Summary of Press Conference Comments Made by Kingo Hayashi, FEPC Chairman on December 20, 2024

I am Kingo Hayashi of the Federation of Electric Power Companies of Japan.

Today, I have two topics to talk about: 1) the draft of the 7th Strategic Energy Plan, and 2) reflecting on this year and the resolution for next year.

Regarding the first topic of the draft of the Strategic Energy Plan, this week's Strategic Policy Committee presented the drafts of the energy mix and next Strategic Energy Plan. As we've mentioned before, the Strategic Energy Plan is the compass for Japan's energy policy that steers the country toward the future we want.

Since last May, we, operators, have been speaking up at various opportunities. What was unique about this meeting was that business organizations and industry groups also indicated their opinions and made recommendations based on our country's industry policy. I want to pay my respects to those involved in discussions to balance a stable supply of energy with decarbonization even in the face many different challenges.

The draft puts a stable supply of energy, out of the basic principles of S+3E, at top priority in line with GX discussions. It also highlights the importance of energy security. To realize GX, the country needs to dramatically change its industrial structure. Securing the electricity necessary to support that will be an important theme going forward. I think it is very meaningful that this was included in the draft and that the draft clearly stated the need to develop an appropriate business environment to realize this vision such as systems and measures to secure predictability for operators and financing measures.

The Committee also presented a realistic energy mix target. This energy mix was

presented in ranges based on multiple scenarios that take into account various uncertainties including a scenario in which electricity demand continues to grow, in order to secure enough supply capacity. The breakdown of energy sources is balanced, not overly dependent on any specific power source or fuel, with an eye toward decarbonization. It is especially important that renewable energy and nuclear power were not presented as a binary, and the draft strives to maximally utilize both.

Moving onto each of the power sources mentioned, I think a very important change introduced in this draft is that it clearly states that nuclear power will be maximally used as an energy source that will be core to realizing GX and a stable supply of electricity. In addition, the policy to allow nuclear operators who have decided to decommission their plants to replace them within the site of the power plants they own, which had not been allowed in the GX basic policy, will expand their options.

Looking forward to the goal of achieving carbon neutrality in 2050, capacity demand is projected to decrease in the 2040s even as electricity demand continues to climb. With this in mind and to maintain the supply chain, I believe the government should set a national goal in regards to the development scale of electricity infrastructure, and it is disappointing that no numerical goals were set in this draft. Construction and expansion of nuclear power plants will also be necessary to sustainably use nuclear power in the future, and we will continue to petition the government on that front. We also intend make steady progress on implementing concrete items to accelerate progress on the backend business laid out in the draft.

In terms of renewables, the draft succeeds the current Plan’s policy of turning renewables into a main power source. As operators, we want to continue working to expand its deployment considering the costs of integrating renewables into the grid as laid out in the Generation Cost Verification WG.

I also think it is important that the need for transition in thermal power, which serves

an important role in renewables deployment, provided that a stable supply is achieved, was also included in the draft. Though we will continue to phase out non-efficient thermal power sources, we will be pursuing a realistic transition and decarbonization of thermal power, while ensuring that stable supply is secured.

To ensure a stable supply, I believe we will need to maintain and utilize existing thermal power plants including high-efficiency coal-fired plants. To this end, we believe discussions need to be continued as systems to maintain existing thermal power plants in the transition period, such as a modification of the capacity market to ensure operators can recover costs as well as recover stranded costs, need to be enhanced and supply chains and engineers need to be maintained.

On the demand side, the basic policy of decarbonizing power sources and advancing electrification in fields where electrification is possible was reiterated. The use of heat pumps, including assistance for installing high-efficiency boilers, was also included in the draft. We are also committed to further deploying heat pumps and using them in DR.

These are my views as an electric utility on the version of the draft currently available. Considering the lead times for updating energy infrastructure, 2050 is the near future. We don’t have much time left. We need to continue to flexibly develop energy policy. As operators, we will also continue to do our best to realize a stable supply and GX at the same time.

Next, I would like to talk about my reflections for 2024 and my resolution for 2025.

There is one week remaining in 2024. 2024 passed remarkably quickly-starting with the Noto Peninsula Earthquake on New Year’s Day, the environment surrounding the energy industry has undergone many changes this year.

The Noto Peninsula Earthquake in particular was a reminder of the importance of

stable supply. I'd like to pay my respects to the Hokuriku EPCO Group and parties across the country who worked to quickly recover power to the area. The Noto region experienced torrential rain in addition to the earthquake. I offer my condolences once again to those who were affected by these natural disasters.

2024 also saw major developments in politics. Japan formed a minority government for the first time in over 30 years. There were also large political changes abroad: Europe saw a rise in right-wing parties, and former President Trump was reelected as President and the Republican Party won both the House and Senate in the US.

The international landscape surrounding energy remains uncertain and even more complex with the Ukraine situation and worsening of the Middle East conflict. On the other hand, even amid the trend towards decarbonization, it has become clear that each country is pursuing its own national interests, as seen in Europe, where countries are resuming the use of nuclear power and further developing their LNG infrastructure. Resource-poor Japan will also need to think flexibly to further develop our country.

Turning toward domestic events, significant progress was made recently in nuclear power. Tohoku EPCO's Onagawa Unit 2 has restarted, and the reactor for Chugoku EPCO's Shimane Unit 2 has also been started up, and is scheduled to be restarted next week. Kansai EPCO's Takahama Unit 1 has been operating safely and stably for over 50 years since it started operation.

On the backend process front, there were changes to JNFL's Reprocessing Plant timeline for completion but the start of the Mutsu Intermediate Storage business, was a large step forward in achieving the nuclear fuel cycle. There was also progress made on the final disposal front with the literature review starting in Genkai-cho, and public disclosure of the report summary at two towns in Hokkaido.

Despite the challenging circumstances surrounding energy domestically and

internationally, 2024 was a time of important moments for the industry with the progress made in the nuclear energy business and the revision of the Strategic Energy Plan that I mentioned above.

In 2025, we must flesh out the design of systems to realize energy policy to secure a stable supply and realize GX at the same time under the next Strategic Energy Plan. With this in mind, I want to make 2025 “a year of making steady progress and putting things into action.” As operators, we must implement every measure and use every method available to get things done and fulfill our roles, which include providing a stable supply of electricity.

An in April 2025, Expo 2025 will start in Osaka, Kansai. We are planning many exhibits and events for visitors to enjoy. We are excited to be a part of the Expo as a pavilion from the private sector.

Last but not least, I want to thank the Energy Press Club and the media for their support over the past year. I would like to ask for your continued support in 2025. I wish you and your families the very best holiday season. This concludes my remarks for today.

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