

Summary of Press Conference Comments Made by Kazuhiro Ikebe, FEPC  
Chairman on November 18, 2022

I am Kazuhiro Ikebe, Chairman of the Federation of Electric Power Companies (FEPC).

Today, I will talk about four topics: electricity supply and demand this winter and our request to the public to conserve energy, response to the Japanese government's measures to reduce the burden of electricity costs on customers, efforts to further increase the capacity factor and enable long-term operations at nuclear power plants, and GX Implementation Council discussions on shouldering the cost of decarbonization as a society.

<Electricity supply and demand this winter and our request to the public to conserve energy>

First, I'd like to talk about electricity supply and demand this winter and our request to the public to conserve energy.

On November 1, the national government held a Meeting to Discuss Electricity Supply and Demand where they expressed the view that electricity supply and demand outlook for this winter remains grim.

The situation remains tense, and we will need to remain vigilant for increases in electricity demand from falls in temperature that exceed expectations, unplanned shutdowns of electrical facilities, and disruptions in fuel supply due to the effects of the situation in Ukraine. We will continue to implement all available measures on both the supply and demand sides, but we ask for your continued support in using electricity efficiently continuing from the summer as we head into winter as requested by the Japanese government.

Utilities have also set up energy conservation programs and are working on developing services that will benefit customers who conserve energy. We hope that these measures will be well received by the public. We, the FEPC, has also

announced the electricity supply and demand forecasts and made requests to the public to conserve energy today. We will keep on calling out to the public to conserve energy through our website, social media, and various media outlets. We hope that the media will help us disseminate this message.

<Response to Japanese government's measures to reduce the burden of electricity costs on customers>

Next, I'd like to talk about our response to the Japanese government's measures to reduce the burden of electricity costs on customers.

On October 28, the Japanese government announced an economic package, in which the financial burden of the high electricity prices will be alleviated starting at the earliest possible date in 2023 until September 2023 through the billing systems of retail electric operators. Low-voltage household customers can expect to see a deduction of 7 yen per 1 kWh equivalent to about 20% of the current household electricity rate and high-voltage corporate customers a deduction of 3.5 yen per 1 kWh equivalent to the FIT surcharge from their bill. We as operators will cooperate closely with these government measures.

As a result of the situation in Ukraine, fuel prices are at never-before-seen highs. The regulated electricity rate for all FEPC utilities have reached the fuel cost adjustment system cap. Utilities are covering amounts exceeding the cap, which is putting downward pressure on utility financials. In the FY2022 2nd quarter earnings report, nine out of the 10 of former general electricity utilities announced reduced profits and negative earnings; the full-year forecast also predicts significant losses. Continued losses could affect our core mission of providing electricity stably. Multiple utilities are being forced to consider raising electricity prices including regulated rates to circumvent such a scenario.

All utilities will continue to do the utmost contain the effects of fuel prices, which includes promoting energy conservation, in addition to thorough streamlining, while also keeping in mind that stabilizing management and securing stable supply are critical. Along with these efforts, a review of the

regulated rate system, which currently doesn't allow swift revision of rates, will also need to be implemented. We will continue to work on our mission of securing stable supply and realizing carbon neutrality, while pursuing economic efficiency.

<Efforts to further increase the capacity factor and enable long-term operations at nuclear power plants>

Next, I'll move on to "efforts to further increase the capacity factor and enable long-term operations at nuclear power plants."

In the 2nd GX Implementation Council held in August, the maximal use of existing nuclear power plants through extension of the operating period was put forth as one of the issues that require a political decision. The Japanese government is currently fleshing out the details in various councils.

Amidst this development, the Nuclear Regulation Authority also discussed regulating safety in aging plants on November 2 and 16. On November 8, the METI Nuclear Energy Subcommittee set out some options for the future of the operating period, and requirements when authorizing the extension of the operating period from the perspective of policies on using nuclear power. It is our understanding that going forward the national government will discuss rules for ensuring the safety of nuclear power from both the regulatory perspective and perspective on the use of nuclear power.

We believe that the best way for aging plants to be regulated is for the safety of each plant to be verified on an individual basis from a scientific and technical perspective. With the verification of safety through these regulations as a prerequisite, policy on the use of nuclear power should be shaped to allow early restart in the immediate future and allow nuclear power generation to contribute to society in the mid-to-long term, in order ensure stable supply of electricity and to achieve carbon neutrality.

In terms of efforts promote long-term operation on the industry side, operators, CRIEPI, manufacturers, general contractors and other parties concerned are already coming together to gather data and expanding knowledge. Recently,

nuclear operators have been working on maintaining and improving the safety of existing plants based on the report on expanding knowledge of aging degradation for safe long-term operation compiled by ATENA.

The Safety Management Reform Task Team, that we introduced last month, has held three meetings where operators share their efforts to strengthen organizational management. The Task Team discussed initiatives that needed to be improved, to be introduced by each operator, or to be tackled on an industry-wide level. We will continue to ensure that the importance of continually enhancing safety permeates the industry, as we pursue safety together as an industry.

As operators, we will take the discussions of the Japanese government seriously, and work steadily always prepared to act to ensure nuclear power plants can restart early in the short-term and that nuclear power generation can contribute to society in the mid-to-long term with continued safety as a prerequisite.

<GX Implementation Council discussions on shouldering the cost of decarbonization as a society>

Finally, I will talk about GX Implementation Council discussions on shouldering the cost of decarbonization as a society.

The 3rd GX Implementation Council was held on October 26, where discussions of growth-oriented carbon pricing framework including the GX economic transition bonds, and the use of GX league.

To realize green transformation (GX), a carbon neutrality roadmap and milestones for Japan as a country will need to be developed to help industries and companies working on GX run PDCA cycles, setting unique goals, investing as well as recoup their investments at the appropriate time through the GX league. It is said that more than 150 trillion yen will need to be invested into GX in the next ten years to realize GX. To ensure government's support in the form of GX economic transition bonds spark the fire for private investment, the use of

the funds generated through the transition bonds will need to be clarified. In the context of the energy sector, the funds need to be used in ways that contribute to the decarbonization and growth of Japan: on the supply side this may be investment into R&D and promotion of investment into renewables and innovative nuclear reactors, which are decarbonized power sources, as well as hydrogen, ammonia and CCS; and on the demand side, this may look like subsidies for introducing heat pumps.

There is a plan to secure funds from the public, as a cost shouldered by society, through carbon pricing. However, the effects on carbon emission reductions, on the macro economy and industrial competitiveness, the principles for having the public shoulder costs will need to be considered, as well as consistency with the existing FIT system, carbon taxes and petroleum and coal tax. In addition, thorough discussions need to be had to ensure that it doesn't hamper the stable supply of energy and electrification, which is critical for carbon neutrality.

The electricity industry has a big role to play in realizing carbon neutrality by 2050. We will have in-depth discussions on realizing this challenging goal and will work actively and comprehensively to contribute to achieving stable electricity supply, global warming measures, and the development of Japan's society overall all at the same time.

This is all from me today.

END