

Summary of Press Conference Comments Made by Makoto Yagi,

FEPC Chairman, on February 19, 2016

Thank you for taking the time to be here. Today, I would like to say a few words on the following two topics: Establishment of the Electricity Business Council for a Low-Carbon Society, and Cabinet approval of the Amendment Bill to the Spent Nuclear Fuel Reprocessing Fund Act and the revision of the Act on Special Measures Concerning Procurement of Electricity from Renewable Energy Sources by Electricity Utilities.

Establishment of the Electric Business Council for a Low-Carbon Society

First, I would like to say a few words on the establishment of the Electric Business Council for a Low-Carbon Society. Please look at [the document](#).

With the establishment of the FY 2030 Energy Mix in July last year, the ten member companies of FEPC, together with J-Power, JAPC and cooperating power producers and suppliers (PPSs), established a new voluntary framework for achieving a low-carbon society, formulated the Action Plan for the Electricity Business for Achieving a Low-Carbon Society, and set a CO₂ reduction target.

Following a study on the organizational structure and rules for achieving the target, on February 8, the Electric Business Council for a Low-Carbon Society was established aiming to promote effective industry-wide measures for preventing global warming.

With full liberalization of electricity retailing due to be launched in April this year, it is very significant that the companies with different backgrounds have come together to focus on a common target for preventing global warming and to build a mechanism to achieve it together.

The new Council will support the member companies establish and carry out their own measures

that are based on their respective forms of business.

The companies will promote the PDCA cycle with responsibility based on their own plans, and the Council will check and assess these efforts annually. Further, the Council will promote the PDCA cycle of the entire organization by asking the companies to modify their plans if necessary, to ensure that the efforts to achieve the overall target are effective.

Through the Council's efforts, the power companies will aim to steadily fulfill the target set in the Action Plan.

Currently, in addition to the efforts by electricity companies, the government is considering improving power generation efficiency by revising the Law concerning the Rational Use of Energy and decarbonizing commercial electricity by revising the bill on Sophisticated Methods of Energy Supply Structures. Here are our views.

First, the proposed revisions to the Law concerning the Rational Use of Energy includes, in addition to the generation efficiency standards on newly constructed thermal power plants, a new benchmark thermal generation efficiency of "44.3% or higher". This standard cannot be met without a certain amount of LNG thermal power, and is a very tough requirement to apply uniformly to all companies regardless of their generation mixes.

We appreciate that the assessment of the power companies' energy saving measures will also consider joint efforts and value our self-initiatives. Nevertheless, the benchmark index is still based on the energy mix for FY 2030 and thus is a very strict requirement.

The power companies are making utmost efforts to improve the thermal efficiency of the existing plants through appropriate maintenance and improvement of facilities and operation. We hope that the assessment will not only look at whether the numerical targets are achieved, but also consider such efforts by the power companies for improving thermal efficiency.

Next, regarding revising the bill on Sophisticated Methods of Energy Supply Structures, as mentioned earlier, we have established the Electricity Business Council for a Low Carbon Society as an industry-wide effort to achieve the CO₂ reduction target, which is based on the assumption that the energy mix will be achieved.

The revisions value the voluntary efforts of the power companies, and also indicate that joint fulfillment of the target will be allowed, based on the understanding that the important point is to achieve the target of "44% or higher non-fossil power sources in FY 2030" for Japan as a whole country.

Based on this stance, we hope that the government will monitor the efforts of the power companies for the time being, valuing our self-initiatives.

The new target is a very ambitious one. The power companies will make utmost efforts, but the government's initiatives for keeping renewable capacities compatible with the burden on the public, fostering public understanding of nuclear power, and improving the nuclear business environment will be extremely important.

We hope that the government will firmly promote these initiatives.

2. Cabinet approval of the Amendment Bill to the Spent Nuclear Fuel Reprocessing Fund Act and the revision of the Act on Special Measures Concerning Procurement of Electricity from Renewable Energy Sources by Electricity Utilities

Next, I would like to comment on the two Acts, which the Cabinet approved on February 5 and 9, respectively.

The bill on the Amendment Bill to the Spent Nuclear Fuel Reprocessing Fund Act, which the Cabinet recently approved, is based on the discussions since last July in the expert working group to

study improving the nuclear business environment, and includes "establishing a contributions system to secure a stable source of necessary funds for the business" and "setting up a new government-authorized corporation which ensures that the reprocessing business is run steadily and efficiently", to ensure that the reprocessing business will be implemented steadily even under the new environment of increased competition and less dependence on nuclear power.

The bill allows the government-authorized corporation to outsource spent fuel reprocessing to Japan Nuclear Fuel Limited, which would allow the company to fully utilize its accumulated expertise, human resources, and facilities.

The power companies will continue to support and cooperate with JNFL even under the new institutional system, to ensure that JNFL's joint business will proceed smoothly, and promote the nuclear fuel cycle with the company.

Next, the purpose of the draft revisions to the Act on Special Measures Concerning Procurement of Electricity from Renewable Energy Sources by Electricity Utilities is to ensure compatibility between the maximum introduction of renewable capacities and the reduction of public burden through such measures as establishing a new licensing system, revising the process for deciding the purchase price, and changing the required purchasers.

We believe it is important for the revision to change the system so that renewable energies will be introduced steadily while taking into account the balance between the various renewable energy sources.

Renewable capacities should be expanded while simultaneously ensuring public understanding and based on a long-term schedule, as it will impose a public burden. Further, the imbalance in the burden for renewables between electricity and other energy sources, and how to shoulder the cost of grid optimization, should also be addressed.

