

Summary of Press Conference Comments Made by Kazuhiro Ikebe, FEPC
Chairman on September 15, 2023

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

Today, I'd like to talk about three topics: 1) electricity supply and demand this summer, 2) system design to secure a stable supply of electricity in the mid-to-long term, and 3) the GX budget request and promotion of the heat pump.

1. Electricity supply and demand this summer

I'll first talk about electricity supply and demand this summer. Typhoon Khanun (Falcon; Typhoon #6) and Typhoon Lan (Typhoon #7), which hit the Japanese archipelago in August, and Typhoon Yun-yeung (Typhoon #13) which made landfall last weekend, damaged electric utility facilities across Japan. Some regions even experienced extended outages. We again apologize for the great inconvenience this outage has caused.

We, as electricity utilities whose greatest mission is to provide electricity stably, believe in the importance of preparing for typhoons and other natural disasters on a daily basis and swiftly recovering any equipment and facilities once they are damaged. We will continue to cooperate as well as with the national government and local municipalities to do everything possible to prevent damages from disasters and recover quickly from disasters.

July and August saw record-breaking heat waves sweep Japan. Despite this, we were able to maintain stable electricity supply through preparations in collaboration with the national government to secure supply capacity, utilities' efforts in facility maintenance, a fortunate lack of major power plant issues, and the cooperation of the public, especially those in the TEPCO area, in conserving energy. We want to again thank our customers who cooperated in our efforts to conserve energy. Japan

remains hot in September. We as electricity utilities will continue to be vigilant.

2. System design to secure a stable supply of electricity in the mid-to-long term

Next, I will talk about system design to secure a stable supply of electricity in the mid-to-long term.

In addition to securing short-term supply of electricity as we discussed above, securing mid-to-long term supply capacity is also a critical issue that needs to be tackled. The first Long-term Decarbonized Power Source Auction, which aims to increase certainty in revenue over the long term, is scheduled to be held in January of next year, and registration for it will start this October.

To secure stable electricity supply and realize carbon neutrality, a business environment must be created that increases certainty in developers' ability to recoup investment into the power generation business in order to encourage investment into power sources. There should be the option to secure many different types of decarbonized power sources. Various measures should be pursued to develop such a business environment and we believe it is very meaningful that measures to increase predictability for recouping investments into power sources are being implemented through this system and the capacity market.

At the same time, to balance a stable supply of electricity with carbon neutrality, many different types of decarbonized power sources must be developed. Systems need to be designed to encourage developers to develop a balanced mix of different power source facilities. In addition, for generators to operate the power generation business in the long term, there must be a mechanism that can address future uncertainties in regulation, technologies, economic landscape and costs. We hope that these systems will continue to be expanded from these perspectives.

We will continue to cooperate in national government council meetings to ensure these mechanisms will be effective in encouraging investment into power sources.

3. GX budget request and promotion of the heat pump

Next, I'd like to talk about the GX budget request and promotion of the heat pump.

As mentioned separately, the national government's GX Implementation Council has presented a policy to invest over 150 trillion yen in GX over the next 10 years. As an advanced support measure for the next 10 years, GX economy transition bonds on the scale of 20 trillion yen will be issued starting in FY2023. Potential areas for these investments that have been raised are R&D for and in the deployment of renewable energy, innovative reactors, and other decarbonized power sources as well as hydrogen, ammonia, and CCS, and the deployment of heat pumps.

Following discussions in the 7th GX Implementation Council held on August 23, general budget requests for GX were made, and over 2 trillion yen was budgeted for FY2024.

A portion of the budget was allocated to encouraging the adoption of high-efficiency water heaters using equipment such as heat pumps for the household sector in addition to supporting R&D of next-generational nuclear reactors. We hope effective support will be provided for GX initiatives based on this allocation of funds.

Today, I want to go deeper into the usefulness of these heat pumps.

Categorized as general energy-saving equipment in national government-subsidized projects, heat pumps not only are energy saving but also effectively utilize a type of renewable energy—atmospheric heat. Currently, the atmospheric heat used in heat pumps is not included in official energy statistics despite it being defined in the Sophisticated Methods of Energy Supply Structures Act as a source of renewable energy.

For example, in air heating, the heat pump uses 1 unit of electricity and absorbs 6 units of energy from atmospheric heat to provide 7 units of energy that can be used to heat the room. The 6 units of energy extracted from atmospheric heat in this example can be counted as renewable energy.

Europe includes the atmospheric heat used in these scenarios in their energy statistics, and European countries as nations are designing systems and providing support to encourage the spread of heat pumps. We believe that Japan should also measure and account for used atmospheric heat in its official energy statistics.

Estimates by the Heat Pump & Thermal Storage Technology Center of Japan show adding the atmospheric heat used by heat pumps just for heat would increase the FY2020 energy self-sufficiency rate to 15.7%, pushing up the rate by 4.5 points. Expanding the use of atmospheric heat through the deployment of heat pumps would not only increase the amount of renewable energy used but could greatly contribute to the energy self-sufficiency rate of resource-poor Japan.

As utilities, we will continue to increase the non-fossil power source ratio by maximally using nuclear power plants and encouraging deployment of renewable energy, as well as reduce CO2 emissions from thermal power plants on the supply side; while promoting electrification through the deployment of heat pumps on the demand side.

I want to emphasize to the media that the heat pump is a technology that has the potential to expand our use of renewable energy and contribute to Japan's energy security.

<Finally>

I want to close on our efforts to comply with the Anti-monopoly Act.

On September 13, the day before yesterday, we announced the initiatives we will be taking and the results of the investigation by an expert team of lawyers in

response to the request from the Fair Trade Commission on compliance with the Anti-monopoly Act. We believe that, regardless of whether we acted in violation of various laws and regulations including the Anti-monopoly Act, we should not behave in a way that casts doubt on whether there is fair competition. We take the reports and the recommendations issued by the expert team seriously.

Going back to the FEPC's purpose of "contributing to the development of Japan's economy and improvements in people's lives through the sound development of the electricity business", we will flesh out and steadily implement initiatives to further ensure compliance with laws and regulations to fulfill our mission of providing a stable supply of electricity and achieving carbon neutrality in 2050.

This concludes my remarks for today.

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