

Chubu Electric Power Co., Inc. | Project Overview

Case Study: Chubu Electric Power Co., Inc. Transition Loan

■ Corporate Profile

Industry	Electricity and gas
Location	Japan
Business	Renewable energy business, nuclear power business, overseas business, community support infrastructure-related business, etc. (*)

* Chubu Electric Power established JERA jointly with TEPCO in 2015 (fully integrated thermal power generation business in 2019, equity-method affiliate). In April 2020, the company split its transmission and distribution business off as Chubu Electric Power Grid, Inc., and split its sales business off as Chubu Electric Power Miraiz Co., Inc.

* The company sold 113 billion kWh of electricity (FY2022), equivalent to about 14% of the electricity generated by Japanese power producers (832.8 billion kWh).

■ Transition Loan Overview

Fundraiser	Chubu Electric Power Co., Inc.
Structuring Agents	MUFG Bank, Ltd., Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.
Fund Provider	MUFG Bank, Ltd.
Evaluation Agency	DNV Business Assurance Japan K.K.
Planned Procurement Amount	Not disclosed
Planned Date of Procurement	November 30, 2023

— Handling of the Four Elements in the Basic Guidelines —

Element 1	<ul style="list-style-type: none"> Transition strategy: The company will promote the decarbonization of power sources based on initiatives such as the provision of decarbonization solutions while continuing to respond to increases in demand for electricity, the expansion of renewable energy, and upgrading of the power grid, including upgrading the operation of transmission and distribution. Governance: The company will develop environmental management activities based on the “Chubu Electric Power Group Basic Environmental Policy.” In addition, the company established a “Zero Emissions Committee” in March 2021 as an organization under the direct supervision of the president to formulate and evaluate medium to long-term targets and action plans on climate change for the group overall.
Element 2	<ul style="list-style-type: none"> Chubu Electric Power positions the handling of climate change as an important issue for management and develops business activities based on the CSR Declaration, a code of conduct, to contribute to the development of a sustainable society.
Element 3	<ul style="list-style-type: none"> Chubu Electric Power’s transition targets and pathways for 2030 and 2050 are consistent with Japan’s Basic Energy Plan, which established a 46% reduction in CO₂ emissions by 2030, and the transition roadmap for the electric power sector.
Element 4	<p>Under the “Chubu Electric Power Group Management Vision 2.0”</p> <ul style="list-style-type: none"> The company plans to make decarbonization-related investments of about 800 billion yen from 2021 to 2030. To 2030, the company plans to make electricity transmission and distribution-related investments of about 200 to 300 billion yen each year for stable energy supply.

— Main Use of Proceeds * The subject of appropriation this time is **bold and blue**. —

- The company plans to select a **use for the proceeds centered on the transmission and distribution field (upgrading of distribution operations)**, which will contribute to the future expansion of the introduction of renewable energy and energy saving, while working on carbon reduction and decarbonization in the power generation field.
(Accordingly, Chubu Electric Power Grid is scheduled to use the funds procured this time.)

Eligibility Criteria		Project Overview
Initiatives to be promoted together with customers (Electrification and greater efficiency of energy consumption)		<ul style="list-style-type: none"> Provision of energy management services (expansion of energy-saving) Diversification of CO₂-free offerings (improvement of the non-fossil fuel ratio) Provision of services that support electrification, etc. Attractive town planning that makes it easy-to-live (local production for local consumption), etc.
Initiatives in the power transmission and distribution field		<ul style="list-style-type: none"> Strengthening of wide-area interconnection capabilities of unevenly distributed renewable energy Upgrading of supply-demand management / area widening * Using Chubu Electric Power Grid Construction and operation of distributed grid Expansion of transmission capacity and use of storage batteries, etc. Adoption of SF₆-substituting gas equipment, etc.
Initiatives in the power generation field	Renewable energy	Development, construction, operation and renovation of renewable energy (hydropower, biomass, wind, solar and geothermal)
	Nuclear power	Use of nuclear power plants premised on the securing of safety and regional understanding

