

Japan's Future Energy Policy Challenges

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The next development regarding Japan's energy policy is attracting attention after the high-profile Tokyo gubernatorial election. It is significant that former Health, Labour and Welfare Minister Yoichi Masuzoe achieved a landslide victory against major candidates who had called for eliminating nuclear generation immediately in the Tokyo election campaigns.

Whether energy policy matters including nuclear power generation's position could become a major issue for the local Tokyo gubernatorial election was called into question. Even though Tokyo is Japan's most populated and the largest energy-consuming city and a major shareholder in Tokyo Electric Power Co. plagued by the Fukushima nuclear plant accident, the energy policy is one of the "national" policy matters involving the whole of the nation. Irrespective of this question, however, the nuclear energy problem undoubtedly attracted attention in the Tokyo election campaigns. The election was thus expected to exert a great impact on the national energy policy consideration depending on the election results.

A key point regarding the results is that the Tokyo gubernatorial election was not any "single-issue" election focusing on Tokyo voters' opinions on nuclear power generation. While the energy problem was a key matter of interest to voters, there were more important matters including economic and social security issues. We may have to interpret the election results as reflecting Tokyo voters' decisions from a comprehensive perspective covering all these problems. In this sense, it may be too early to draw any conclusion about Tokyo voters' energy policy mandate based on the gubernatorial election results alone. However, if any candidate calling for an immediate end to nuclear power generation had won or fought a close race with the winner in the election, it could have exerted a great impact. In this sense, the election results can be expected to have a substantial impact on Japan's future energy policy.

The next focus of attention under such situation is the Cabinet's decision on Japan's new Basic Energy Plan. After considering the new plan, the Strategic Policy Committee of the Advisory Committee for Natural Resources and Energy released an opinion on the plan late last year, positioning nuclear power generation as a key energy source while giving top priority to safety based on deep reflection on the Fukushima accident. Since then, however, the Cabinet has postponed its

decision on the new Basic Energy Plan due partly to the abovementioned Tokyo gubernatorial election. Media reports state that the government and ruling parties have various opinions about the position of nuclear energy and are required to coordinate these opinions. As far as the energy policy is linked to national fundamentals, prudent and sufficient discussions and considerations on the policy are important as a matter of course. Based on sufficient considerations, however, the government is required to decide and implement the policy as early as possible. In this sense, we are looking forward to the Cabinet's decision on the new Basic Energy Plan based on coordination of views within the government.

The Cabinet decision on the new Basic Energy Plan will still leave key energy policy challenges for the future. One of them is energy mix details. The opinion released late last year offered a summary of qualitative views, falling short of specifying a quantitative target for each energy source for a specific forecast period. Given the nature of investment in the energy area which requires a long lead-time for producing investment results, it is important to have quantitative policy targets in implementing the energy policy. It is significant to have quantitative reference standards for making objective and reasonable policy decisions. As all nuclear power plants in Japan are left offline with no specific schedule given for their restart, quantitative details of the energy mix may have uncertainties and be difficult to work out. But we cannot get around the energy mix problem.

In addition to deciding and implementing the new Basic Energy Plan as a comprehensive program, Japan must work out and put into practice individual policy measures based on the plan. One attention-attracting energy problem is how to restart nuclear plants. While the Nuclear Regulation Authority has been examining individual nuclear plants' conformity with the new safety standards since last July, the largest problem for Japan's energy at present is when the NRA will make decisions on the safety of specific nuclear plants. These decisions and their timings will have great impacts on energy supply and demand for the immediate future and on a national wealth outflow through growing fossil fuel imports, as well as on the abovementioned energy mix discussions.

As a matter of course, energy policy challenges are not limited to the nuclear problem. Advisory panels on oil, natural gas, coal, renewable energy, energy conservation and other policies are expected to respectively discuss stable supply and environmental and industrial measures based on the new Basic Energy Plan. Existing energy policies may also have to be reviewed with considerations given to developments after the Fukushima accident and the U.S. shale revolution. The Advanced Energy Supply Structure Act, which was enacted and implemented in July 2009 and calls for advancing oil, electricity and gas supply systems, may have to be reconsidered with developments at home and abroad after the enactment also taken into account. Considering and implementing international energy policies and strategies involving resources procurement and infrastructure exports will also be important. The government will be required to implement an international energy strategy in conformity with diplomacy with the United States, the Middle East,

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Russia, China and Asia. As Japan's energy policy is entering a crucial stage, the nation must concentrate its wisdom to discuss the policy.

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