The power companies will continue to actively cooperate in developing the detailed design of the system associated with the revision of the laws, but hope that the actual operation of the system will be fully considered.

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

Establishment of the Electricity Business Council for a Low-Carbon Society

February 8, 2016

Federation of Electric Power Companies

J-Power

The Japan Atomic Power Company

Power producers and suppliers

The member companies of the Federation of Electric Power Companies, J-Power, The Japan Atomic Power Company, and cooperating power producers and suppliers (PPSs) today established an electricity business, the Electricity Business Council for a Low-Carbon Society ("the Council"), aiming to steadily encourage efforts to meet the targets of the Action Plan for the Electricity Business for Achieving a Low-Carbon Society.

In July 2015, the electric companies formulated the Action Plan for the Electricity Business for Achieving a Low-Carbon Society ("the Action Plan") to organize industry-wide efforts to achieve a low-carbon society, in addition to the framework of voluntary efforts by the electricity business.

The Council will promote and support the individual measures that the member companies formulate and implement based on their respective business situations, and ensure that the Council's efforts for achieving the target will be effective. To ensure even greater effectiveness, the Council will check and evaluate the progress of the members' efforts and implement a Council-wide PDCA cycle.

Through the Council's activities, the power companies will promote effective measures to achieve a low-carbon society.

Overview of the Electricity Business Council for a Low-Carbon Society

Est.	February 8, 2016
Purpose	To ensure that the global warming countermeasures taken by the electricity business are effective by encouraging and assisting the voluntary and independent action plans of the Council members, thereby promoting effective global warming countermeasures for the entire business.
Activities	<ul style="list-style-type: none"> • Checking the progress of the action plan, and reporting and announcing the results • Reviewing and changing the action plan • Public relations activities for the Council • Providing information to the member companies • Any other activities needed to fulfill its purpose
Members (incl. prospective)	eREX Co., Ltd., Idemitsu Green Power Co., Ltd., ITOCHU ENEX Co., Ltd., eneserve Co., Ltd., ENNET Corporation, F-Power Inc., Osaka Gas Co., Ltd., Okinawa Electric Power Company, Inc., ORIX Corporation, Kansai Electric Power Co., Inc., Kanden Energy Solution Co., Inc., Kyushu Electric Power Co., Inc., Summit Energy Corporation, JX Nippon Oil & Energy, Shikoku Electric Power Co., Inc., Showa Shell Sekiyu K.K., Nippon Steel & Sumikin Engineering Co., Ltd., Diamond Power Corporation, Chugoku Electric Power Co., Inc., Chubu Electric Power Co., Inc., TESS Engineering Co., Ltd., Tepco Customer Service Corporation Limited, J-Power, Tokyo Gas Co., Ltd., Tokyo Electric Power Company, Inc., Tonen General Sekiyu K.K., Tohoku Electric Power Co., Inc., Hokuriku Electric Power Company, Hokkaido Electric Power Co., Inc., The Japan Atomic Power Company, Nihon Techno Co., Ltd., Japan Logitec Co-op, Premium Green Power K.K., Marubeni Corporation, Mitsui & Co., Ltd., Mitsuuroko Green Energy Co., Ltd. (36 companies)
Secretariat	Federation of Electric Power Companies

Reference: Action Plan for the Electricity Business for Achieving a Low-Carbon Society

Phase I: Reduction target for FY 2020

- Expect a maximum reduction potential of approx. 7 million t-CO₂ by adopting the Best Available Technology (BAT) that is economically feasible when building new thermal power plants.

Phase II: Reduction target for FY 2030

- Aiming for an emission factor of approx. 0.37 kg-CO₂/kWh (use-end) in FY 2030.
- Expect a maximum reduction potential of approx. 11 million t-CO₂ by adopting the Best Available Technology (BAT) that is economically feasible when building new thermal power plants.

- * The emission factor of approx. 0.37 kg-CO₂/kWh is the nationwide emission factor calculated based on the energy mix shown in the government's Long-term Energy Supply-Demand Outlook, and is estimated at approx. minus 35% from FY 2013 levels.

$$\left(\frac{\text{Estimated total CO}_2 \text{ emissions in FY 2030 (360 million t-CO}_2\text{)}}{\text{Estimated electricity demand in FY 2030 (980.8 TWh)}} = \text{Approx. 0.37 kg-CO}_2\text{/kWh} \right)$$

- * Approx. 7 million t-CO₂ and approx. 11 million t-CO₂ are the maximum reduction potential that can be expected by introducing BAT in major power source development activities since FY 2013.

Electricity Business Council for a Low-Carbon Society

General Meeting

Chair: Representative Director
(Elected from among the directors)
Participants: All member companies

Secretariat

- Organizing meetings
- External affairs, etc.

Board of Directors

Members: Elected from among the
member companies
(8 directors, 2 auditor-secretaries)



Roles

- Making changes to the Action Plan for Achieving a Low-Carbon Society (“the Action Plan”)
- Revising and abolishing rules
- Approving budgets and financial results
- Disposing of property
- Electing directors and auditor-secretaries, etc.

Roles

- Approving changes to the individual action plans of the companies
- Making decisions on changes to the Action Plan and on revising/abolishing rules
- Establishing, revising and abolishing detailed rules
- Approving of participation in (incl. returns to) the board meeting
- Checking the progress of the Action Plan, and deciding on the contents of announcements
- Requiring rectification by a violating member and deciding on the details
- Electing the representative director, etc.

PDCA Cycle Structure

 PDCA Cycle of the Council
 PDCA Cycle of the members