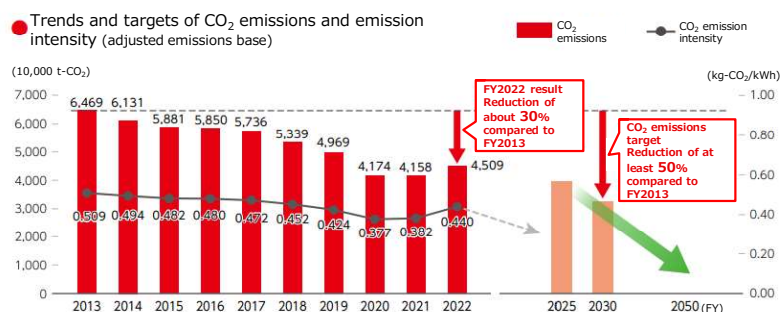
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Transition Strategy and Governance (Element 1)

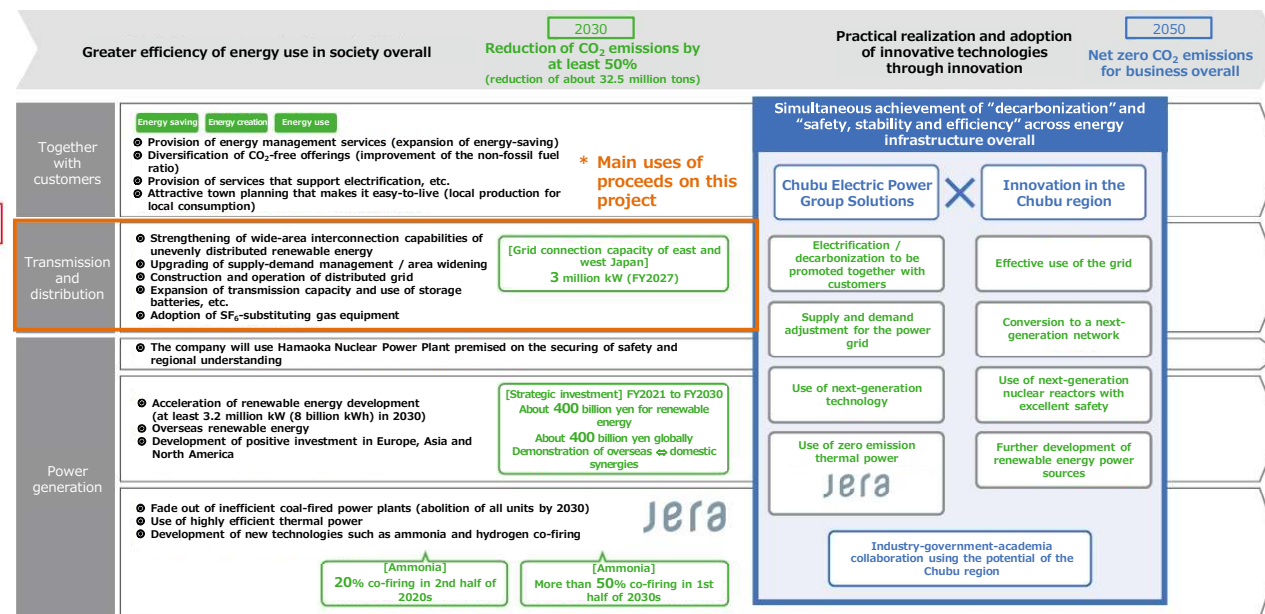
Carbon Neutrality-Related Targets

- 2030** Reduce CO₂ emissions derived from electricity sold to customers by at least 50% compared to FY2013 levels
- 2050** Achievement of net zero CO₂ emissions for business overall

