

Summary of Comments Made at a Press Conference by Shosuke Mori, FEPC Chairman, on October 16, 2009

Today I will talk about the introduction of the new purchase system for surplus photovoltaic power and the recent developments in nuclear power.

1. Introduction of the New System for Purchasing Photovoltaic Power

First, I would like to comment on the new System for purchasing photovoltaic power.

As you may already know, a new system for purchasing surplus power generated by solar power generation systems is to come into effect in accordance with the "Law on the Promotion of the Use of Nonfossil Energy Sources and Effective Use of Fossil Energy Materials by Energy Suppliers" on the first day of next month.

Under this new system, electric utility companies are required, for the following ten years, to purchase surplus electricity produced by photovoltaic generation at about twice the current purchase price at the introduction period of the system. Thereafter, purchase price will be gradually reduced over subsequent years. The expenses for these purchases will be borne by ratepayers in the form of a surcharge.

Specifically, expenses for purchasing surplus power from January to December of each year will be added to electricity price charged the next fiscal year. The amount of the surcharge to be borne by customers is approximately ¥30 per month for the average household, but this amount will be much higher for industrial customers, such as large manufacturing plants, who consume more energy. This surcharge is estimated to reach about ¥3 billion for Japanese industries as a whole.

In order to receive all customers' acceptance of these expenses of the new system, it is important that they fully understand the purpose and mechanism of this new system.

The Japanese electric power industry is working to familiarize customers with the new system through PR leaflets and websites. In addition, we are calling upon approximately 500,000 customers across the country who have been selling

surplus photovoltaic power to us over the years to renew their contracts in compliance with the new system. We are also revamping the relevant systems to ensure that the new system will start up smoothly.

In practice, however, electric power companies are receiving numerous inquiries from customers every day about the outline of the system, purchase prices, the period of time and so forth, indicating that the customers do not yet fully understand the new system.

On the first day of this month, the Ministry of Economy, Trade and Industry set up the Photovoltaic Deployment Policy Office to reinforce public information services on this system.

The electric power companies intend to carry out greater publicity to deepen people's understanding of the new system before the cost of purchasing surplus power is actually passed on to customers in April next year. We expect the government to step up its own publicity activities.

2. Recent Developments in Nuclear Power

Since we will observe Atomic Energy Day on the 26th of this month, I would now like to comment on recent developments in nuclear power both in Japan and abroad.

The Christian Democratic Union and the Christian Social Union (CDU/CSU), led by German Chancellor Angela Merkel, won the Parliamentary elections held last month and, together with the Free Democratic Party (FDP) with which the CDU/CSU will form a coalition, captured a majority.

In Germany, as you are already aware, the Atomic Energy Law, revised in 2002, prohibits the construction and operation of new nuclear power plants and the 17 nuclear reactors now in operation will be closed one by one as they reach the prescribed power output.

However, due to concern that the phased decommissioning of nuclear power plants would increase the nation's dependence on natural gas imports from Russia and would have a negative impact on the economy, the coalition government is expected to adopt a policy of extending the operating periods of the nuclear reactors and avoiding their forced closure in line with the two parties' election manifestos.

In the United Kingdom, no new nuclear power plants have been constructed for over twenty years since the Chernobyl disaster but the UK government announced a policy change in January last year and decided to construct new nuclear power plants.

In February this year, Sweden made public its decision to annul the existing law setting forth the phased withdrawal of nuclear power plants, while in Italy, which decided to withdraw from nuclear power generation after a national referendum, a bill calling for its resumption passed the House of Lords in July this year. Thus, many European countries are increasingly reconsidering nuclear power generation.

Similarly, other countries such as China, Russia and the United States, are expected to construct a significant number of additional nuclear power plants. There is also activity in Southeast Asia and the Middle East to build new nuclear power plants. In all, as many as 27 countries are in the process of constructing or planning to construct a total of 151 nuclear reactors with the combined capacity of approximately 150 million kW.

Factors encouraging this global reevaluation of nuclear power include the need to prepare for crude oil price hikes, to secure a stable supply of energy, and to address global warming.

Japan is in exactly the same situation. We will therefore continue to strongly promote nuclear power as a main power source that could achieve the three E's – that is, energy security, environmental protection, and economic efficiency – and, more importantly, to establish the nuclear fuel cycle.

Regarding the pluthermal program, Kyushu Electric Power commenced the loading of MOX fuel into its Genkai Unit 3 on October 15.

We have been looking for MOX fuel to be used under the pluthermal project, so this MOX fuel loading represents a major step forward toward establishing the domestic nuclear fuel cycle.

Meanwhile, Shikoku Electric Power and Chubu Electric Power completed the transport of MOX fuel assemblies in May this year. The whole industry will proceed steadily with the pluthermal projects also at other sites and will carry out pluthermal projects at 16 to 18 nuclear reactors across the country by fiscal 2015.

Finally, I would like to inform you that the Nuclear Waste Management Organization of Japan (NUMO) will launch a campaign to gain public understanding of the geological disposal of high-level radioactive wastes under the slogan "What Do You Think of the Electricity-related Waste Problem?" for two weeks starting tomorrow, October 17.

Meanwhile, the Japanese government is conducting public acceptance activities by designating October as the "radioactive waste disposal publicity month" for boosting understanding of geological disposal and organizing symposia throughout the country.

The Japanese electric power industry will carry out publicity and public acceptance activities at PR facilities and business establishments and focus on efforts to increase public understanding of geological disposal of radioactive wastes in cooperation with NUMO and the government.

This concludes my remarks.