aggregated values compared in the report are based on figures revised from the previous report.

(4) Share by ministry

By ministry, METI accounted for more than 70% of the total budget for climate and energy in FY2026, followed by MOE at approximately 10% (Figure 4). There has been no significant change in their relative shares over the past three years.

Figure 4. Climate and energy budget for FY2026 (by ministry)



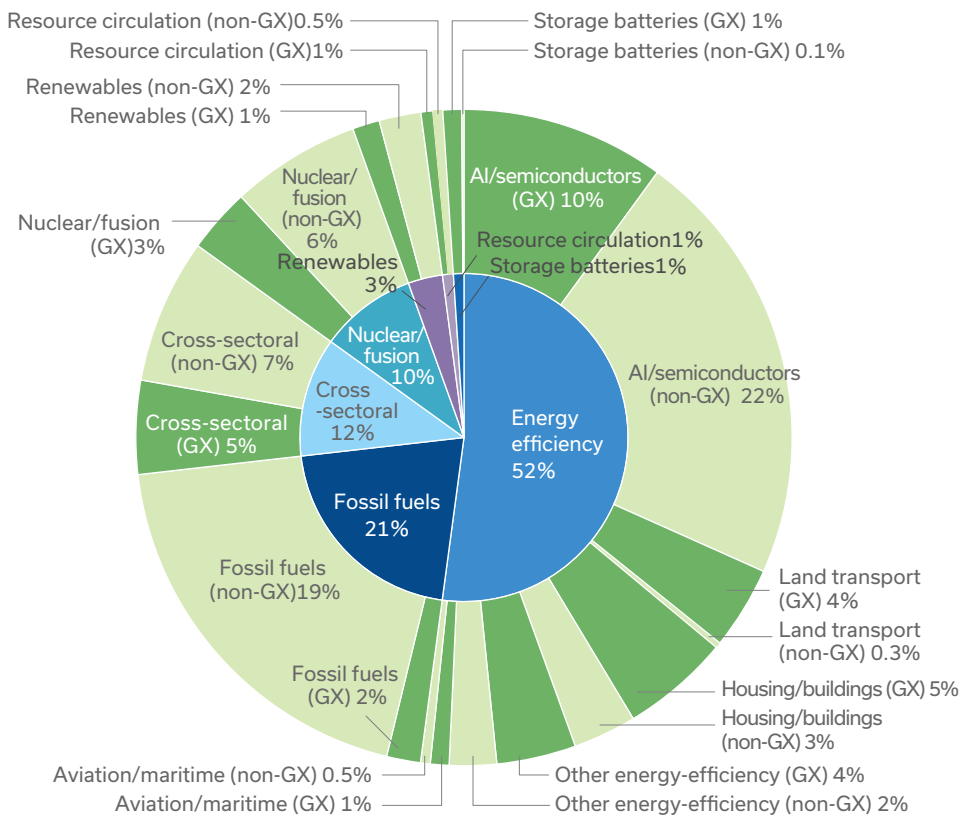
Prepared by Climate Integrate from government budget documents

1-2 Breakdown of the climate and energy budget

(1) Percentages by budget category

By category, energy efficiency accounts for the largest share (52%) of the climate and energy budget, followed by fossil fuels (including hydrogen and CCUS) at 21%, cross-sectoral measures at 12%, and nuclear power and fusion energy at 10%. Renewable energy remains minimal at only 3% (Figure 5, inner circle). Within the GX budget, allocations are highest for energy efficiency, cross-sectoral measures, and nuclear/fusion (Figure 5, outer circle).

Figure 5. Climate and energy budget for FY2026 (by category)



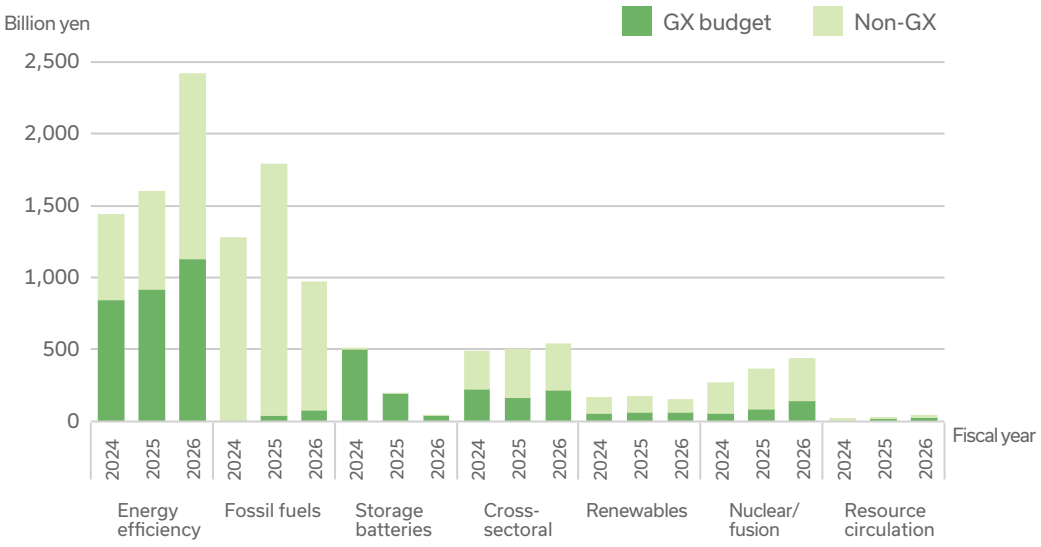
* The outer circle shows the budget share for GX (●) and non-GX (●) expenditures of the inner circle.

