

New National Energy Strategy

Press Release

May 31, 2006

Agency for Natural Resources and Energy

In consideration of rising oil prices and other facets of the severe energy conditions in the world, METI has been deliberating over the New National Energy Strategy which has energy security as its core. METI hereby releases the final report.

1. Background to the formulation of the “New National Energy Strategy”

The Ministry of Economy, Trade and Industry, in view of the recent severe energy situation, including the escalating price of crude oil, has been advancing the formulation of its “New National Energy Strategy” with energy security as its core. METI announced the interim report of the Strategy on March 30, 2006.

Following this, detailed strategic aspects were determined by taking into account discussions by the Coordination Subcommittee of the Advisory Committee for Natural Resources and Energy (chaired by Masahiro Kuroda, President of the Economic and Social Research Institute, Cabinet Office). METI Minister Toshihiro Nikai is scheduled to report the summary to the Council on Economic and Fiscal Policy to be held on May 31.

2. Outline of the “New National Energy Strategy”

The three objects to be attained by the strategy are: 1) establishment of energy security measures that our people can trust and rely on, 2) establishment of the foundation for sustainable development through a comprehensive approach for energy issues and environmental issues all together, and 3) commitment to assist Asian and world nations in addressing energy problems. In particular, the following efforts will be made.

(1) Establishment a state-of-the-art energy supply-demand structure

Target: Oil dependence will be reduced to less than 40% by 2030, from the current approximately 50%.

Measures: The following four plans will be implemented.

i) Energy Conservation Frontrunner Plan

Target: At least another 30% improvement in energy efficiency by 2030

Measures: Establishment of a positive cycle of technological innovation and the development of a social system that encourages this through the formulation of a technology strategy that supports future energy conservation; development of top-runner type standards for identifying excellent energy conservation technology; enhancement of assistance to top-runners; and investigation of mid- to long-term energy-conservation social systems.

ii) Transport Energy for the Next Generation Plan

Target: Reduction of oil dependence to around 80% by 2030

Measures: An action plan was presented to reach this goal through three measures: the improvement of automobile fuel consumption, the promotion of new fuels such as biomass derived fuels and GTL, and the development and promotion of the dissemination of electric vehicles and fuel cell vehicles. Further, specific measures such as promotion of the utilization of biomass-derived fuels developed and produced in Brazil and Okinawa, and the early introduction of electric vehicles and fuel cell vehicles through intensive technological development of fuel cells will be implemented.

iii) New Energy Innovation Plan

Target: Reduction of solar energy power generation cost to the level of that of thermal power generation by 2030, and improvement of the self-sufficiency ratio of the energy supply in the regions through supporting local production for local consumption using biomass and other forms of energy.

Measures: Presentation of supporting measures for the enhancement of technological capabilities so as to foster the independence of new industries. Concrete measures such as promotion of the construction of “next-generation parks” to promote the understanding of new energy, etc. through direct contact with it, and the development of revolutionary energy technologies such as next-generation secondary cells.

iv) Nuclear Power National Plan

Target: The ratio of nuclear power to all power production will be maintained or increased at the level of 30% to 40% or more up to 2030 or later. Early establishment of a nuclear fuel cycle and the early practical application of fast-breeder reactors will be addressed.

Measures: Nuclear power, which is excellent in terms of its stability of supply, and is a clean energy source that does not emit CO₂ in operation, will be promoted while making safety issues a priority. Development of an environment for investment toward the promotion of nuclear power, the early establishment of a nuclear fuel cycle, and the promotion of the peaceful international utilization of nuclear power will be addressed. Details will be summarized in a report by the Nuclear Energy Subcommittee of the Advisory Committee for Natural Resources and Energy, and announced in June.

(2) Comprehensive Strengthening of Resource Diplomacy and Energy and Environment Cooperation

i) Comprehensive Strategy for Securing Resources

Target: The oil volume ratio in exploration and development by Japanese companies will be raised to around 40% by 2030.

Measures: Strengthening of the overall relationships with the sources will be achieved through the strategic utilization of ODA and the promotion of mutual investment, together with the expansion of personnel exchanges at various levels. Towards this aim,

integrated efforts of the government and related organizations through methods such as policy-based finance, trade insurance and economic assistance will be made through the formulation of a resource-securing policy. Further, support for core enterprises conducting resource development under the framework will be enhanced. Moreover, support will be provided for measures to help Japan to become the world's most advanced fossil fuel-using country, through means such as the development and utilization of methane hydrate and the clean utilization of coal. Additionally, concerning mineral resources such as rare metals, measures such as overseas resource development and diversification of supply sources will be promoted strategically and comprehensively through the concerted efforts of the government and related organizations.

ii) Asia Energy and Environment Cooperation Strategy

Target: Coexistence with other Asian countries will be aimed at through energy cooperation including energy conservation.

Measures: Cooperation with other Asian countries that have rapidly increasing energy demands, such as China and India, will be strategically undertaken in terms of energy and the environment, in various fields such as energy conservation, the efficient utilization, production and safety of coal, new energy, and nuclear power.

(3) Enhancement of Emergency Response Measures

Enhancement of emergency response measures such as the revision and strengthening of the oil stockpiling system, including the introduction of petroleum product stockpiling and the preparation of the emergency response system for natural gas, will be addressed.

(4) Other

In order to promote cooperation between the public and private sectors, technological challenges to be solved by 2030 will be summarized in the energy technology strategy, and this approach should take into account the technologies needed from a strategic viewpoint by envisaging the situation in 2100 or 2050, and looking back from then.