



August 2023

Japan Energy Newsletter

**Japan Electric Power
Information Center, U.S.A.**

1 The Japanese Cabinet Approves the “GX Promotion Strategy”

On July 28, 2023, the Japanese government made a cabinet decision to approve and implement the "Strategy for Promoting a Smooth Transition to a Decarbonized Growth-Oriented Economic Structure" (GX Promotion Strategy).^{1 2 3} The strategy includes (1) initiatives for thorough energy conservation and policies to make renewable energy the primary source of power in Japan and the promotion of green transformation (GX), especially through the use of nuclear power; and (2) GX investment incentives, which will be implemented through a combination of carbon pricing (CP) as well as the issuance of 20 trillion yen-scale GX economic transition bonds to fund upfront investments in decarbonization. By implementing the GX Promotion Strategy, the Cabinet aims to achieve decarbonization while simultaneously promoting economic growth.

There has been an increase in the number of countries and regions engaging in carbon neutrality efforts. The long-term and large-scale investment competition for GX, which aims to achieve both emission reduction and economic growth, has been intensifying in response to Russia's invasion of Ukraine, especially in Europe and the U.S. As a result, the GX Promotion Strategy stresses that the success or failure of GX initiatives is directly linked to the competitiveness of companies and countries.

The Japanese Cabinet has presented a strategy that aims to create new demand and develop the markets in the stable energy supply and decarbonization fields while also strengthening Japan's industrial competitiveness and encouraging the economic growth of the Japanese economy.

- 1) Decarbonization efforts for the realization of GX, based on the premise of ensuring a stable supply of energy
 - a. Thorough promotion of energy conservation
 - Providing energy-saving subsidies to strengthen the support for small and medium-sized enterprises.
 - Strengthening support for home energy conservation, such as refurbishing windows with highly insulated windows.
 - Based on the revised Law of Conservation of Energy (which entered into force on April 1, 2023), the Japanese government will set guidelines for the conversion to non-fossil energy for five major industries (steel, chemicals, cement, paper, and automobile manufacturing, and will promote further energy conservation.
 - b. Making renewable energy the main power source
 - Accelerating grid development to achieve a renewable energy ratio of 36-38% in FY2030 and developing underwater DC power transmission from Hokkaido by 2030.

¹ <https://www.meti.go.jp/press/2023/07/20230728002/20230728002.html>

² <https://www.meti.go.jp/press/2023/07/20230728002/20230728002-2.pdf>

³ <https://www.meti.go.jp/press/2023/07/20230728002/20230728002-1.pdf>

- To accelerate and improve the efficiency of introducing offshore wind power, the national government and local governments will both be involved from the initial stages of the project.
 - Promoting the demonstration of advanced technologies such as next-generation solar cells (i.e., Perovskite) and floating offshore wind power.
 - c. Utilization of nuclear power
 - Developing concrete plans for building the next-generation innovative reactor on a decommissioned nuclear power plant site.
 - Utilizing existing nuclear power plants as much as possible within their 40-year operating period and 20-year extended operating period. In order to promote the nuclear fuel cycle, the national government will strengthen its efforts to increase public awareness and facilitate proactive approaches to local governments.
 - d. Other initiatives
 - Providing support for building a production and supply network for hydrogen and ammonia.
 - Developing the electricity and gas markets to ensure supply capacity for carbon neutrality.
 - Increasing state engagement (e.g., resource diplomacy for securing resources).
- 2) Realization and execution of the “Growth-Oriented Carbon Pricing Initiative” based on the “Act on Promotion of a Smooth Transition to a Decarbonized Growth-Oriented Economic Structure” (GX Promotion Act) enacted in May 2023. Executing this initiative will realize GX investments exceeding 150 trillion yen through public-private cooperation over the next ten years.
- a. Upfront investment support through GX economic transition bonds
 - Creating GX economic transition bonds and implementing upfront investment support of 20 trillion yen over the next ten years.
 - Applying integrated regulatory and institutional measures targeting investments in fields that contribute to GX.
 - b. GX investment incentives through CP
 - Introducing an “emissions trading system” based on significant corporate reduction targets, especially for high-emission industries.
 - Introducing a “carbon levy,” a uniform carbon pricing mechanism for carbon emissions intended to widely motivate other industries towards GX.
 - Establishing the “GX Promotion Organization,” which will be the central body executing the above strategy.