Prepared by Climate Integrate from government budget documents

(2) Three-year trends by category

In FY2026, funding for energy efficiency increased substantially by about 50% compared to the previous year—while nuclear/fusion has seen steady annual increases. Conversely, funding for storage batteries has declined annually, with the FY2026 level dropping to about one-tenth of its FY2024 level. While funding for fossil fuels (including hydrogen and CCUS) fell significantly compared to the previous year due to the absence of fuel price mitigation measures following gasoline tax changes, it remains a large budgetary item. Funding for renewables has also decreased from the previous year (Figure 6).

Figure 6. Climate and energy budget trends by category



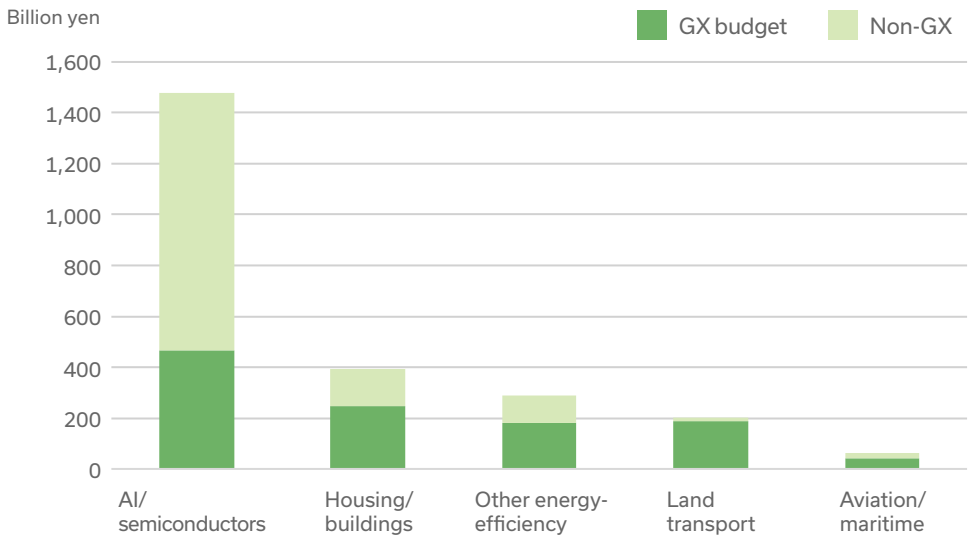
Prepared by Climate Integrate from government budget documents

(3) Share by category

The following section analyzes the breakdown of the FY2026 climate and energy budget into GX and non-GX components.

Energy efficiency: The largest allocation is for AI and semiconductors, which more than tripled from the previous year, driving the overall increase in the energy efficiency category. Funding for housing and buildings is about one-fourth of the AI/semiconductor allocation (Figure 7).

Figure 7. Climate and energy budget for FY2026 (energy-efficiency budget shares)



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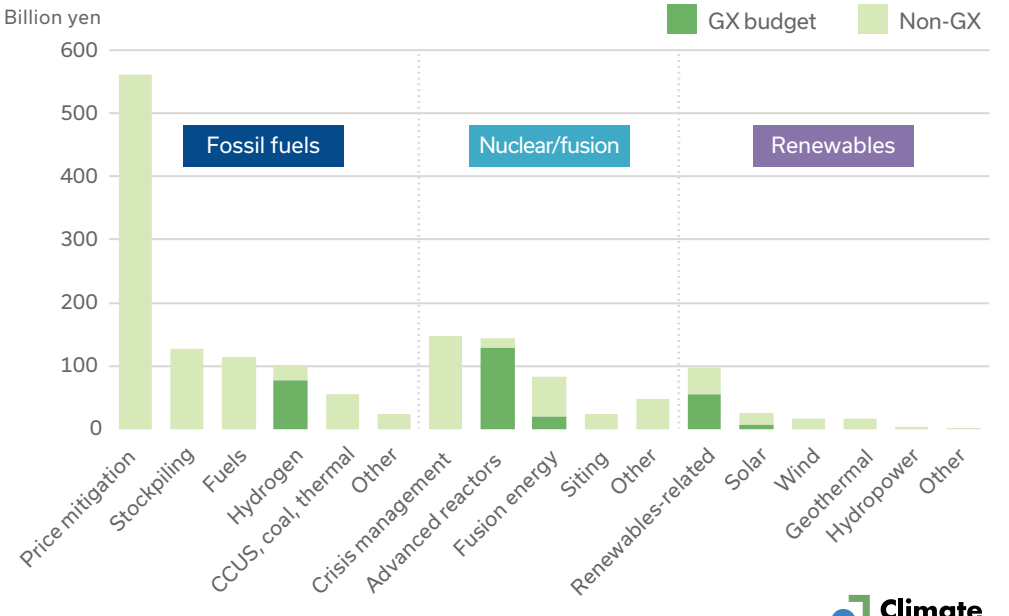
Fossil fuels: Price mitigation measures (addressing spikes in electricity, gas, and fuel prices) continue to account for a significant share even after the abolition of the provisional gasoline tax rate in December 2025, with substantial budgetary allocations directed toward government subsidies for rising energy costs. Beyond price mitigation, allocations include stockpiles (oil and gas), fuels (development, equipment, and distribution), hydrogen, CCUS, coal, and thermal power. Notably, the entire GX budget in this category is allocated to hydrogen (Figure 8, left).

