

# Non-Fossil Certificate (NFC) - Northmore Gordon

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### # Non-Fossil Certificate (NFC)

A Non-Fossil Certificate (NFC) is Japan's primary energy attribute certificate used to verify electricity generated from non-fossil sources, including renewable energy. Like other renewable energy certificates operating in different jurisdictions, NFCs represent environmental attributes that can be procured and retired to support renewable-electricity claims and market-based accounting. NFCs function as tradeable instruments that document the renewable or non-fossil generation characteristics of electricity, allowing organizations to establish claims about their energy sourcing.

### ## Related guidance

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### ### What is a Non-Fossil Certificate (NFC)?

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### ### Who uses Non-Fossil Certificates and why?

NFCs are widely used by corporations in Japan to meet renewable energy targets, reduce Scope 2 emissions, and support compliance with RE100 and other sustainability initiatives. Organizations use NFCs as contractual instruments in market-based accounting for purchased electricity, similar to how renewable energy certificates operate in other jurisdictions. By procuring and retiring NFCs, companies can document that their electricity consumption comes from non-fossil sources, supporting both voluntary commitments and regulatory reporting requirements.

### ### In which country are Non-Fossil Certificates used?

Non-Fossil Certificates operate in Japan, where they serve as the country's primary energy attribute certificate mechanism. Unlike renewable energy frameworks in Australia (which include LGCs, STCs and REGOs) or other jurisdictions with their own certificate schemes, Japan's NFC system provides the

established pathway for organizations to verify and claim non-fossil electricity sourcing. Understanding Japan-specific certificate requirements is important for multinational companies managing portfolio-wide renewable electricity procurement across different markets.

### Does an NFC only verify renewable energy generation?

No, an NFC verifies electricity generated from non-fossil sources, which includes renewable energy but extends beyond it. Non-fossil sources can encompass nuclear power and other generation methods that do not produce greenhouse gas emissions, distinguishing NFCs from renewable-specific certificates. This broader scope means organizations using NFCs must clearly document which specific generation type their procured certificates represent, as the environmental attributes differ between purely renewable sources and other non-fossil generation methods.

### How can NFCs help companies with sustainability compliance?

NFCs support compliance with RE100 and other sustainability initiatives by helping corporations verify that their electricity comes from non-fossil sources and by aiding in reducing Scope 2 emissions. Like renewable energy certificates in other markets, NFCs serve as contractual instruments for market-based accounting under greenhouse gas reporting frameworks. However, organizations must confirm that NFC retirement aligns with their specific sustainability commitments, as RE100 alignment may require verification that the underlying generation meets renewable-specific criteria rather than broader non-fossil definitions.

### How do NFCs differ from renewable energy certificates in other countries?

Non-Fossil Certificates are Japan's localized energy attribute instrument, operating within Japan's regulatory framework. Other jurisdictions use different certificate types: Australia has LGCs for large-scale renewable generation, STCs for small-scale systems, and REGOs for renewable electricity attributes. The certificate scheme, registry, eligibility criteria, retirement procedures and accounting rules differ between countries. Organizations managing renewable energy procurement across multiple markets, including Japan, must assess each jurisdiction's certificate pathway separately and ensure proper documentation of ownership, retirement and applicable claims for each instrument type.

### What should companies consider when selecting NFCs for their energy procurement strategy?

Organizations should document their intended claim, the electricity consumption period, site locations and applicable reporting framework before selecting NFCs. Confirm whether the purpose is a renewable-electricity claim, market-based Scope 2 accounting, a voluntary sustainability commitment or another stated objective. Establish ownership, exclusive claim rights and retirement evidence requirements. Like renewable electricity procurement in other markets, NFC selection should not be based solely on price; acceptance criteria should be clear before instruments are committed. Organizations should maintain a procurement evidence file including instrument type, generation characteristics, registry information and retirement documentation.

### Can NFCs support Scope 2 emissions accounting for Japanese operations?

Yes, NFCs can serve as contractual instruments in market-based Scope 2 accounting for electricity consumed in Japan, consistent with GHG Protocol guidance. However, the specific accounting treatment depends on how the NFC is retired and whether the underlying generation meets the relevant accounting framework's quality criteria. Organizations should confirm that NFC procurement and retirement align with their chosen reporting standard and that the claim being made—whether renewable-electricity focused or broader non-fossil—is supported by the actual certificate attributes and retirement treatment. Scope 2 accounting rules and NFC-specific requirements should be reconciled before relying on NFCs for emissions reporting.