

Japan's Energy Policy Reform

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As more than six months have passed since the March 11 Great East Japan Earthquake, the government has started full-fledged discussions on how best to reform Japan's energy policy with the first meeting of Basic Issues Committee of the Advisory Committee for Natural Resources and Energy on October 3. In parallel, members of the Energy and Environment Council of the Cabinet Secretariat's National Policy Unit are deepening their discussions on the energy policy reform. The government is thus making all-out efforts to reform the energy policy as the key to Japan's national strategy.

Energy is an important good indispensable for civil life as well as economic and industrial operations. Energy can also be viewed as a highly strategic good as various developments regarding energy production, trade and procurement affect international relations and the balance of power. It may be needless to say that the energy policy is very important for Japan that depends on imports for about 90% of its energy supply.

The reform comes only 16 months after the Japanese government adopted the Basic Energy Plan as the core of Japan's medium to long-term energy policy in June 2010. The unprecedented earthquake, tsunami and nuclear plant accident have forced the government to revise the Plan. The present Basic Energy Plan features a proactive nuclear promotion policy calling for constructing 14 nuclear reactors and raising the average capacity utilization rate of nuclear reactors to 90% (from some 60% in FY2008) by 2030. But the tough realities after the earthquake and nuclear plant accident have led the government to consider a new policy. In the past 4 decades, the government has consistently considered and made an energy policy to deal with energy challenges of that days. Given the significance of the disaster, great future uncertainties and citizens' grave concerns on energy, the coming energy policy reform could be as important as or even more important than a reform that followed the first and second oil crises.

At the Basic Issues Committee, 25 experts representing various positions are undertaking thorough energy policy discussions on which the fate of Japan's energy future depends. I hope that the Committee will form a consensus and achieve an excellent policy reform through sweeping, serious discussions. With this hope in mind, I list the following key points regarding the policy reform, expecting to make contributions to invigorating and developing energy policy discussions.

The first point is that the objective circumstances surrounding Japan's energy problems are

really tough. The Basic Energy Plan's three key challenges, called the three Es, covering energy security, environmental conservation and economic efficiency/growth, have remained important since the existing Plan was worked out. Rather, the three Es have become more difficult to achieve. The energy security challenge has become more complicated and serious as growing geopolitical risks arising from the liquidation of the Middle East and North Africa situation since early this year have been coupled with expanding energy demand in China and other emerging countries and an intensified global race for resources under the destabilization of international governance system which is characterized by China's rise and a relative decline in the influence of the United States. The destabilization of the world economy amid European and U.S. sovereign risks has accelerated the confusion and complication of the situation. At present, international negotiations on global warming prevention measures have lost momentum due to changes in political, economic and energy conditions in major countries. It has become difficult to maintain the momentum for forming a consensus on a post-Kyoto Protocol framework for the reduction of greenhouse gas emissions. But climate change is an important problem in which global interests are at stake. Its importance is still great from the long-term perspective. We must recognize the tough objective circumstances surrounding Japan and base our energy policy discussions on the circumstances.

The second point is that we must pay attention to the energy issue's influences on a broad range of areas and discuss the issue from a wide range of viewpoints covering diplomacy, domestic politics, influence of local government, local autonomy, economics, industry, technology, environment, culture and society. At the same time, we must devise ways to prevent wide-ranging, extensive and comprehensive discussions from losing focus. The quantitative consideration of core problems based on objective, neutral and rational analyses and data may play a key role in preventing discussions from losing focus.

The third point is that we must base energy policy discussions on international viewpoints. The energy policy reform involves important problems including energy source choices, future of energy industry perspectives and the role of government. In discussing these problems, we must recognize the true realities of these problems in the world and major countries and fully utilize existing knowledge about the problems. Of course, we must take into account Japan's unique conditions as well. But we must take care to prevent discussions from becoming inward-looking. In addition to passive international viewpoints for learning lessons from developments in the world, we must be conscious of active international viewpoints to build an external energy strategy covering diplomacy with resource-rich and major resource-consuming countries as well as the procurement of energy resources.

The frequently cited concept of "the best mix" may be the most important at present. This is because we now must consider not only the best mix of energy sources portfolio based on advantages and disadvantages of various widely used sources, but also the best mix of domestic and external energy policies. Furthermore, I think that we must form a national consensus based on the best mix of views and arguments from the government, the industry, citizens, experts and media organizations. Once an energy policy reform is compiled through national discussions, these parties will be required to make utmost efforts to develop and implement the energy policy based on their respective standpoints. At the same time, however, the government has a great responsibility for the

discussions as indicated by the term “energy policy.” The government may be required to take responsible leadership in discussing, making and developing the policy on energy problems, which have fundamental impact on the backbone of Japan.

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