Nuclear power and fusion energy: Crisis management (including safety measures, waste disposal, and Fukushima-related expenses) receives the largest share of funding, suggesting that the safe maintenance and operation of nuclear power plants require massive expenditures. Funding for advanced reactors is similarly high, while fusion energy accounts for about 60% of the advanced reactor budget. Allocations for advanced reactors and fusion energy since FY2024 have surged by 150% and 200%, respectively. The GX budget is directed toward advanced reactors and fusion energy (Figure 8, center).

Renewables: Renewable energy-related programs (such as deployment support not specifying particular technologies) account for the largest share. Remaining are funds allocated to specific technologies with solar, wind, geothermal, and hydropower ranked in descending order (Figure 8, right). GX budget allocations are applied to solar and renewables-related programs.

Figure 8. Climate and energy budget for FY2026 (fossil fuels, nuclear/fusion, and renewable energy budget shares)



Prepared by Climate Integrate from government budget documents

Box 1. Gasoline tax repeal and the budget

The provisional tax rates for gasoline (25.1 yen/L) and diesel (17.1 yen/L) were abolished on December 31, 2025, and April 1, 2026, respectively. Since FY2021, the government has provided price subsidies for gasoline, diesel, kerosene, heavy oil, and aviation fuel through the Program for Mitigating Sharp Fluctuations in Fuel Prices as a countermeasure against soaring fuel prices. In the most recent fiscal period, 1.0 trillion yen was allocated in the FY2024 supplementary budget (General Account), and the cumulative amount since FY2021 is 8.2 trillion yen.[10] The subsidy amount under this program reached a peak of 41.4 yen/L in June 2022 and stood at 21.5 yen/L at the end of 2024.[11] In November 2024, the government decided to phase out the program in view of the 2050 carbon neutrality goal,[12] providing a fixed-rate subsidy of 10 yen/L from May to November 2025 using existing funds.[13]

This subsidy program ended following the abolition of the provisional gasoline tax rate and is not recorded in the FY2026 budget (with the exception of phased subsidies equivalent to the tax rate using the remaining balance of the Fund for Mitigating Sharp Fluctuations in Fuel Prices). While the projected revenue loss of approximately 1.5 trillion yen resulting from the tax abolition (calculated from the FY2025 tax revenue budget) appears to be offset by the termination of the subsidy program, more than 30% of this revenue (511.8 billion yen) consists of local gasoline tax and diesel fuel taxes. Since these are local tax revenues, their abolition results in a revenue shortfall for local governments, impacting their general fiscal health. From the perspective of reducing the burden on citizens, the tax abolition results in a reduction of 15.1 yen/L for gasoline and 7.1 yen/L for diesel compared to November 2025 (when the 10 yen/L subsidy was in place). However, compared to one year prior (when the 21.5 yen/L subsidy was in place), the actual reduction for gasoline is a mere 3.6 yen/L, while diesel costs actually represent a net increase of 4.4 yen/L. This raises significant questions regarding the effectiveness of the policy in providing true relief to the public (Figure).

The government resumed subsidies after March 2026 using about 280 billion yen from the aforementioned fund balance to address new fuel price spike risks stemming

10 METI "Program for Mitigating Sharp Fluctuations in Fuel Prices" December 2024 (in Japanese)

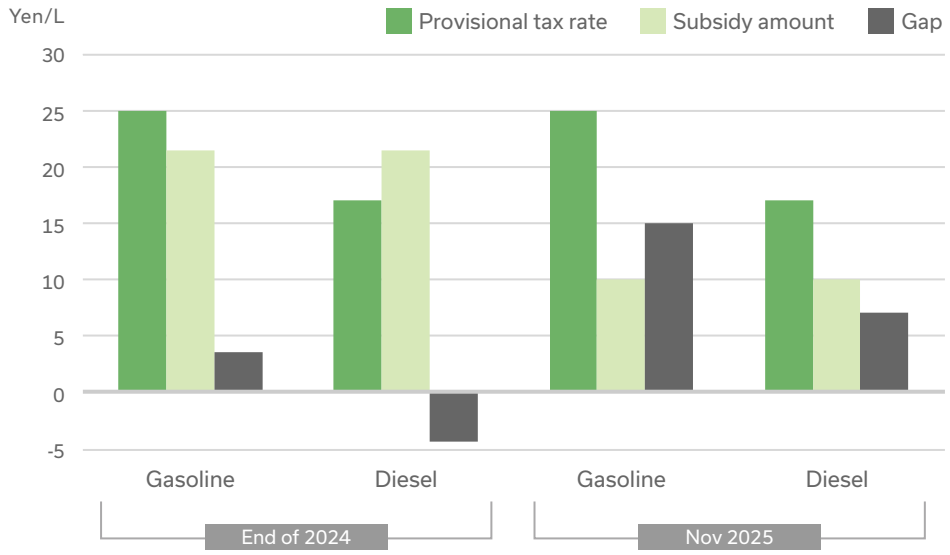
11 METI website accessed March 23, 2026 (in Japanese)