CO₂ emissions derived from electricity sold to customers and emissions intensity

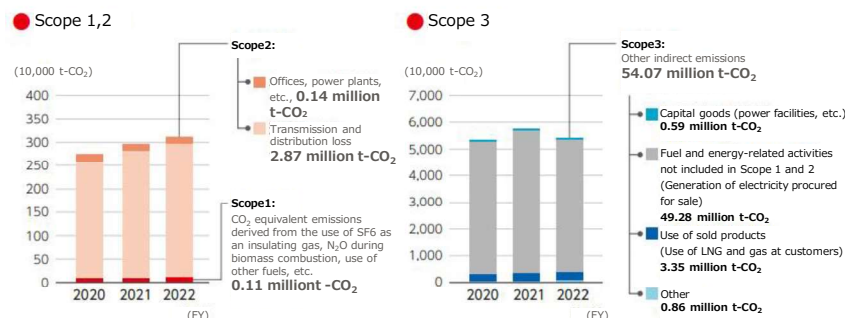


Roadmap and Major Initiatives for the Reduction of Emissions



This is an initiative of the company based on national policies, etc., and if the system design, etc., changes in the future, the company may change the target values, etc. In addition, it assumes that both steady progress in decarbonization technology and economic rationality can be achieved.

[Reference] Greenhouse gas emissions of business overall (supply chain)



Key Points

- The company will aim for a reduction in CO₂ emissions derived from sold electric power of at least 50% in 2030 and for the achievement of net zero emissions for business overall in 2050.
- For the achievement of carbon neutrality in 2050, Chubu Electric Power has formulated specific initiatives to be implemented until 2030, including the provision of energy saving-related services and initiatives to improve efficiency in transmission and distribution, and its direction beyond 2030.
- In parallel with the decarbonization of thermal power generation business at JERA, an equity-method affiliate, the company will promote the decarbonization of power sources through initiatives such as the provision of decarbonization solutions, the expansion of renewable energy and the upgrading of the power grid, including the upgrading of transmission and distribution operation.
- The company will also consider local communities, biodiversity and water resources, as well as a fair transition of resource recycling, etc.

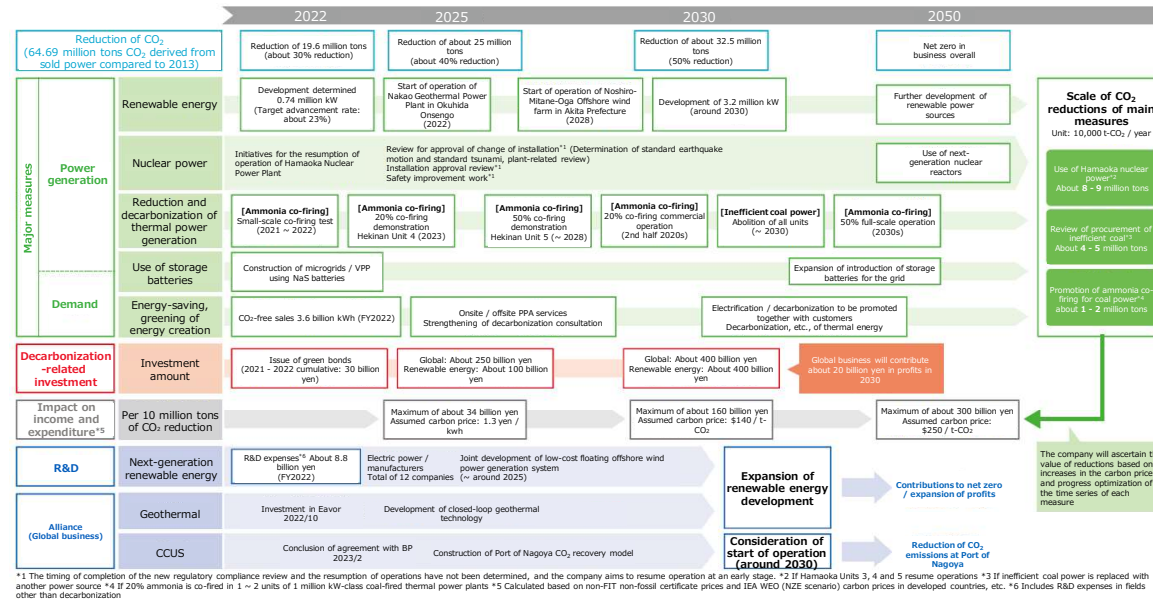
*1 Total value for the 3 companies, Chubu Electric Power, Chubu Electric Power Grid and Chubu Electric Power Miraiz