2 METI and the IEA Held the LNG Producer-Consumer Conference 2023 in Tokyo

On July 18, 2023, the Ministry of Economy, Trade and Industry (METI) and the International Energy Agency (IEA) held the LNG Producer-Consumer Conference 2023 in Tokyo in a hybrid in-person and online format.^{4 5} At the conference, through a dialogue between IEA member countries and LNG producers and consumers, there were discussions around specific measures to prevent the expansion of the energy crisis triggered by Russia's invasion of Ukraine. It was held in cooperation with the Asia Pacific Energy Research Centre (APEREC). The LNG Producer-Consumer Conference has been held annually since 2012. This year was the first time the conference was co-hosted with the IEA, bringing together ministers and business representatives from approximately 20 countries and regions.

The conference focused on addressing the world's challenges in strengthening LNG security and cleaning the LNG value chain. The "LNG Strategy for the World," the chair's summary, presented the outcomes of the workshops and plenary discussions that Japan and the IEA had jointly held in preparation for this conference to develop possible policies that could lead to solutions for LNG-related challenges. The United States, South Korea, Australia, the EU, and Japan released a Joint Statement on Accelerating Methane Mitigation from the LNG Value Chain at the conference. In the statement, the countries agreed to promote public-private cooperation on reducing GHG emissions, particularly from methane, across the natural gas and LNG value chain, and to engage in concrete measures for improving LNG security, reinforcing information transparency in the LNG market.⁶ In addition, Japan and the EU released a joint statement on LNG cooperation. Japan and the EU have been engaging in discussions on their expectations for LNG procurement and the need for international cooperation in accelerating decarbonization in light of the current energy situation.

The countries/regions/organizations with voluntary commitments listed in the chair's summary are as follows: Australia, Canada, Canada Alberta, the Czech Republic, France, the European Commission, Germany, Italy, Japan, the Netherlands, Norway, Poland, Qatar, Qatar Petroleum, South Korea, Singapore, and the United States.

In a special session of the conference, JERA and the Korea Gas Corporation (KOGAS) announced the launch of the Coalition for LNG Emission Abatement toward Net-zero (CLEAN), an initiative for LNG purchasers to work together with LNG producers to reduce methane emissions in the LNG value chain. CLEAN will be supported by the governments of Japan, the United States, South Korea, Australia, the European Commission, and the Japan Energy and Metals National Corporation (JOGMEC).⁷

Japan proposed a framework for cooperation among countries in preparation for the tight supply and demand of LNG as a fuel for thermal power generation, requesting that the IEA act as a coordinator. In the proposed framework, the IEA is expected to take the lead in determining the procurement sources and stockpiles of consuming countries.

⁴ <https://www.meti.go.jp/press/2023/07/20230719001/20230719001.html>

⁵ <https://www.lng-conference.org/>

⁶ <https://www.meti.go.jp/press/2023/07/20230719001/20230719001-2.pdf>

⁷ https://www.jera.co.jp/news/information/20230718_1565

The IEA is also expected to make adjustments to accommodate countries that are short of funds and give advice to countries that need assistance with their preparations to participate in the LNG value chain.

DISCLAIMER

This publication was prepared by the Japan Electric Power Information Center, USA (JEPIC-USA), based on publicly available information. While we presume this information to be accurate and reliable, we provide no guarantee as to the accuracy of the data or information contained herein. JEPIC-USA shall therefore assume no legal responsibility for any trouble, loss, or damages resulting from any actions taken based on the content of this publication.

All rights reserved.

©2023 Japan Electric Power Information Center, USA