

# A Demand for the Restructuring of Energy Policy

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## 1. Introduction

(1) Energy provides the foundation of national livelihood and corporate activity. It is required of the government to fully draw on the lessons learned in the Fukushima Daiichi Nuclear Power Plant accident which occurred last year and to develop a responsible policy which assures safety as an indispensable prerequisite and appropriately balances energy security (a stable supply), economic efficiency and environmental suitability (S + 3E). Energy policy must not be an impeding factor to economic growth.

However, industry has deep misgivings about the government's recent policy.

(2) In the short-term, there is still no prospect for resolving the electricity shortage which has continued since the Great East Japan Earthquake; and therefore we are always forced to save substantial amounts of electricity during periods of tight supply and demand. Also, the increased use of thermal power as a consequence of the stoppage of nuclear power plants has caused higher electricity rates, and has induced an outflow of national wealth worth trillions of yen annually and a significant worsening of the current account balance.

(3) In terms of middle- and long-term energy policy, the Innovative Strategy for Energy and the Environment, formulated by the Energy and Environment Council in September this year, contains many flaws.

For example, its projections of both the volume and costs of introducing renewable energy and energy efficiency and conservation are excessively optimistic. Against this backdrop, if measures aimed to "enable zero operation of nuclear power plants in the 2030s" are forced through, it is obvious that electricity rates will soar and anxieties over the power supply will be stimulated. Given such circumstances, deep negative impacts on economy and society will be inevitable – for example, companies will be deprived of their competitiveness and job losses will be caused.

Furthermore, abandoning the nuclear option will lead to increased dependency on fossil fuels, which is problematic in terms of energy security for our resource-poor country and climate change

prevention. It is also feared that such policies will seriously affect Japan's relationship with the US, which has supported Japan as a partner in the peaceful use of nuclear energy.

(4) Industry has continued its untiring efforts to maintain domestic industry and employment in the midst of intensifying global competition. However, electric power supply uncertainty and the upward pricing pressure on electricity rates are already hindering domestic corporate activities. If such circumstances continue, an accelerated hollowing-out of industry and employment cannot be avoided.

The government of Japan should fundamentally restructure its energy policy as provided below:

## 2. Short-term energy policy

(1) First, the electricity supply-demand forecast and measures for next summer should be identified within the current fiscal year.

Then, in order for companies to confidently formulate their domestic production and investment plans, detailed measures and a roadmap for securing electric power in the next three to five years should be promptly identified.

(2) In order to resolve the uncertainty in electricity supply and to control the upward pressure on electricity rates, nuclear power plants whose safety has been assured must be restarted after gaining the understanding of the local government. However, despite its announcement of the necessity to resume nuclear power plant operations<sup>1</sup>, the government of Japan has not exhibited a concrete roadmap. This has provoked mistrust towards the government's attitude among Japanese citizens and local governments where nuclear-related facilities are located.

The government of Japan should immediately identify a roadmap for restarting nuclear power plants. Then, with the assurance of safety as an indispensable prerequisite, the restarting process must be pushed forward as quickly as possible through appropriate role-sharing and cooperation among the government, the Nuclear Regulation Authority, and electric power companies.

Furthermore, not only electric power companies but also the government and the Nuclear Regulation Authority are required to

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<sup>1</sup> The Innovative Strategy for Energy and the Environment provides that "the operation of nuclear power plants whose safety is assured will be restarted as an important power source."

provide credible explanations of the safety of nuclear power and the necessity of resuming operations in order to gain the understanding of Japanese citizens and local governments where nuclear power plants are located.

(3) Although the development and dissemination of renewable energy is important, its impact on national livelihood and corporate activity must be minimized to the extent possible.

From this perspective, the current feed-in-tariff program entails many institutional problems. It not only boosts electricity rates in an already upward trend but also impedes technological innovation. In Europe, where feed-in-tariff programs have a longer history of introduction, they are undergoing significant revisions due to sharp increases in public burden. Public burden will obviously rapidly increase in Japan as well if the current program remains unchanged; and therefore, its revision is urgently called for. Likewise, the tax for measures against global warming, which will push energy prices upwards, should also be reconsidered, including options to abolish it.

