

Summary of Press Conference Comments Made by Kazuhiro Ikebe, FEPC Chairman
on December 15, 2023

I am Kazuhiro Ikebe, Chairman of the Federation of Electric Power Companies (FEPC).

<2023 reflections and resolutions for 2024>

This is the last press conference of 2023. Today, I want to go over the events that occurred in 2023 and talk about our resolution for 2024.

In the press conference of December 2022, I set out the resolution of making 2023 the “year of rebuilding and implementing the system that will supply energy stably in Japan”. When I set this resolution, I hoped it would highlight the importance of energy security against the backdrop of tightening electricity supply and demand, skyrocketing fuel prices in the face of the Russian invasion of Ukraine, and the increased competition for securing resources.

Unfortunately, the Russian invasion of Ukraine continued into 2023; fuel prices fluctuated wildly, but remained high overall. In the fall, Hamas, a Palestinian militant group, launched an attack on Israel, increasing tensions in the Middle East. The global energy landscape remained opaque. 2023 was a year of continued vigilance for the energy industry carrying on from last year.

Tight electricity grid conditions have become the norm in recent years. Though there was some loosening in supply and demand conditions this year, the situation remained critical with calls to conserve energy sent out in the Tokyo area during the summer. Utilities have been attentively monitoring the situation, preparing for various risks.

Furthermore, in June, multiple utilities raised their transition measure prices. Each utility streamlined its operations and did its best but with the fuel prices remaining high

it was a difficult decision that utilities had to make. I believe this decision to secure stable supply in the long run by improving the damaged financial structure of the company and stabilizing management was an important management decision for each utility to make.

Looking toward energy policy, 2023 was a year of making progress in energy policy. In May, the GX Promotion Act and the GX Decarbonized Electricity Act were passed and a strategy that aims to balance stable supply with decarbonization was established as a pillar of policy in Japan.

Legislation was introduced to maximally utilize nuclear power generation—the Atomic Energy Basic Act was amended to clarify the value of using nuclear power for Japan as a country and the responsibilities of the national government and utilities, and the Electricity Business Act was amended to allow an extension of the nuclear power plant operating period beyond 60 years for certain shutdown periods.

In August, TEPCO started the discharge of ALPS treated water into the sea following a policy decision by the government. This was also a large step. We expect TEPCO to continue to make steady progress in this area and as an industry will do our utmost to encourage the public to eat more fish and otherwise support the recovery of the Fukushima region.

In this landscape, nuclear power operators have been advancing the restart of nuclear power plants putting safety first and have been working to operate restarted plants safely and steadily. In addition to appropriately meeting the new regulatory requirements, operators must work diligently to further improve safety beyond what is required.

One example of industry-wide efforts to voluntarily improve safety is the expansion of risk-informed decision-making, commonly referred to as RIDM, as we announced

yesterday. By using these new processes, we will further improve safety and utilize nuclear power generation as much as possible.

Turning to the final disposal of spent fuel, the government revised its basic policy regarding this matter in April. We feel it is very meaningful that the government have made clear it will take an even more prominent and leading role and take responsibility in realizing final disposal. The literature surveys being conducted at Suttsu-cho and Kamoenai-mura in Hokkaido have reached the stage of summarizing findings based on the Approach for Evaluating the Literature Survey Stage. Meanwhile, Tsushima-shi, Nagasaki, having discussed the possibility of hosting a geological disposal site, in the end, pulled out of conducting a literature survey. We take very seriously that no municipalities have volunteered to conduct a literature survey in the past three years. As utilities, we will continue to cooperate with the national government and with NUMO to foster understanding about final disposal among the public.

As we've mentioned in press conferences this year, there has been gradual progress in developing a suitable environment for power generation, especially in designing a system to secure supply capacity in the mid-to-long term, with the capacity market and the long-term decarbonized power sources auction to slated to start next year. There needs to be increased predictability in operator's ability to recoup their investment and an business environment that encourages investment for operators to build sustainable facilities. We will keep on cooperating with government discussions to ensure that the system is further enhanced and the power generation business becomes an attractive business.

As I mentioned last month, electricity demand forecasts for the long term need to be taken into account when considering mid-to-long-term electricity supply and demand. Electricity demand will continue to grow as the world aims to realize carbon neutrality and the information industry develops. We expect the discussions that have started in OCCTO to produce a realistic scenario with a clear-eyed view of the future. We, as

utilities who carry out the work on the ground, will cooperate with these discussions as much as possible.

In the 9th GX Implementation Council held last month, a summary plan of the investment strategies for each area was set out. For the electricity area, the spread of heat pumps and other demand-side measures were indicated along with renewable energy, nuclear power, hydrogen, ammonia, CCS, and other supply-side measures. We hope that these measures will be implemented steadily toward realizing GX.

Meanwhile, this year, the electricity industry caused much concern to the public with the cease and desist order issued by the Fair Trade Commission in relation to the Antimonopoly Act, and the inappropriate viewing incident. In regards to the Antimonopoly Act incident, we regret having acted in a way that aroused such suspicions and apologize again for having caused concern. As we've announced previously, having received the request from the Fair Trade Commission, the FEPC has developed and implemented various improvement measures. We also will revise the FEPC behavioral guideline to "clarify securing fair and open competition" and will announce the specifics as soon as they are ready. We will continue to work seriously on ensuring compliance in order to recover trust from society, and will fulfill our role as an industry to solve the issue that energy is facing of balancing stable supply with decarbonization.

I'd like to conclude this press conference with next year's resolution. As I've mentioned before, 2023 was a year of great progress in energy policy. To ensure this progress continues, we want 2024 to be "a year to take steps toward the next stage."

As utilities, it is important for us to make steady progress on continuing to safely and steadily operate restarted nuclear power plants, restart nuclear power plants especially BWRs and make advances in the reprocessing business. We want to make steady progress on advancing nuclear power to put it on track as an important option

that needs to be secured to realize the mandate of balancing stable supply with decarbonization.

On the energy policy front, the government is expected to start revising the Strategic Energy Plan. In addition in electricity system reform, 2025 marks five years since the legal unbundling of the transmission and distribution division in 2020, which was the third stage of legal reform; the verification is planned to start in the next fiscal year. In energy resource-poor Japan, designing the necessary systems and developing a business environment to balance stable supply with decarbonization are imperatives. As utilities who work on the ground, we will continue to ensure stable supply on the daily and do our utmost to cooperate with building an electricity system that Japan needs.

Last but not least, I want to thank the Energy Press Club and the media for their support over the past year. I would like to ask for your continued support in 2024. This concludes my remarks for today.

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