

Summary of Press Conference Comments Made by Nozomu Mori, FEPC
Chairman on July 17, 2026

I am Nozomu Mori of the Federation of Electric Power Companies of Japan.

Today, I will talk about supply and demand projections for the mid-to-long term and measures to secure supply capacity.

Summer is officially here. As we mentioned previously, all areas across Japan are expected to be able to achieve at least a reserve rate of 3% this summer, which is the minimum necessary rate to secure a stable supply of electricity. This projection assumes that approximately 1000 MW of supply capacity through public procurement of additional supply capacity (public kW procurement) of up to 1200 MW, conducted by general transmission and distribution operators in the Tokyo area. Currently, electricity is expected to be supplied stably this summer.

Maximum efforts will continue to be undertaken to secure stable supply taking into account contingencies that could affect supply and demand such as unplanned shutdown of large power sources and electricity demand increases that exceed projections.

Turning to medium-term supply and demand, the Balancing Capacity Committee held last month discussed electricity supply and demand projections for the mid-to-long term. It should be noted that estimates set out in these discussions are based on certain assumptions, and many factors on both the demand and supply sides can fluctuate —however, when assuming high electricity demand due to one-in-ten year weather conditions, the Tokyo and Tohoku areas in FY2029 is projected to have a reserve rate of 1.6%, below the 3% number said to be required for stable supply.

For the longer term, Organization for Cross-regional Coordination of Transmission Operators, JAPAN ("OCCTO") published a summary of the discussions in the Review Meeting on Future Electricity Supply and Demand Scenarios last July, which included scenarios for 2040 and 2050 that shows shortages in supply capacity could occur even if renewable energy deployment is expanded, nuclear power is utilized and thermal power plants are replaced.

The medium-term and long-term supply and demand outlook are challenging, and operators are viewing these projections with a deep sense of alarm. We will continue to do our utmost to maintain generating facilities appropriately and procure fuel stably to secure stable electricity now and in the future.

Taking this situation into account, we believe developing an environment that can support stable supply in the mid-to-long term is also crucial.

Today, parts of the Electricity Business Act was revised. This revision is comprised of three pillars: promotion of the development of large-scale transmission lines and large-scale power sources, improving the environment for the stable and sustainable development of the electricity business, and enhancing the safety of solar power plants.

Specifically, the revised law introduces a loan program backed by government credit to support investment in large-scale power sources and the power grid, promotes electricity trading, and establishes a new mechanism to strengthen oversight of utility-scale solar power plants.

To be able to supply electricity in the medium-to-long term, we believe the business environment to be improved such that operators can invest for the future and business activities can be conducted stably and sustainably. We also believe that improving the reliability and safety of the electricity system overall, including enhancing the safety of solar power generation facilities, is crucial for supporting stable supply.

We therefore believe this revision introduced some very meaningful changes.

Detailed discussions regarding system design to be conducted later on, but we hope they will be conducted promptly to create effective systems that reflect the purpose of this revision.

Operators will steadily proceed with the maintenance and improvement of our electricity facilities, and continue to maintain and secure a stable supply of electricity.

As part of measures to support the stable supply of electricity in the mid-to-long

term, a government council is discussing revisions to the system in preparation for the 4th Long-Term Decarbonized Power Sources Auction to be held next January.

To secure necessary supply capacity for the future, Japan must secure decarbonized thermal supply capacity in addition to maximally utilizing renewable energy and nuclear power.

OCCTO's review of the future supply and demand scenario mentioned above states that to secure stable supply, even if electricity demand grows to 1.1 trillion kWh in 2040, new LNG-fired thermal power plants need to be built and existing plants replaced in the short-term.

Taking these projections into account, the government has set out a direction of aiming to procure around 39 to 55 million kW of LNG-fired thermal by 2040 in the 4th Auction.

To realize this target, a total of around 39 to 55 million kW will be procured in the seven years from FY2026 to FY2032, or around 5.5 to 8 million kW per year.

From our industry's perspective, we have also been reiterating that procurement targets need to be set with a long-term view, taking into account future supply and demand scenarios to secure stable supply in the future.

We believe it is very significant that the importance of LNG-fired thermal power was clearly reaffirmed and the direction of government support has been outlined, as this also helps in securing predictability in investment returns for operators.

At the same time, the environment surrounding investment into power sources can change significantly due to a variety of factors, from increasing construction costs due to inflation and the weakening yen, a lack of design and manufacturing capabilities on the manufacturer side and the lack of construction workers. We understand the council is in the process of discussing revising the price ceiling but continuing to flexibly revise systems in response to changes to the investment environment remains crucial.

As operators, we will continue to cooperate with verifications and discussions

on system design that will help enhance frameworks such as the Long-Term Decarbonized Power Sources Auction to balance stable supply with decarbonization now and in the future.

This concludes my remarks for today.

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