

**Summary of Comments Made at a Press Conference
by Tsunehisa Katsumata, FEPC Chairman, on November 17, 2006**

There are two topics that I would like to comment on today. The first is the upcoming review of mandatory RPS (Renewable Portfolio Standards) quotas, and the second is the winter demand forecast.

As you know, the RPS Law requires electricity retailers to use a certain amount of electricity generated from new energy sources, and will soon be reviewed by the RPS Law Subcommittee of the Advisory Committee on Natural Resources and Energy to set target levels through the year 2014.

The electric power companies of Japan have for many years voluntarily endeavored to promote the use of renewable power through various measures, including offering to buy excess solar-generated power back from customers at current electricity rates, and creating Green Power Funds to promote renewable energy use. Customers can pay into the funds in convenient fixed monthly installments when they pay their electricity bill, and have the company match their payments yen-for-yen. We've also introduced such support measures as the Green Power Certification System, which makes it easier for corporations to utilize renewable energy sources by having a trusted third party procure power from such sources on their behalf and certify the amount of the electricity that was generated from those renewable sources.

As a result of these efforts, I believe Japan's renewable energy use compares favorably with that of other nations.

In addition to these efforts, we are preparing to meet the accelerated pace of increases in the quotas that were introduced in 2003, and will do our utmost to achieve the 2010 target of 12.2 billion kWh.

Having understood this situation, we hope the RPS Law Subcommittee will keep the following three points in mind during its discussions.

The first point is that solutions should be judged by how well they achieve the original goal to promote the use of new energy sources, and that discussion should not be limited to RPS, but should also consider other possible ways in which this goal can be achieved.

New energy, as you all know, is being promoted to reduce the CO2 emissions that are a cause of global warming, and to improve Japan's energy supply self-sufficiency.

In the light of this objective, RPS is just one of many possible approaches that can be taken, and alternatives such as the promotion of nuclear power and the purchase of CO2 credits from CDM projects also need to be given due consideration.

Looked at in terms of cost efficiency, for example, RPS credits currently cost more than five times as much as overseas emission reduction credits, and if our goal is to prevent global warming, I do not think RPS is necessarily the best way to go about it.

Instead of simply increasing the mandatory RPS quota, we hope that the various characteristics and issues associated with each solution will be carefully considered as the discussion moves forward.

The second point is that we would like an overall balance of the efforts being made in thermal utilization and other areas to be taken into consideration when reviewing the mandatory quotas.

If we look at a breakdown of the nation's new energy targets for each sector, we can see that RPS is mandatory for electric power companies across the board. But with respect to thermal utilization, which accounts for 60% of new energy targets, not only is RPS not mandatory, there are subsidies offered to promote new energy use.

The reduction of CO2 emissions is one of the nation's top priorities, and while the use of RPS will be unavoidable for some time to come, CO2 emissions are an industry-wide issue that must be addressed in all fields, including thermal utilization, and we would like to ask that discussions take the need for fair and open competition in mind.

The third point is that increased use of new energy will require the government, business community, and citizens of the nation to put their heads together and work hard.

Instead of relying exclusively on RPS to promote new energy use, it can be promoted using other available options. For example, payments made under the Green Power Certification System I mentioned earlier are currently treated as donations instead of deductible expenses. As we have long asserted, the recognition of these payments as a business expense would very likely lead to a big increase in the number of participating corporations.

Support for new energy has continued to grow since the nation's Sunshine Plan was introduced 30 years ago. And it is our sincere hope that government, industry, and the people of the nation will work together to support new energy until it can join the mainstream, and become a full-fledged member of our energy mix.

I would now like to report briefly on the winter demand forecast.

First of all, the long-term weather forecast for the coming winter predicts average or above-average temperatures in northern Japan, and above-average temperatures in eastern and western Japan, and in the Southwest Islands.

In winter, peak demand is generally recorded between 5PM and 6PM, and in view of the weather forecast, we foresee possible peak demand across the 10 electric power companies of 154.48 million kW (99.3% of last winter's peak demand).

Against this, we expect to secure a supply capacity of about 184.78 million kW, giving us supply margin of slightly less than 20%. We therefore do not anticipate any problem in maintaining a stable supply through the winter.

Looking at the figures for last winter, however, we can see that even a 1°C drop in temperature causes a nationwide demand increase of approximately 2.5 million kW, and with this fact in mind, we intend to remain vigilant and work closely with each of the power companies to ensure that no problems arise.