*2 Most Scope 3 CO₂ emissions caused by electricity procured from JERA

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Science Based Climate Transition Strategy (Including Targets and Pathways) (Element 3)

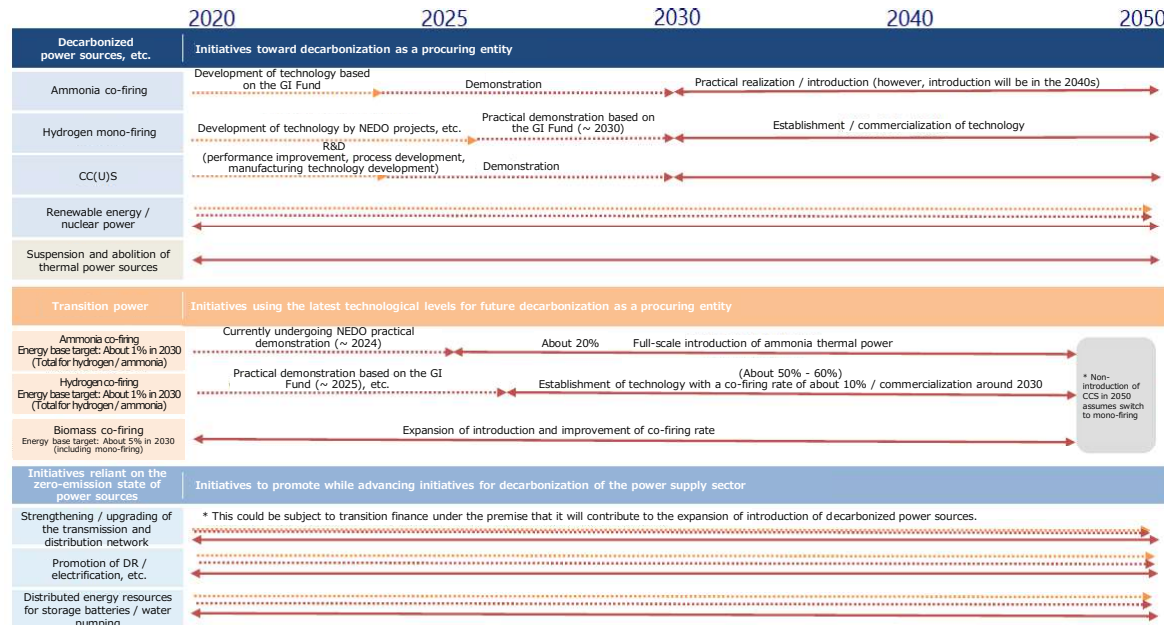
Roadmap and major Initiatives for the reduction of emissions at Chubu Electric Power



Initiatives consistent with the power sector roadmap

- Renewable energy / nuclear power
- Ammonia co-firing / mono-firing
- Hydrogen co-firing / mono-firing
- Suspension and abolition of thermal power sources
- Initiatives to strengthen / upgrade the transmission and distribution network (*)
- Promotion of DR / electrification
- CCUS

"Transition Roadmap for Power Sector" of the Agency for Natural Resources and Energy



