

Summary of Press Conference Comments Made by Kingo Hayashi, FEPC
Chairman on
January 17, 2025

I am Kingo Hayashi of the Federation of Electric Power Companies of Japan. I appreciate your continued support this year.

Last year, we experienced the Noto Peninsula Earthquake on New Year's Day. It was a rough start to the year. Thankfully, we have not had any major disasters or equipment issues this year, and the power supply and demand has been stable. Overall, I believe we have been able to usher in a fresh new year with a sense of calm.

In this first press conference of the year, I want to share my resolutions for the year. As I mentioned in last year's final press conference, I want this year to be "a year of making steady progress and taking action."

Japan unfortunately has seen domestic investment stagnate and a decline in its economic standing. To overcome this, we must build an industrial framework that can provide high added value through technological innovation for GX realization and DX-enhanced industrial supply chain. Establishing economic security and staying competitive on the global stage by advancing our initiatives is essential. As a foundation for these efforts, an infrastructure for a resilient energy supply and sufficient resources need to be secured.

To achieve decarbonization, Japan must cooperate on a global scale and lead Asia through frameworks such as Asia Zero Emission Community (AZEC). By leveraging our technical expertise, we can make meaningful contributions to effective decarbonization on a global scale. Now is the time for private and public sectors to come together and for Japan as a country to tackle decarbonization.

With this as a backdrop, the Japanese government issued a draft of the Strategic Energy Plan and GX2040 vision at the end of last year. This set out a realistic policy that focuses on balance without relying too heavily on any specific power source or fuel in this environment of uncertainty and growing electricity demand, with energy security and stable supply as the top priority. The draft and vision also added flexibility that looked toward balancing economic growth with decarbonization, covering risk scenarios depending on the level of renewables deployment and the importance of securing LNG to address that risk. Implementing these plans will be critical going forward.

As operators, we are committed to fulfilling our mission of securing stable supply every day while decarbonizing on the mid-to-long term and securing supply capacity for the future. To this end, we will invest all our resources and pursue all options, including expanding renewables deployment, maximally using nuclear power, and decarbonizing thermal power. On the nuclear power front, we will work to run online plants stably and restart our shutdown plants with safety as the priority. Though not included in the draft of the Strategic Energy Plan, we believe Japan should have nuclear power plant development scale targets to maintain supply chains. We also expect expansion and construction of nuclear power plants will be necessary sometime in the future.

This year, under the new Strategic Energy Plan, discussions will accelerate on fleshing out system design. To achieve stable supply, economic growth, and decarbonization at the same time, systems and measures that secure supply capacity from a long-term perspective must be developed, taking into account the lead times for developing power sources.

In concrete terms, the existing long-term decarbonized power sources auction needs to be revised to be able to address fluctuations in revenue and costs from

changes in the market environment during the operating period, and new systems and measures must be implemented.

Developing an appropriate financing environment is also critical to developing a business environment for large-scale power sources such as nuclear power plants toward decarbonization and other measures. To create an environment where investors and financial institutions deem electric infrastructure a worthwhile investment, the public sector must enhance credit and provide loans using government credit as laid out in the Strategic Energy Plan. To ensure that it is an effective mechanism for operators to raise funds, there needs to be discussion around increasing predictability in recovering investments.

GX-ETS, a part of the growth-oriented carbon pricing strategy, is set to launch in FY2026. However, the short lead time to launch makes changing power composition in time difficult. If operators are overly burdened, opportunities for investment and the funds necessary for decarbonization may be lost. Major industries could move out overseas as a result. The system needs to be designed carefully taking the transition into account.

Additionally, from the perspective of preventing double burdens between the fossil fuel surcharge that will be introduced in fiscal year 2028 and the GX-ETS, as well as considering the fairness between energy sources in relation to the expansion of target businesses for the paid auction system set to be introduced in fiscal year 2033, we believe it is necessary to engage in thorough discussions.

Operators will cooperate in future discussions to flesh out these policies and create a better system.

We have many challenges ahead of us including completing the Rokkasho Reprocessing Plant, whose completion schedule was revised last year, promoting

spent fuel measures and final disposal, as well as backend challenges. We will continue to work within the electricity industry and with manufacturers and other private sector industries to address these challenges.

This year is also the year of the Expo 2025 Osaka, Kansai, Japan and we are less than 100 days from its opening. The FEPC will be hosting the “Electric Power Pavilion -Eggs of Possibilities-” under the theme of “New Energy Possibilities for Brighter Future.” We look forward to welcoming a lot of visitors to the Expo, which is the first Expo to be held in Japan in 20 years, and invite children to our venue to think about the future of energy.

This concludes my remarks for today.

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