12 Cabinet Office "Comprehensive Economic Measures for Public Safety and Security and Sustainable Growth" November 22, 2024 (p.44) (in Japanese)

13 METI "Phased Expansion of Subsidies Toward the Abolition of Provisional Tax Rates for Gasoline Diesel" November 2025 (in Japanese)

from tensions in the Middle East. This suggests that national expenditures related to geopolitical risks and fossil fuel price volatility are likely to continue intermittently.

Figure. Relationship between provisional tax rates and subsidy amounts



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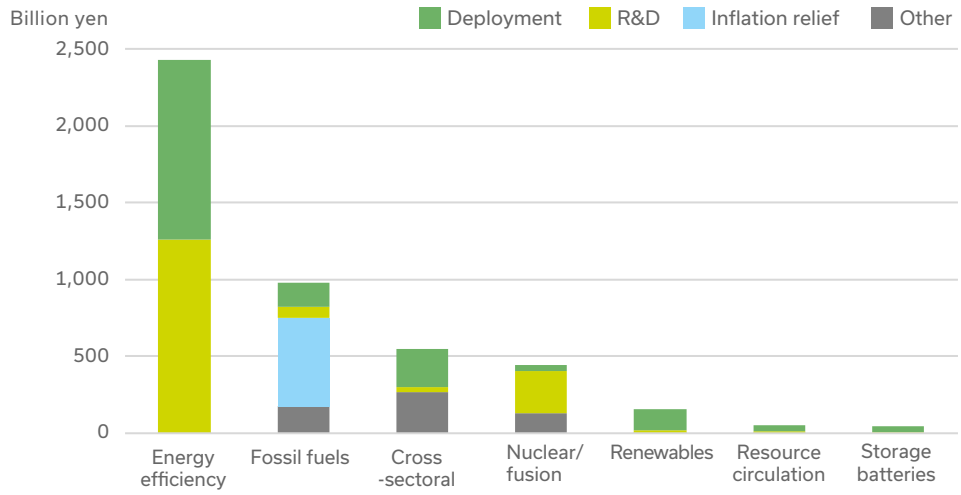
1-3 Uses of the climate and energy budget

When categorized by use, the largest shares of the FY2026 climate and energy budget are for deployment (39%), R&D (36%), and inflation relief (13%).

By category (Figure 9), deployment accounts for a high percentage in renewables, resource circulation, and storage batteries. In contrast, energy efficiency is split almost equally between deployment and R&D, while the nuclear power and fusion energy sector is dominated by R&D. Looking across the budget, R&D funding is heavily concentrated in energy efficiency (of which over 90% is for AI/semiconductors) and nuclear/fusion. Furthermore, all funding for inflation relief is directed toward the fossil fuel sector, highlighting the continued fiscal requirement for energy price mitigation.

Figure 9. Breakdown of utilization of the climate and energy budget for FY2026 (by category)



Prepared by Climate Integrate from government budget documents

Box 2. Climate and energy expenditures not included in the govn't budget

This report analyzes the government's climate and energy budget. However, there are also other policy-based expenditures related to climate and energy that exist outside the national budget.

FIT and FIP

For the deployment of renewable energy, Japan utilizes the Feed-in Tariff (FIT) and Feed-in Premium (FIP) schemes. The funds for these programs are collected directly from citizens as the Renewable Energy Surcharge added to electricity bills.

Long-Term Decarbonization Power Source Auction

This system pays operators for new power generation investments required to achieve carbon neutrality. The funding is provided by retail electricity providers (including renewable energy providers) in the form of "capacity contributions." To date, this auction system has resulted in contracts for nuclear power, hydrogen/ammonia, LNG thermal power, and storage batteries. Despite the lack of direct support for renewables, renewable energy providers are structured to bear a portion of the investment costs for nuclear and LNG, with these costs being indirectly passed on to consumers via electricity rates.

Thus, the funding for climate and energy expenditures takes various forms, including the national budget (via taxes and government bonds), direct surcharges on electricity bills, and indirect costs passed on through retail providers. While the public burden of the renewable energy surcharge is often discussed, it is essential to take a comprehensive view of the massive scale of national budgets currently being invested in maintaining the existing energy system. An integrated approach is needed in order to examine the relationship between public burden and future financing.

02 GX budget

Next, we summarize the GX budget within the climate and energy budget.

