

Feed-in Tariff Scheme for Renewable Energy

The “Act on Purchase of Renewable Energy Sourced Electricity by Electric Utilities” was approved at the 177th session of the Diet.

This Act obliges electric utilities to purchase electricity generated from renewable energy sources (Solar PV, Wind power, Hydraulic power, Geothermal and Biomass) based on a fixed-period contract with fixed price. It will start on July 1st, 2012.

Costs incurred by the utility in purchasing renewable energy sourced electricity shall be transferred to the entire electricity customers, who pay the “Surcharge for renewable energy” in general proportional to electricity usage.

What shall be Purchased

- Electricity generated from solar PV, wind power, hydraulic power (below 30MW), geothermal and biomass shall be purchased.

- * For small-scale PV systems at residences or the like, excess electricity exported back to the grid will be purchased as in the current scheme.
- * Includes electricity from small-scaled wind power generators.
- * For biomass power generation systems, those with biomass that does not affect existing businesses such as paper & pulp industries shall be eligible.

- The certification by the Minister of Economy, Trade and Industry on power generator and generation method shall be required (e.g. Whether the generator can stably work shall be checked). Electricity supplied from the certified generator shall be purchased.



Purchase Obligation

- Electric utilities are obliged to allow grid connections and execute contracts as required for the purchase.
- The FIT rate and contract period shall be determined corresponding to the type, form of installation, scale etc. of renewable energy sources.
- The rate and period shall be notified by the Minister of Economy, Trade and Industry (METI) on the basis of the opinion from the newly established independent committee (members shall be appointed after authorization by the Diet). In the process of deciding the rate and period, METI minister shall consult with the ministers concerned (the Minister of Agriculture, Forestry and Fisheries, Minister of Land, Infrastructure, Transport and Tourism, Minister of the Environment and Minister of State for Consumer Affairs).
- To intensively promote the generation of renewable energy sourced electricity, special consideration shall be taken for the profit of the renewable energy sourced electricity suppliers in decision of the FIT rate for three years from the enforcement of the Act.

- * The following points shall be taken into consideration when deciding the rate and period.

Rate: Power generation cost usually required for supply of electricity using the renewable energy sourced power plant, profit to be earned by the renewable energy sourced power suppliers, etc.

Period: Typical period from installation of renewable energy sourced power plant to the time when renewal of the equipment becomes necessary

Collection of Purchase Cost

- For coverage of the cost required for the purchase, it is approved that each electricity utility requests its customers to pay additional charge (Surcharge for renewable energy) on electricity price proportional to the electricity usage.
- A plant or office engaged in a business with a ratio of the purchased electricity (kWh) to its sales amount (1,000 yen) exceeding a certain level and consuming beyond a certain amount of electricity shall be exempted from payment of 80% or more of the Surcharge.
- Electricity customers that were significantly damaged by the Great East Japan Earthquake shall not be requested to pay the Surcharge from July 1, 2012 to March 31, 2013.
- The Surcharge per kWh shall be equal in all regions.