### 3. Middle- and long-term energy policy

(1) As mentioned at the beginning, the Innovative Strategy for Energy and the Environment entails a significantly large number of flaws. The realistic introduction potential of energy efficiency and conservation and renewable energy must be carefully reviewed based on thorough consideration of the appropriateness of the burden to be placed on the public<sup>2</sup>. Then, from the standpoint of maintaining a diversity of energy sources, including nuclear power, time should be taken for renewed discussions on an energy mix that will secure an appropriate balance of “S + 3E” in order to formulate a new Basic Energy Plan.

Climate change policy should also be fundamentally reviewed to ensure their consistency with energy policy.

(2) The following measures are required in terms of each energy source:

i. Nuclear power should be continuously utilized as base load power, with safety as an indispensable prerequisite. Therefore, it is important that under the newly established Nuclear Regulation Authority, public and international trust is recovered through

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<sup>2</sup> In terms of renewable energy, in particular, the entire picture of related costs, including those regarding backup power sources, power transmission and distribution networks and storage battery installation, must be made clear.

public-private collaboration.

The government is also required to responsibly consider ways for radioactive waste disposal.

Furthermore, from the perspective of securing a stable electricity supply by through maintaining diverse energy sources, amendments to the Act on Compensation for Nuclear Damage regarding the liabilities of the national government and plant operators should be steadily considered, as provided in the Supplementary Provision of the Law on Nuclear Damage Liability Facilitation Fund<sup>3</sup>.

ii. Thermal power generation such as coal-fired thermal power generation should be continuously utilized as an inexpensive and stable power source. Therefore, environmental assessment procedures should be rationalized<sup>4</sup> to the extent possible, and research and development and other efforts made for its verification and practical use should be enhanced in pursuit of even further efficiency and decarbonization<sup>5</sup>.

Also, in order to secure a stable fossil fuel supply, public and private sectors are required to join hands to acquire interests in natural resources and strengthen price negotiation power.

iii. In respect of renewable energy, the dissemination of expensive equipment should not be rushed; and instead, public and private resources should be concentrated on overcoming its weak points, such as its inefficiency and instability. Deregulation should be steadily promoted and focused research and development should be taken forward through the sharing of power generation efficiency targets, etc. among public and private parties, for example.

Furthermore, the research and development of storage batteries, which are indispensable for power stability, and the verification and standardization of the smart grid should also be prioritized.

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<sup>3</sup> In Article 6 paragraph 1 of the Supplementary Provisions to the Law on Nuclear Damage Liability Facilitation Fund, which was enforced in August last year, provides that the government “shall take necessary measures including fundamental review of amending the Compensation Act, etc. .... as early as possible after enforcement of the law.” According to an additional resolution of the law, “as early as possible” is defined as “approximately one year.”

<sup>4</sup> Recent developments in environmental assessment include the streamlining of procedures for thermal power plant replacement (Interim Report of the Liaison Conference on the Expedition of Environmental Assessment Procedures for Power Plant Installation). Proper screening procedures of CO<sub>2</sub> emissions are also required.

<sup>5</sup> For example, the verification of ultra-supercritical technology and the practical use of CCS (carbon dioxide capture and storage) are important.

iv. In terms of energy efficiency and conservation, the establishment of appropriate and technologically proven energy efficiency standards, measures to disseminate and promote energy-saving equipment and facilities, and supportive measures such as the enhancement of tax credits on research and development, should be deliberated upon. It is also important to promote public movement in order to encourage electric power conservation and to increase replacement demand for energy-efficient appliances.

#### 4. For future deliberations on energy policy

In the “national debate” which was organized before formulating the Innovative Strategy for Energy and the Environment<sup>6</sup>, the general public was not provided adequate and clear information regarding the energy policy options presented.

Ample time should be reserved for future deliberations based on the provision of all important information, including any negative impacts which may be inflicted upon national livelihood and corporate activity. Furthermore, the government’s decision-making process should be made more transparent by disclosing the proceedings of all meetings.

Energy strategy is the equivalent national strategy. We strongly demand that in the end the government make a responsible decision from a broad and long-term perspective.

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<sup>6</sup> The challenges of a zero nuclear power were identified only after the “national debate.”