2-1 Scale and status of GX budget

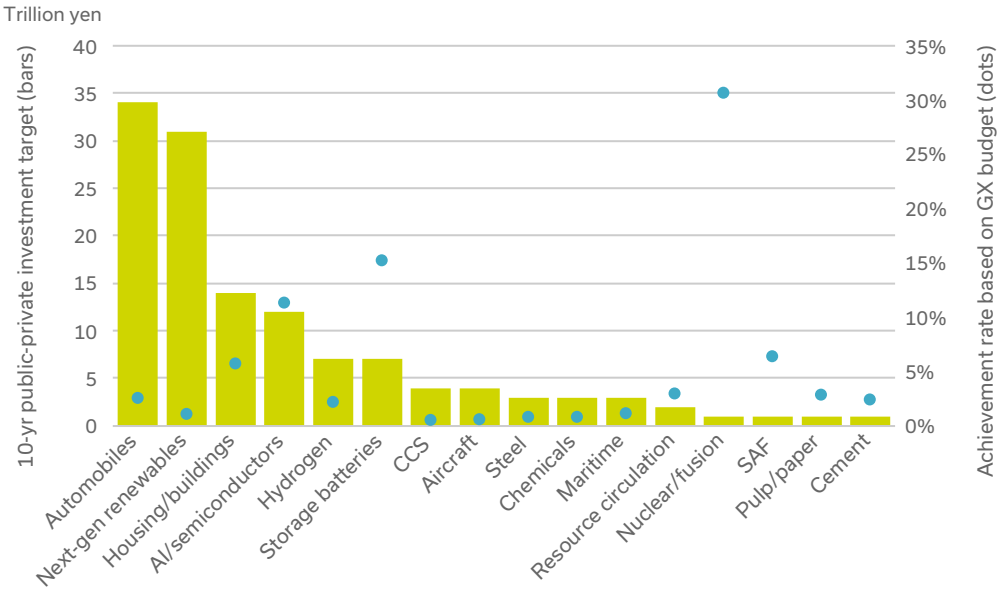
The government intends to front-load 20 trillion yen in investment over a 10-year period that began in FY2023, using funds raised through GX Transition Bonds. This is intended to trigger a total of 150 trillion yen in combined public and private GX investment. The total government GX budget for the four-year period from FY2023 to FY2026 amounts to 6.5 trillion yen. The actual status of the remaining 130 trillion yen in private-sector investment cannot be currently verified.

2-2 Cumulative GX budget vs. 10-year public-private investment targets

The government has provided breakdown of the 150 trillion yen target for public-private GX investment, by category.[14] The highest targets are for automobiles (34 trillion yen), next-generation renewables (31 trillion yen), housing and buildings (14 trillion yen), and AI/semiconductors (12 trillion yen) (Figure 10, left scale). In contrast, the government's GX budget to date has front-loaded allocations for AI and semiconductors, storage batteries, housing/buildings, nuclear/fusion, and SAF. Regarding the cumulative allocation relative to the 10-year investment targets, nuclear power and fusion energy have already reached over 30% of their target (305.6 billion yen against a 1 trillion yen target). Meanwhile, next-generation renewables have received less than 1% (183 billion yen against a 31 trillion yen target) (Figure 10, right scale). This demonstrates a significant imbalance in the government's budget allocations compared to its stated 10-year targets, suggesting that actual fiscal priorities are misaligned with the official investment strategy.

14 METI "Sector-specific Investment Strategies (ver.3)" December 26, 2025 (in Japanese). The categories differ from the government budget analysis in Chapter 1 of the current report.

Figure 10. Public-private investment targets (by sector) and achievement rates based on GX budget



* Figures do not include government GX budget in cross-sectoral measures (total 1.59 trillion yen).
* Allocations for steel, chemicals, paper/pulp, and cement were calculated by equally dividing the 100-billion-yen budget for the "Energy and manufacturing process transformation support for hard-to-abate industries" category.

Prepared by Climate Integrate based on METI "Sector-specific Investment Strategies (ver.3)"

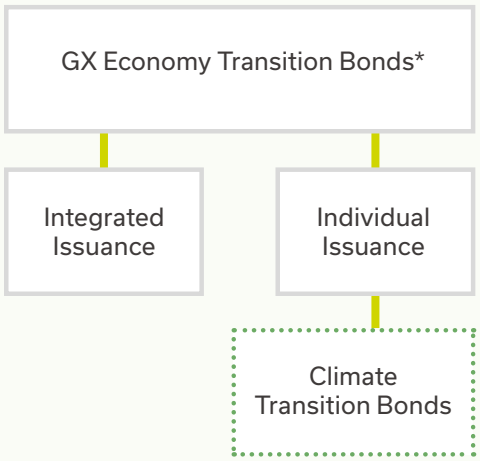
2-3 GX Transition Bonds

(1) Issuance methods of GX Transition Bonds

The government began issuing GX Transition Bonds in FY2023 under the GX Promotion Act, which was enacted in May 2023. The Act provides for a total issuance of 20 trillion yen over a 10-year period. GX Transition Bonds are issued in two ways: (1) through "integrated issuance" as part of conventional Japanese Government Bonds (JGBs), such as Construction Bonds, Special Deficit-Financing Bonds, and Reconstruction Bonds (Table 1), or (2) through "individual issuance" as Japan Climate Transition Bonds (CT Bonds) (Figure 11) under the Japan Climate Transition Bond Framework (the "Framework"),[15] which specifies the use of proceeds. Proceeds from CT Bonds are used to finance projects under the GX budget, while administrative expenses, such as bond interest payments and GX League operating expenses, are financed by GX Transition Bonds issued through integrated issuance.

