Summary of Comments Made at a Press Conference by Shosuke Mori, FEPC Chairman, on December 18, 2009

Today I would like to talk about two subjects: "The Announcement of the International Electricity Partnership's (IEP) Technology Roadmap," and "The Industry's Views and Requests on the Cost-Cutting by the Government Revitalization Unit's Project Team".

1. The Announcement of the IEP's Technology Roadmap

The UN climate conference COP15 in Denmark will come to a close this evening (Japan Standard Time) after the world leaders' conference.

According to press reports, as informal summit talks are due to take place today, a draft is being formulated toward reaching a political agreement. As stated in "A request to the government on COP15" made last week by nine trade associations, including our Federation of Electric Power Companies of Japan, and an emergency statement published on December 16 this week, we firmly expect Prime Minister Yukio Hatoyama to adhere to his long-held basic principles of bringing all the major countries together to fight global warming and forging an equitable and effective international framework.

Needless to say, global warming mitigation is a challenge that requires a global effort to solve and the key to success is developing and spreading advanced technologies.

The Japanese electric power industry created the International Electricity Partnership (IEP) in collaboration with our counterparts in the United States, Europe, Canada, and Australia in October last year, and through this organization we have been examining how the power sectors in the developed world can address climate change.

One of the outcomes of this effort is the Technology Roadmap, which shows the prospects for the development and diffusion of sophisticated electric power technologies and we announced this roadmap at an event held alongside COP15 on December 15.

The Technology Roadmap emphasizes that electric energy holds the key to solving the climate change problem. Specifically, the Roadmap suggests that, in order to reduce CO_2 emissions by 60–80% by 2050, it is necessary to 1) expand the use of renewable energy sources, utilize CCS and promote nuclear power generation; 2) establish optimum power transmission and distribution networks; and 3) utilize effective and commercially viable technologies for using electricity, such as electric vehicles and heat pumps, and that

policies that offer incentives to invest in these technologies are essential.

Still, the Roadmap concludes that although these technologies are expected to help substantially reduce CO_2 emissions by 2050, they would be unable to attain drastic reductions by 2020, and therefore the policies must allow sufficient lead time for the technologies to become commercially viable.

The Roadmap analyzes the technological and policy options needed to realize a low carbon society. It can also be used as a guideline for transferring advanced electric power technologies to developing countries and as a tool for adopting a sectoral approach for reducing greenhouse gas emissions.

2. Our Views and Requests on the Cost-Cutting by the Government Revitalization Unit's Project Team

The Government Revitalization Unit's (GRU) Project Team, in its review to eliminate wasteful spending conducted last month, made evaluations that could affect our electric utility business, concerning grants for development of area locating electric power stations and the budget for nuclear power research and development.

I would like to express our concerns and views about the three electricity-related issues to which the project team gave low marks.

The first issue concerns grants for areas locating electric power stations.

The GRU's project team recognized the necessity of the grants but recommended the GRU to consider revising the ratio of subsidies granted to those areas that host coal-fired thermal power stations on the basis that continuing the grants for areas hosting these plants that produce large amounts of CO_2 may aggravate global warming.

For Japan which lacks energy resources, coal-fired power plants will remain indispensable sources of power.

Learning from the bitter experience of the two oil crises, the electric power industry has been working to create a best mix of power sources, including LNG-fueled and coal-fired thermal power sources, with nuclear power playing a central role.

As a result, coal-fired thermal power plants generate nearly 25% of power in Japan. Because coal resources are abundant, involve a smaller risk of procurement, and are

economically efficient, coal-fueled thermal power plants account for approximately 50% of the power output in Germany and the United States, both of which are considered to be environmentally advanced countries, and account for 40% of the world's gross power output. Thus, coal is still an essential power source.

As is known, the construction of power generating installations and the development of fuel supply chains require a very long lead time. Although we fully recognize the importance of addressing global warming, we urge the government to fully consider the balance between energy security and economic efficiency and pursue an energy policy from the long-term perspective.

The second issue that concerns us is that the working group recommended to revise and not to provide funds for some projects in a research and development budget for fast -breeder reactor technology and high-level radioactive waste disposal.

Research and development of nuclear power technologies takes a great deal of time and manpower. Once research and development has been discontinued, it will become difficult to secure and develop human resources, possibly causing an unrecoverable blank or delay in future R&D projects.

We urge the government to make a decision based on a solid energy strategy.

The third one is that the project team recommended reduction and abolition of the subsidies for encouraging the use of renewable energy sources, including subsidies for mega solar power generation projects and the EcoCute heat pump technology.

We have announced a project for constructing mega solar power plants with a combined capacity of approximately 90,000 kW at 17 sites across the nation. We are concerned that the recent decision to reduce the budget will adversely affect the availability of already ordered materials and equipment, as well as construction work.

In addition, the GRU's project team suggested abolition of the grant-in-aid for the EcoCute heat pump technology. This technology, which uses heat from the air as a renewable energy source, has excellent potential. It is a key energy-saving technology that could help create a low carbon society. We urge the government to consider continued grant-in-aid for more widespread use of the EcoCute technology.

3. A Review of This Year

Today's press conference is the last of this year.

The year saw major changes, including the first full-scale change of power since

World War II in the political arena and the unprecedented once-in-a-century economic recession.

In 2010, we will face even more challenges, including responding to global warming, promoting pluthermal projects, and completing a reprocessing plant.

The circumstance surrounding the electric power industry is shifting rapidly. We are determined to make industry-wide efforts to tackle diverse problems without losing sight of our starting point, our mission of delivering quality and inexpensive electricity to customers steadily under any circumstances we may face.

I look forward to your continued understanding and support of our industry next year.

This concludes my remarks.