

Summary of Press Conference Comments Made by Satoru Katsuno, FEPC Chairman,
on May 18, 2018

I am Satoru Katsuno, Chairman of the Federation of Electric Power Companies.

Today, I would like to talk about two topics: the draft of the Fifth Strategic Energy Plan and the demand and supply outlook for this summer.

1. Fifth Strategic Energy Plan (Draft)

First, I would like to address the draft of the “Fifth Strategic Energy Plan.”

At the meeting of the Government’s Strategic Policy Committee on the 16th of this week, the “Proposal” for Japan’s 2050 energy strategy, which was compiled by the Round Table for Studying Energy Situations, and the draft of the “Fifth Strategic Energy Plan,” which is based on the main points that had been proposed for revision of the strategic plan, were presented.

The draft plan presents a direction for Japan in which the current 2030 energy mix structure, power source configuration and other basic policies are maintained while expanding and strengthening measures that take will into account changing conditions.

In addition, based on the “Proposal” put forward by the Round Table for Studying Energy Situations, the Strategic Policy Committee also adopted an “ambitious dual-track scenario” that pursues the feasibility of various options as we head toward 2050.

To realize the 2030 energy mix put forth in the revised plan, we believe it is important to accelerate fundamental initiatives in all areas, including the adoption and expansion of renewable energies with the aim of establishing these as principal power sources and the restarting of nuclear power plants.

In addition, for decarbonization and long-term energy transition as we move towards 2050, we will also work to construct the next generation network system with an eye towards large-scale adoption of renewable energies as well as further increasing the efficiency of thermal plants necessary for them to maintain the capability to accommodate renewable and other energies.

There is no change in the vital importance from the “S+3E (Safety, Energy security, Economic efficiency and Environmental conservation)” standpoint that Japan, which has scarce energy resources and inability to form electricity networks with neighboring countries, realize a balanced energy mix that is not overly dependent upon a specific power or fuel source.

Nuclear power generation will continue into the future as an important baseload power source responsible for providing between 20 to 22% of Japan’s energy mix in 2030.

Along with appropriately complying with the new regulatory requirements, we will aim to restart nuclear power plants as soon as possible as we assure an even higher dimension of safety that exceeds the regulatory framework while collaborating with the new organization, which is currently be considered by the New Nuclear Power Organization Establishment

Preparation Office, as well as other institutions, and we will strive to safely operate the plants that have already been restarted.

In addition, nuclear power generation is positioned as a “decarbonization option that is at the practical application stage” within Japan’s long-term energy vision for the 2050 future as well.

As nuclear operators in the country that experience the Fukushima Daiichi Nuclear Power Plant accident, we have resolved to break new ground for the future of nuclear power and continuously take up the challenge of pursuing safety and economic efficiency in our hope to prepare also for new additions and replacements in the future.

2. “Demand and supply outlook for this summer”

Next, I would like to talk about the demand and supply outlook for the coming summer.

Although I mentioned this topic at my press conference last month, the demand and supply outlook for this summer is now under review by the Government’s Electricity and Gas Basic Policy Subcommittee after having been deliberated by the Organization for Cross-Regional Coordination of Transmission Operators the day before yesterday.

The forecast for this summer enables the capacity to be secured that is required for stably supplying electricity in all areas. Although the government is not supposed to call for power consumption to be reduced, the supply side is still significantly dependent upon fossil fuel power generation such that we will inevitably have to continue to make use of aging thermal power facilities.

We have taken into account that TEPCO Power Grid’s power transmission and distribution area experienced a strong cold wave this past winter as well as problems at fossil fuel power generation facilities, both of which strained demand and supply. We will do continue to do our utmost in terms of both supply and demand to be ready for any increases in demand due to higher temperatures this summer as well as any risks that supply capacity might decrease due to equipment issues.

At the end of last month, 10 electric power companies announced their 2017 earnings. Total fuel costs were approximately ¥3.8 trillion, which is roughly ¥450 billion higher than the previous fiscal year when fuel costs accounted for about ¥3.3 trillion.

In addition to the high weight that fossil fuel power generation still accounts for, this is also due to the rise in crude oil prices and the trend of a weaker yen in addition to other elements.

Within this context, the uncertain political situation in the Middle East and other factors has pushed the price of crude oil to its highest mark in three years and five months, exceeding \$70 a barrel. Along with the continuing trend of fossil fuel prices to rise, we foresee an unpredictable international situation with regard to energy.

The current situation into account has renewed our awareness of the very major role that nuclear power as well as renewable energies fulfill.

The environment in which the electricity business operates is undergoing significant

changes. However, even within this sphere, we will continue our untiring efforts to appropriately meet the expectations and needs of our customers, everyone in the siting communities as well as the broader society as we maintain the prioritization of safety above everything else so that we may fulfill our basic mission of delivering environmentally friendly, good quality and inexpensive electricity safely and stably, and we will also strive to regain your trust in us.

This will conclude my segment today.

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