15 MOF "Japan Climate Transition Bond Framework" November 2023 (Revised June 2025)

Figure11. Issuance methods of GX Economy Transition Bonds



* Includes Refunding Bonds associated with GX Economy Transition Bonds

Prepared by Climate Integrate from MOF documents

Table 1. Types of Japanese Government Bonds (JGBs) (breakdown by governing legislation)

JGBs	General Bonds	Construction Bonds
		Special Deficit-Financing Bonds
		Reconstruction Bonds
		GX Economy Transition Bonds
		Refunding Bonds
	Fiscal Investment and Loan Program Bonds (FILP Bonds)	

Prepared by Climate Integrate from MOF documents

(2) Issuance overview

The government determines the amount of CT Bonds issuance in consultation with market participants, based on market conditions and investor appetite.[16] The amount of annual CT Bonds issuance has declined steadily from approximately 1.6 trillion yen in FY2023 to 1.4 trillion yen in FY2024, 1.2 trillion yen in FY2025, and a planned 1 trillion yen for FY2026 (Table 2). The bid-to-cover ratio (total bids divided by the amount accepted or issuance amount),[17] an indicator of auction demand, for the ten-year CT Bonds auction in March 2026 was 3.42, down from 3.56 for the ten-year CT Bonds auction in October 2025.

16 MOF "Meeting of JGB Market Special Participants"

17 Mitsubishi UFJ eSmart Securities "bid-to-cover ratio" (in Japanese)

Table 2. Climate Transition Bonds: Issuance overview and plans

	Auction Date	Term (years)	Issuance Amount (billion yen)	Yield (%)	Bid-to-Cover Ratio	Maturity Date
FY2024 Total issuance about 1.6 trillion yen	Feb 14, 2024	10	799.5	0.740	2.90	Dec 20, 2033
	Feb 27, 2024	5	799.8	0.339	3.39	Dec 20, 2028
FY2024 Total issuance about 1.4 trillion yen	May 28, 2024	10	349.6	1.040	3.15	Mar 20, 2034
	Jul 18, 2024	5	349.6	0.595	4.04	Jun 20, 2029
	Oct 22, 2024	10	350.0	0.943	3.31	Mar 20, 2034
	Jan 29, 2025	5	349.8	0.888	3.19	Jun 20, 2029
FY2025 Total issuance about 1.2 trillion yen	Jul 15, 2025	5	299.8	1.098	3.98	Jun 20, 2030
	Oct 21, 2025	10	299.8	1.680	3.56	Sep 20, 2035
	Jan 26, 2026	5	299.9	1.684	3.49	Dec 20, 2030
	Mar 13, 2026	10	299.9	2.195	3.42	Dec 20, 2035
FY2026 scheduled auctions (in Japanese) Total issuance about 1 trillion yen	May 2026 (planned)	5	About 250	-	-	-
	Aug 2026 (planned)	10	About 250	-	-	--
	Nov 2026 (planned)	5	About 250	-	-	-
	Feb 2027 (planned)	10	About 250	-	-	-

Prepared by Climate Integrate from government documents

(3) GX budget and CT Bonds potential allocation amount

The GX budget for the four fiscal years from FY2023 to FY2026 totals about 6.5 trillion yen. Excluding bond interest payments and administrative expenses, the total is about 6.3 trillion yen (Table 3). The GX budget projects align with CT Bonds eligible projects under the Framework, and the total GX budget for each fiscal year matches the CT Bonds potential allocation amount[18] for that year (Table 3)[19,20,21,22,23,24,25,26,27,28]

18 MOF "Potential Allocation Projects (FY2025)"
19 METI "FY2023 Budget Proposal PR Material: GX Budget" March 28, 2023 (in Japanese)
20 METI "FY2023 Supplementary Budget for GX Projects" November 29, 2023 (in Japanese)
21 METI "FY2026 Budget Proposal PR Material: GX Budget" December 26, 2025 (in Japanese)
22 METI "FY2025 Supplementary Budget for GX Projects" December 16, 2025 (in Japanese)
23 METI "Sector-specific Investment Strategies" December 22, 2023 (p.11) (in Japanese)
24 METI "Sector-specific Investment Strategies (ver.2)" December 27, 2024 (p.11) (in Japanese)
25 METI "Sector-specific Investment Strategies (ver.3)" December 26, 2025 (p.14) (in Japanese)
26 MOF "Climate Transition Bond Evaluation Results (JCR)" February 27, 2024 (p.28-30)
27 MOF "Preliminary Climate Transition Bond Evaluation Results (JCR)" May 31, 2024 (p.28-31)
28 MOF "Preliminary Climate Transition Bond Evaluation Results (JCR)" January 19, 2026 (p.29-32)

However, the CT Bonds issuance amount is set below the total potential allocation amount because the GX budget includes many subsidies, and not entire budget is executed, according to the government. If the CT Bonds issuance amount is insufficient, any shortfall may be covered either through the integrated issuance of GX Transition Bonds or through CT Bonds issuance in the following fiscal year. [29] The gap between the CT Bonds issuance amount and the total potential allocation amount is widening, from about 10 billion yen in FY2023 to 240 billion yen in both FY2024 and FY2025, and further to 600 billion yen in FY2026.

