

Summary of Press Conference Comments Made by Kazuhiro Ikebe, FEPC
Chairman, on January 14, 2022

I am Kazuhiro Ikebe, Chairman of the Federation of Electric Power Companies (FEPC). I hope you all had enjoyable holidays. I look forward to your continued support this year.

Today, I would like to talk about our resolutions for 2022.

<On our resolutions for 2022>

As I talked about in the press conference at the end of last year, this year will be the year to developing a long-term vision toward carbon neutrality in 2050 as set forth in the Strategic Energy Plan and flesh out a policy for 2030 based on this vision. In that sense, I believe that this year will be a very important year for us in establishing a solid foothold for the future. Today, I would like to talk about the three initiatives that we need to focus on in this context.

<Fleshing out initiatives for 2050 carbon neutrality>

First, I will address our fleshing out initiatives for 2050 carbon neutrality.

Last May, we announced our efforts to achieve carbon neutrality. As electricity operators, we have been talking about the importance of decarbonizing the supply side and electrifying the demand side. We believe that we are now entering a phase where we take concrete action on these ideas.

On the power source side, we will work to turn renewables into a main power source, restart and continue to stably operate nuclear power plants, continually use thermal power necessary for large-scale deployment of renewables, and advance technological innovation to realize zero-emission thermal power. Meanwhile, going forward, we believe that demand side initiatives will increase in importance. Aiming for carbon neutrality in 2050 means that society will need

to tackle large-scale reform in less than 30 years, switching the entire society to a decarbonized structure by rethinking how energy is used in industry and radically reexamining our lifestyles. Prime Minister Fumio Kishida in his policy speech on December 6th expressed the importance of electrifying all sectors of society, and the Joint Meeting on Clean Energy Strategy held on December 16th also indicated a policy emphasizing the importance of electrifying non-electric sectors and the need to hold in-depth discussions on the receptiveness of society in regards to the costs incurred in the transition. We are on exactly the same page as the government in regards to the importance of electrification, and we are deeply encouraged by and feel grateful for the direction of these discussions.

In the Joint Meeting, it was also made clear that the electrification of lower-temperature processes in the industrial sector and electrification of the household sector can be tackled relatively earlier than planned, and some examples of electrification overseas, heat pump technologies, and its market trends were introduced. We also believe that heat pump technology will be key in decarbonizing the demand side going forward.

As can be seen in the reference materials at hand, heat pumps use heat energy such as the heat from the atmosphere that exists in the natural world and not energy produced through fossil fuel combustion, for air conditioning and hot water supply. This 'air heat' is considered a renewable energy source along with solar power and wind power in the Act on Sophisticated Methods of Energy Supply Structures. Not only is this technology useful in household contexts, but it can be used in the industrial sector, considered to be relatively more difficult to electrify, in the production processes of various industries. Considering the so-called "lock-in effect" that states once equipment that uses a certain heat source is introduced, the same heat source tends to be used even when the equipment is updated, it is important to introduce established technologies such as heat pumps to buildings now to realize carbon neutrality in 2050.

We believe heat pumps can contribute to the further development of Japanese industries, and increase the percentage of decarbonization technology Japan can source domestically, as Japanese manufacturers have a not insignificant share of the heat pump market. We hope that the future discussions on clean energy strategy will include concrete electrification measures based on these perspectives.

<Promotion of industry-wide initiatives including accelerating plant restart>

The second point I want to address today is the promotion of industry-wide initiatives including accelerating plant restart.

The revised Strategic Energy Plan clearly states that nuclear power generation will continue to be sustainably used at a certain scale in FY2030 once safety is secured, and studies will continue to be conducted for long-term operation, prolongation of the operating cycle, and optimization of the regular operator inspections.

Nuclear power was also positioned as one of “decarbonized technologies under practical use”. We as nuclear power operators will continue to do our utmost to restart nuclear power plants with safety as a major premise, and work to increase availability.

To that end, we established the Restart Acceleration Taskforce within FEPC last February to expand personnel-based support, share more information on reviews, and provide technical support for restart. Under this Taskforce, we have provided review materials packages put together by operators who have already achieved restart to alleviate some of the operators’ burden of working with vast amounts of documents in preparation for the review, for example. On the technical front, with the cooperation of the Japan Nuclear Safety Institute (JANSI), we have set up opportunities for preceding operators to share their experience, knowledge, and lessons learned in restart with operators aiming to achieve restart, gathering an audience of over 500 people including nuclear

power station directors. We will continue to work as an industry to accelerate restart as much as possible, listening to the operators' support needs. The aim is to achieve the goal of nuclear power comprising 20-22% of the energy mix in FY2030 as set out in the Strategic Energy Plan.

Regarding the nuclear fuel cycle, currently Japan Nuclear Fuel Limited (JNFL) is working on review response and safety measures work for the completion of the Rokkasho Reprocessing Plant. We will fully support JNFL's review response efforts and further bolster operator coordination which will include steadily promoting the nuclear fuel cycle business and working toward final disposal.

<Immediate initiatives to support stable supply and cooperating with the government on system design>

Finally, I will mention our immediate initiatives to support stable supply and cooperating with the government in system design.

As we officially enter winter, utilities have been taking action early on to secure supply just in case, procuring additional fuel for thermal power plants and conducting maintenance on power source facilities. This, at the same time, has been in the larger framework of relevant organizations each fulfilling their role as we balance the risk of having not enough with the risk of having excess fuel with the Organization for Cross-regional Coordination of Transmission Operators, JAPAN (OCCTO) closely monitoring the situation.

The national government's Strategic Policy Subcommittee meeting held on December 27th concluded that, while the situation was still precarious, stable supply could be secured now and into February as long as there are no sudden serious problems. I want to thank those of you who have been cooperating with the efficient use of electricity. We also ask that the media encourage the public to use electricity efficiently.

Meanwhile, the Subcommittee also projected that if, in summer 2022, Japan

is hit by a heat wave expected to strike once every ten years, then even if OCCTO with the utilities were to further adjust the timings of power plant repairs and inspections, the reserve margin for July and August would fall below 3% in multiple areas. This projection is based on data at this point in time, and summarized supply plans will be reviewed and the situation will be re-evaluated again. We as operators will also do our utmost to prepare for this, cooperating with additional adjustments in the timings of repairs and inspections, conducting facility maintenance management in preparation for the risk of supply capacity falling due to facility issues, and securing fuel.

As you can see, our greatest mission of securing stable supply needs to be upheld now and into the future. Ensuring that measures to secure supply capacity, which is the foundation of stable supply, can function as a mechanism will be an important issue that will need to be discussed going forward. National government working groups are in the middle of studying designs of systems toward this goal. We believe that existing power sources need to be maintained and an investment environment that increases the predictability of returns on investment in construction of new power sources is necessary, and will cooperate as an electricity operator in discussions to make the power generation business an attractive business.

Despite the multitude of challenges in energy policy, we believe it is important to take action, which includes starting with transitions, with an eye on the timeline. As electricity operators, we will continue to contribute to the development and reformation of society by taking on the challenges of carbon neutrality and stable supply.

This concludes my remarks for today.

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