

**Summary of Comments Made at a Press Conference  
by Shosuke Mori, FEPC Chairman, on December 12, 2008**

Since this is already the last press conference of the year, I would like to talk on some impressive events that we witnessed this year.

- Rise in Crude Oil Prices and Its Impact on Electricity Rates

This has been a year that focused global attention on energy and global environmental issues.

Regarding energy issues, we witnessed unprecedented, abnormal and violent fluctuations in crude oil prices.

Crude oil prices went beyond 100 dollars a barrel at the beginning of this year and continued to rise sharply until peaking at the historical high of 147 dollars a barrel in July. However, by late November just four months later, crude oil prices dropped to as low as 40 dollars a barrel.

Such a situation had never been experienced, and directly affected the business of all electric power companies in Japan.

However, having learned from the bitter experience of two oil crises, we have long been working to reduce our dependency on oil-fired thermal power by promoting the use of nuclear power as a major strategy. As a result, the share of oil-fired thermal power in the total electricity output, which used to be about 70% during the First Oil Crisis, has now dropped to about 10%, making us much more resilient to fuel price fluctuations.

The events of this year reminded us of the importance of nuclear power and the pursuit of the optimal combination of power sources.

The rise of crude oil prices stimulated discussions on the electricity rate system. Presently, discussions on the fuel cost adjustment system are under way at the Electricity Industry Committee of the Advisory Committee for Natural Resources and Energy.

As noted earlier, fluctuations in fuel prices have exceeded what we could

handle ourselves such as efforts to increase efficiency.

For the soundness of our business to secure a stable supply of electricity, a new system needs to be established to help recover fuel costs properly.

#### - Global Environmental Issues

Another major shift this year was people's growing awareness of global environmental issues. The G8 Hokkaido Toyako Summit saw various arguments and discussions on global environmental issues in Japan and the rest of the world.

Incidentally, today was the last day of the 14th Conference of the Parties to UNFCCC (COP14) in Poland.

The news suggests that opinions differ greatly between advanced nations and emerging nations. With additional impacts from the global financial crisis, I have an impression that it could be very tough to reach an agreement about the post-Kyoto framework during next year's conference (COP15).

Early this year, there were heated arguments in favor of Japan adopting an EU-style cap & trade system for emissions trading.

The electric power companies of Japan argued against such a system because it could not be trusted to be fair and effective, and could end up encouraging financial speculation. Instead of cap & trade, we argued for a sectoral approach, which is a bottom-up approach that allows the participation of all major countries responsible for emissions.

However, the term "sectoral approach" sounded unfamiliar in the beginning, and some criticized the electric power company, believing that we were reluctant to help prevent global warming.

A year has passed and we have gained the better understanding of people in Japan and the rest of the world as we combined our efforts with the government by helping to improve the thermal efficiency of

coal-fired generation in the framework of Asia-Pacific Partnership (APP) programs. Combined with growing awareness of financial speculation as evidenced by the present financial crisis, our sectoral approach has begun to gain recognition.

Going forward, we intend to help diffuse low-carbon technologies and develop innovative technologies by using the International Electricity Partnership, which was set up in October.

On the other hand, Japan introduced in October an experimental framework for domestic emissions trading, and today is the deadline for accepting application based on this new framework. All regional electric power companies of Japan except Okinawa Electric Power have submitted applications.

We are continuing our industry-wide efforts to achieve the goals in our voluntary action plan. In the future, we intend to actively contribute to the reduction of CO<sub>2</sub> emissions at medium and small sized enterprises by providing them with energy efficiency technologies, with particular emphasis on heat pump technologies that have major potential to reduce CO<sub>2</sub>.

However, as stated earlier, emissions trading still presents various challenges such as compatibility with economic growth.

We look forward to deeper insights into those challenges as we participate in this experimental program to gain real experience in emissions trading.

#### - Nuclear Power and the Nuclear Fuel Cycle

I mentioned two major challenges today, the challenge of stable energy supply including prices and the challenge of the global environmental issues. Nuclear power seems to be the only powerful solution to both of these challenges in parallel.

Mr. Katsumata, who served as FEPC chairman before me, stated in a press conference at the beginning of this year that we intended to make the utmost

effort on an industry-wide basis so that this year would be seen as an epoch-making year for nuclear power.

As he said, we have made steady progress toward the use of MOX fuel in different regions of Japan: Kyushu Electric Power and Shikoku Electric Power have completed the fabrication of the first lots of MOX fuels; Chubu Electric Power is now having their MOX fuel fabricated; and Kansai Electric Power applied last month for the inspection of MOX fuel assemblies to be imported.

However, the reprocessing plant owned by Japan Nuclear Fuel Limited in Rokkasho Village, Aomori Prefecture has been struggling at the final stage of the construction project, and the scheduled date of completion has been revised for four times this year.

Important challenges remain, such as the restarting of Monju, beginning the construction of a MOX fuel processing plant, and the siting of a final disposal site for high-level radioactive waste.

We will make industry-wide efforts to overcome these challenges, so that the next year may be the first year of the new era of nuclear power in Japan.

#### - Closing Comments

Already six months have passed since I became the FEPC chairman in July. I am deeply concerned about next year because the global financial crisis is going to affect the real economy. Uncertainty will grow and fuel prices, for example, will be unpredictable. Like this year, we will face many challenges related to global environmental issues and nuclear power.

We would appreciate your understanding and support as we continue our industry-wide efforts to address such challenges.

This is all for today. Thank you for your kind attention.