Table 3. GX budget total amount and CT Bonds total potential allocation amount

Fiscal Year	Budget	Amount (billion yen)	GX Budget Total Amount* (billion yen)	CT Bonds Total Potential Allocation Amount (billion yen)	CT Bonds Issuance Amount
2023	FY2022 Supp.	1,103.5	1,608.9	1,608.9	About 1.6 trillion yen
	FY2023 Initial	505.4			
2024	FY2023 Supp.	1,039.6	1,643.3	1,643.3	About 1.4 trillion yen
	FY2024 Initial	603.7			
2025	FY2024 Supp.	771.1	1,439.5	1,439.5	About 1.2 trillion yen
	FY2025 Initial	668.4			
2026	FY2025 Supp.	655.9	1,623.3	1,623.3	About 1 trillion yen (planned)
	FY2026 Initial	967.4			
Total		6,315.0	6,315.0	6,315.0	

* Excluding bond interest payments and GX League operation expenses (total 197.9 billion yen over four years).

Prepared by Climate Integrate based on government documents.

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(4) Use of proceeds of CT Bonds

① Overview

The number of CT Bonds potential allocation projects increased to 27 in FY2025 from 22 in FY2024. The CT Bonds issuance amount was evenly allocated across R&D, subsidies, and capital investment, with 70 billion yen assigned to the GX Acceleration Agency.

29 Based on information provided by METI upon request

Table 4. Use of proceeds of Climate Transition Bonds

Fiscal Year	Total Potential Allocation Amount (billion yen)	No. of Projects	R&D (billion yen)	Subsidies (billion yen)	Capital Investment (billion yen)	GX Acceleration Agency (billion yen)
2023	1,608.9	24	893.4	715.5	—	—
			55.5%	44.5%		
2024	1,643.3	22	125.4	397.5	1,000.4	120.0
			7.6%	24.2%	60.9%	7.3%
2025	1,439.5	27	367.3	471.1	531.1	70.0
			25.5%	32.7%	36.9%	4.9%

Prepared by Climate Integrate based on JCR reports on the MOF website

② Project breakdown

In the FY2026 GX budget, which will be potential allocation projects for FY2026 CT Bonds,[30] allocations for AI and semiconductor-related projects stand out at more than 460 billion yen, accounting for 29% of the GX budget excluding administrative expenses. This total consists of 387.3 billion yen for a new foundation model development of AI robotics and physical AI R&D project and 80.2 billion yen for a R&D project of the enhanced infrastructures for post-5G information and communication systems (FY2025 supplementary budget).

Investment in ammonia co-firing at coal-fired power plants is included under a project titled "support focused on the price difference to build supply chains for hydrogen and its derivatives" in FY2024 and FY2025. The budget allocated to this project increased from 8.9 billion yen in FY2024 to 35.7 billion yen in FY2025, and further to 36.3 billion yen in FY2026. It is expected to total about 3 trillion yen over 15 years.[31] This technology was excluded from the use of proceeds of the first CT Bonds issuance in FY2023, presumably because the government had obtained certification from the Climate Bonds Initiative (CBI), an international certification body that does not permit ammonia co-firing as an eligible use of proceeds.[32] However, the government did not obtain CBI certification for FY2024 and FY2025 issuances. No reference to "ammonia" appears in the government's FY2026 budget-related materials, with ammonia-related projects classified instead under "hydrogen" projects.

30 Cabinet Office "Inter-Ministerial Committee on the Issuance of GX Economy Transition Bonds (No.8)" January 23, 2026 (p.21-23) (in Japanese)

31 METI "Sector-specific Investment Strategies (ver.3)" December 26, 2025 (p.14) (in Japanese)

32 Climate Bonds Initiative (CBI) "Japan will issue $11bn Climate Transition Bond, Certified under the Climate Bonds Standard" February 8, 2024

Renewable energy projects, including power grids, storage batteries, floating offshore wind, and perovskite solar cells, are identified as eligible under the Framework. In the FY2026 GX Budget, 43 billion yen (2.6%) is allocated to storage batteries, and 55.2 billion yen (3.4%) is allocated to support the development of GX supply chain for floating offshore wind, perovskite solar cells, and others. The Framework includes, as an eligible use of proceeds, the development of subsea high voltage direct current (HVDC) projects[33] identified in the Master Plan for the Wide-area Grid System (the "Master Plan")[34] prepared by the Organization for Cross-regional Coordination of Transmission Operators, Japan (OCCTO). However, no allocation has been made to these projects to date.

