

Summary of Press Conference Comments Made by Kingo Hayashi, FEPC Chairman
on May 17, 2024

I am Kingo Hayashi, Chairman of the Federation of Electric Power Companies (FEPC).

I have two topics to talk about today: 1) the electric industry's views on the revision of the Strategic Energy Plan and 2) Genkai-cho's announcement of their intent to allow a literature survey for the final disposal of specific radioactive waste.

On the first topic of revising the Strategic Energy Plan: the Strategic Energy Plan is the compass for Japan's energy policy. Responsible and thorough discussions are essential for this Plan that underpins our country's economy and the livelihoods of the people. We have identified seven key points of discussion or expectations that we hope to see addressed in these discussions.

Point of discussion (1) is to "set scenarios considering the uncertainties of the future." With the push toward decarbonization to achieve carbon neutrality in 2050 and digitalization, electricity demand is expected to grow substantially in the future. To ensure we have enough supply capacity in the future, Japan must build facilities and develop an energy mix informed by realistic and highly probable demand estimates, considering construction lead times.

At the same time, making precise predictions regarding demand or developments in decarbonization technology is difficult and a very ambitious goal is expected to be set for nationally determined contributions (NDC) for reductions in carbon emissions next February. In this environment of uncertainty for the future, we believe a flexible approach to discussions will be essential where multiple scenarios are considered to allow for effective demand predictions and development of an energy mix.

Point of discussion (2) is “the importance of stable supply and energy security.” Reduced predictability in operators’ ability to recoup investments due to destabilization of fuel procurement from the heightened geopolitical risk and the suspension and decommissioning of thermal power plants with reduced availability, have slowed down investments in power sources. To protect the economy and the livelihoods of the people, we believe Japan needs to build a system to encourage investment by, securing predictability in power source construction, maintenance and management, as well as fuel procurement, with an understanding of the importance of stably supply and energy security. The results of the first Long-term Decarbonization Power Sources Auction, a new initiative, was announced last month. This Auction together with the Capacity Market is an important system for recovering fixed costs, and we believe it needs to be continually improved and enhanced to increase its effectiveness.

We’ve organized the points of discussion (3) through (7) by the type of power source.

For point of discussion (3) on renewables, we will continue to maximally deploy them as a domestic power source that has a lot to contribute for decarbonization. Discussions need to be had on the development of an appropriate power grid and cost apportionment taking into account stable supply and economic efficiency.

Point of discussion (4) is about the use of nuclear power generation. Though the GX Strategy has set out a policy to “maximally utilize” nuclear power toward the goal of balancing stable supply with carbon neutrality, the current Strategic Energy Plan states “reliance on nuclear power should be minimized as much as possible.” We urge the government to revise this statement and clarify the position of nuclear power by clearly stating the need to build, expand, and replace nuclear power plants in addition to restarting existing ones. This will require financial assistance for projects that have a high upfront costs and the development of a system that allows operators to recover costs continuously. In addition, the division of roles between the government and the private sector in the long-term backend business and the revision of the Act on

Contract for Indemnification of Nuclear Damage Compensation also should be debated.

Point of discussion (5) is about thermal power generation. Thermal power generation plays an important role in not only securing the necessary supply capacity for stable supply but also for securing balancing capacity which is critical for expanding renewable power. The new Plan needs to clearly state the policy of maintaining thermal power at a certain scale and to determine the role that existing plants will play. At the same time, thermal power plants that co-fire hydrogen, ammonia, and other decarbonized fuel must be situated as a transition power source and its role in achieving carbon neutrality needs to be clarified.

Point of discussion (6) is about demand-side initiatives. 60% of CO₂ emissions come from the household, transportation, and industry sectors. To achieve decarbonization, electrification such as the use of heat pumps that use atmospheric heat, will be critical. Atmospheric heat, defined as a renewable energy in the Act on Sophisticated Methods of Energy Supply Structures, should also be defined as a renewable energy in the next Strategic Energy Plan and the deployment heat pumps should be encouraged to increase Japan's energy self-sufficiency rate.

The final point of discussion, (7), is about developing the appropriate environment for cost apportionment in order to realize GX. Japan is planning to introduce carbon pricing to fund the GX strategy. If a large portion of that burden were to be borne by the generating operators, electricity consumers may find it difficult to reap the benefits of using electricity. This may disrupt the balance between benefits and burdens. We want to prevent a situation where burdens in the form of excessively high electricity charges hinder electrification, which can significantly contribute to advancing decarbonization. In designing the system, the right balance between benefits and burdens needs to be struck and a mechanism needs to be established that allows the burden to be borne fairly and appropriately by all members of the public. This requires the understanding of the public, and we ask the government to foster this

understanding during these discussions.

Economic feasibility must also be taken into account when implementing these points of discussion and expectations for the revision of the Strategic Energy Plan. Decarbonization cannot be achieved without an increase in energy costs. We must decide on the path to take considering the cost apportionment.

As important discussions for the revision of the Strategic Energy Plan begin in earnest, we are committed to fully cooperating with and expressing our opinions as utilities that will be implementing these measures.

The next topic is the Genkai-cho's announcement of their intent to allow a literature survey for the final disposal of specific radioactive waste.

Mayor Shintaro Wakiyama of Genkai-cho announced their intent to accept a literature survey for the final disposal of specific radioactive waste.

We've seen Suttsu-cho and Kamoenai-mura accept a literature survey and reach the stage of compiling a draft survey report. However, no other municipalities had followed their lead. We are very grateful that the Genkai-cho has made this momentous decision. We want to express our heartfelt respect to the people involved.

The final disposal of specific radioactive waste is an important issue that must be solved. We must take steps to resolve this in our generation so as not to put off the burden to future generations. Against this backdrop, the number of regions willing to accept the literature survey expanding is very meaningful in terms of sparking discussions and deepening understanding of the people.

Utilities, together with the government and the Nuclear Waste Management Organization of Japan ("NUMO"), have formed a joint team and are visiting municipalities. It was reported in the Specific Radioactive Waste Subcommittee that in

FY2023, the team visited the heads of over 100 municipalities.

As utilities, and as operators with a fundamental responsibility as a generator of the specific radioactive waste, we will, together with the Japanese government and NUMO, continue to engage in dialogue with the people of these municipalities. We will continue to work on deepening the people's understanding of the final disposal business and capture their interest.

This concludes my remarks for today.

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