

Japan Energy Law To Cut Nukes, Boost Solar, Wind

By Chisaki Watanabe and Sachiko Sakamaki - Aug 18, 2011

Japan's lower house of parliament is set to pass legislation to subsidize renewable energy amid a push to reduce dependence on nuclear power, paving the way for Prime Minister [Naoto Kan](#) to quit as early as next week.

The bill requires utilities to buy electricity generated by geothermal, solar and wind sources at above-market rates in order to stimulate investment in renewable energy, which accounts for [9 percent](#) of Japan's power supply. Kan last month called for phasing out atomic power after the March earthquake and tsunami caused the worst nuclear disaster in 25 years.

Passage of the bill marks the last of three legislative goals Kan set down before fulfilling a pledge to resign. His popularity has dropped over his handling of the quake and the crippling of [Tokyo Electric Power Co.](#)'s Fukushima atomic power plant. An opposition politician yesterday said the lower house vote, originally scheduled for today, may be delayed.

Introducing the subsidies, known as feed-in tariffs, may help companies like [Mitsubishi Heavy Industries Ltd. \(7011\)](#), which makes [wind turbines](#) and develops geothermal plants, and solar panels makers [Panasonic Corp. \(6752\)](#) and Sharp Corp. Japan

aims to increase the size of the renewable energy market to [10 trillion yen](#) (\$130 billion) by 2020, from about 1 trillion yen in 2009, the Ministry of Economy, Trade and Industry said in 2010.

“The scheme will create a large market in a short time,” said Tetsunari Iida, executive director of the Institute for Sustainable Energy Policies in Tokyo. “It will prompt immediate growth of related industries,” such as manufacturing and construction.

Kan Departure

The other two pieces of legislation are the authorization to sell bonds financing about 40 percent of this year’s budget, which passed the lower house last week, and last month’s enactment of a 2 trillion yen disaster relief package. The bond and energy bills will be voted on in the upper chamber next week.

Ichiro Aisawa, parliamentary affairs chief for the main opposition [Liberal Democratic Party](#), yesterday said the lower house vote on the renewable energy bill is likely to be postponed until next week, [Kyodo News](#) reported.

Katsuya Okada, the No. 2 official in Kan’s [Democratic Party of Japan](#), said on Aug. 11 that the election campaign for a new party leader will begin as soon as the bond and energy legislation passes. Whoever heads the DPJ becomes prime minister because of the party’s lower house majority.

Nuclear power accounted for about 31 percent of the country's electricity needs before the crisis, which left more than 20,000 people dead or missing and another 80,000 homeless.

Public support for abandoning nuclear power is growing. Almost 70 percent of respondents in an Asahi newspaper poll published Aug. 8 said they want Kan's successor to continue his policy of phasing out atomic energy.

'Won't Change'

"This direction won't change" after Kan steps down, DPJ lawmaker Nobumori Otani said. "[Japan](#) has clearly shifted gears to promoting renewable energy."

While the legislation will benefit wind and solar power operators, the impact on geothermal power generation is uncertain because of the long lead time to complete projects, said Hideaki Matsui, a senior researcher at the Japan Research Institute. Renewable energy covered in the bill also includes biomass and hydro power.

The success of Japan's feed-in tariff depends on pricing, analysts say. The bill does not specify how much and how long power suppliers will pay for renewable energy.

"If you set an attractive price, supply of clean energy is sure to increase," as in [Europe](#), said Yugo Nakamura, a Tokyo-based analyst for Bloomberg New Energy Finance. "But it is consumers,

after all, who shoulder the cost.”

Rates

Rates for renewable energy except solar will be up to 20 yen per kilowatt hour for about 15 years, Trade Minister [Banri Kaieda](#) said in parliament on July 14.

The rate for solar energy could be higher, in light of a plan introduced in 2009 to buy excess solar power. Currently the tariff for surplus solar power generated by homes is 42 yen per kilowatt-hour, while power produced by businesses is 40 yen.

That compares with the grid electricity price of 13.77 yen per kilowatt hour for commercial users, according to data from Japan's Agency for Natural Resources and Energy.

The legislation is expected to become law as soon as Aug. 26 and effective on July 1, 2012.

Critics of the renewable energy drive include Keidanren, Japan's largest business lobby that includes power utilities. Lawmakers agreed to revise the legislation to allow heavy power users to receive a discount of 80 percent or more on the feed-in tariffs passed on in electricity bills.

[Softbank Corp. \(9984\)](#) Chief Executive Officer Masayoshi Son plans to invest about 80 billion yen (\$1 billion) to build 10 solar farms if he gets access to transmission networks and agreement from the 10

regional utilities to buy his electricity.

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