Box 3. Subsea direct current transmission projects

The subsea direct current transmission projects specified in the Framework include the Hokkaido–Honshu Interconnection Facilities (Sea of Japan route) set out in OCCTO's Master Plan. The qualified project manager, a consortium of four companies–Hokkaido Electric Power Network, Tohoku Electric Power Network, TEPCO Power Grid, and J-POWER Transmission Network—was originally scheduled to submit the project plan by December 26, 2025, but the deadline was postponed by one year.[35] A committee meeting organized by OCCTO on December 19, 2025[36] indicated that the key technology-related issues had been resolved; however, financing remained a significant challenge for one of the largest project finance transactions in Japan; specifically, the committee said that stakeholders would need to address the following issues before financial institutions could issue commitment letters: (1) profitability, (2) agreements with prospective contractors, (3) environmental and social impact assessments, and (4) agreements with incumbent grid users. METI is considering public lending to ensure successful financing for the project.[37] It will be important to monitor whether proceeds from CT Bonds issuance will be used for this project in the future and, if so, how they will be allocated.

33 Japan Credit Rating Agency (JCR) "Climate Transition Bond Framework Evaluation Results" November 7, 2023 (p.39-40)

34 OCCTO "Master Plan for the Wide-area Grid System" (in Japanese)

35 Hokkaido Electric Power Network "Hokkaido-Honshu Interconnection Facilities (Sea of Japan route) Project Plan Status" December 24, 2025 (in Japanese)

36 OCCTO "Wide-area Grid Develpment Plan for Hokkaido-Honshu Interconnection Facilities (Sea of Japan route)" December 19, 2025 (p. 3-4) (in Japanese)

37 METI "Next-Generation Grid Development" December 26, 2025 (p.12) (in Japanese)

(5) Reporting

Regarding CT Bonds reporting, the government is required to publish Allocation Reports and Impact Reports on its official website.

Allocation Reports: The allocation of proceeds is reported annually, and any significant change after allocation will be disclosed in a timely manner.

Impact Reports: Environmental impacts, such as projected CO_2 emission reductions, and economic impacts, including the potential market size, are reported annually. The initial impact report will be published within two fiscal years of the CT Bonds issuance.

The MOF published the FY2023 CT Bonds Allocation Report in December 2024.[38] In January 2026, it published the FY2023 CT Bonds Allocation and Impact Report, as well as the FY2024 CT Bonds Allocation Report.[39]

FY2023 CT Bonds: The initial Allocation Report (December 2024) identified an unallocated balance of 30 billion yen as of the end of November 2024. However, the January 2026 report confirmed that the full allocation was completed by the end of FY2024. The Impact Report (January 2026) provided estimates for CO_2 emission reduction effects for 2030 and 2050 for some projects, and for other projects over certain periods, but did not specify the degree of contribution toward Japan's national emission reduction targets.

FY2024 CT Bonds: At present, only the Allocation Report, published in January 2026, has been made available. As of the end of November 2025, the unallocated amount stood at 156.2 billion yen, a significant increase from that of FY2023 CT Bonds. Approximately 57 billion yen of this was carried forward to FY2025, while the remainder is expected to be allocated to ongoing projects under the FY2024 supplementary budget. The report states that the unallocated amount will be fully allocated by the end of FY2025.

38 MOF "Japan Climate Transition Bonds Allocation Report for FY2023 Issuance" December 2024

39 MOF "Japan Climate Transition Bonds Allocation and Impact Report for FY2023 Issuance, Allocation Report for FY2024 Issuance" January 2026

03 Conclusions

In this report, as with the previous two editions (March 2024 and April 2025), we have compiled and analyzed Japan's climate and energy budget based on information obtained from official government publications and direct inquiries to relevant ministries. Our analysis reveals that while the total FY2026 climate and energy budget remains largely unchanged, the internal breakdown shows significant shifts. Although funding for energy efficiency has increased substantially, a vast portion of the budget continues to be allocated to fossil fuel reserves, fuel price mitigation measures, nuclear energy R&D, safety measures, and Fukushima-related expenses (decommissioning and reconstruction). In contrast, support for renewable energy remains minimal.

Regarding GX budget, the cumulative allocations relative to the public-private investment targets for each sector show a clear imbalance. Funding has been front-loaded toward AI and semiconductors, storage batteries, housing/buildings, nuclear power/fusion energy, and Sustainable Aviation Fuel (SAF). Meanwhile, the cumulative allocation for next-generation renewables remains at less than 1% of the target investment level, indicating a significant disparity in sectoral distribution.

Furthermore, with respect to projects related to GX budget, the issuance of CT Bonds—the primary funding source—has been on a downward trend, reflecting a decline in investor demand. To foster further development in carbon-neutral investments, it is essential to deepen dialogue to encourage both domestic and international investment and to advance industrial and financial policies in an integrated manner.

While the overall scale of the national budget is expanding, the share of climate and energy-related spending has hovered around 3%. Currently, there is no formal process to verify the budget in its entirety. To ensure the steady achievement of GHG emission reduction targets for FY2030, FY2035, and FY2040, it will be crucial to rigorously assess the scale, allocation, and effectiveness of the current climate and energy budget, and to reevaluate the framework for annual budgetary measures and GX investments. Regarding funding sources, rather than over-relying on government bonds, it is important to secure fiscal resources by raising the priority of climate action within budget allocations and by reviewing other budgetary items that may have a negative impact on climate change. To this end, we call for enhanced transparency and a more comprehensible approach to information disclosure.

Japan's Spending Plan for Climate and Energy 2026

— Unpacking the National Budget and GX Investment —

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