R&D
Demonstration
Practical realization / introduction

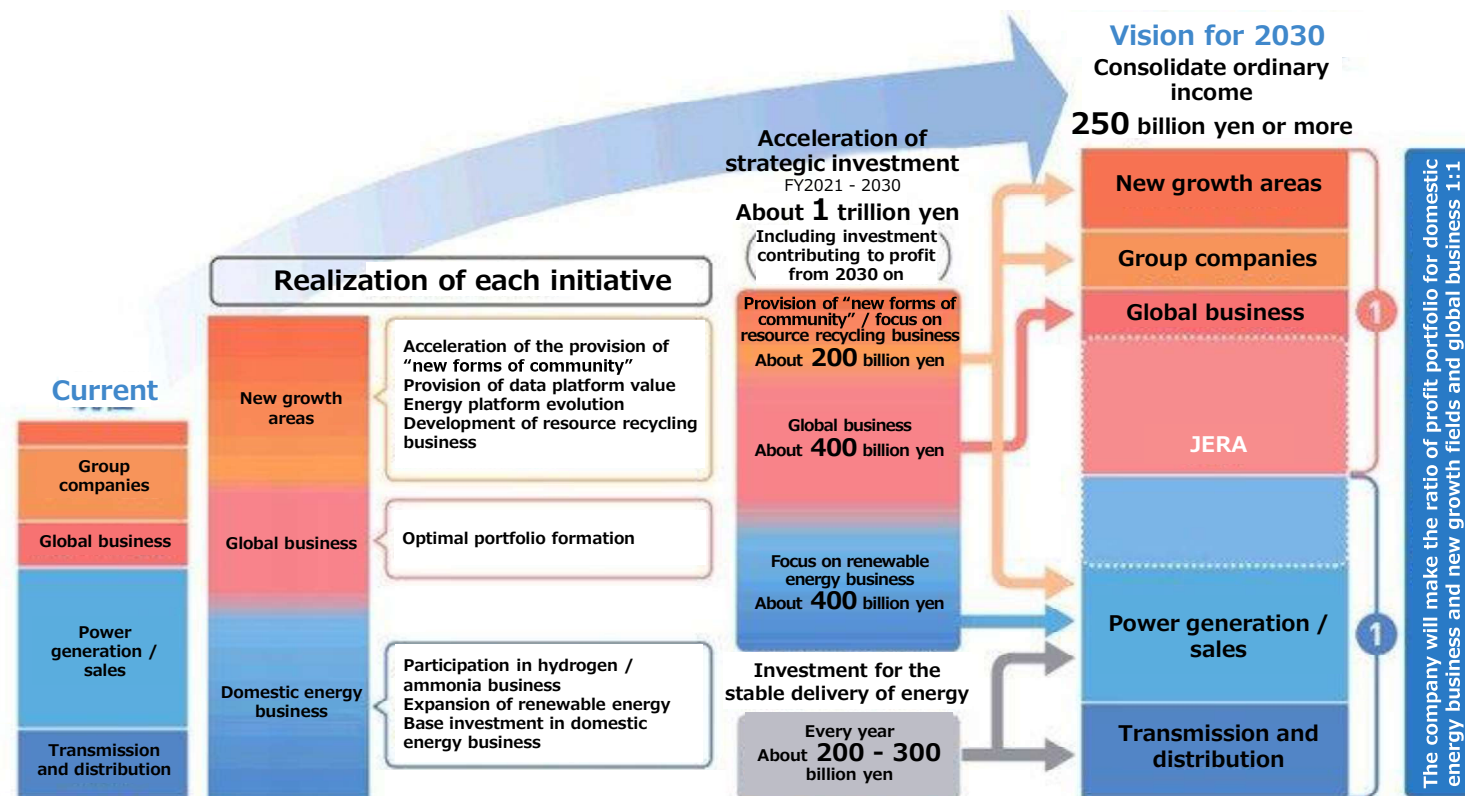
Key Points

- Chubu Electric Power's transition targets and pathways for 2050 are consistent with Japan's Basic Energy Plan and the Transition Roadmap for Power Sector of the Agency for Natural Resources and Energy.

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Transparency (Element 4)

Investment plan for 2030 at the Chubu Electric Power Group



Key Points

- Transmission and distribution / to 2030: The company plans to make investments of about 200 billion to 300 billion yen each year for stable energy supply
- Decarbonization / 2021 - 2030: The company plans strategic investments of about 1 trillion yen in its medium-term management plan, of which, it plans about 800 billion yen of decarbonization-related investment

Subsidy Review Committee | Overview of Results

Case Study: Chubu Electric Power Co., Inc. Transition Loan or Bonds

Review Result: Approved

Approved as a case study of subsidies for climate innovation finance promotion projects

Main opinions

Transition strategy

- Overall, the committee considers the strategy appropriate as a project for adoption. In future, it is hoped that the company will set its own targets for Scope 3 emissions as well (based on the fact that JERA, a large electricity supplier and equity method affiliate, has already presented a target and pathway for net zero in 2050).
- With regard to the use of proceeds, the committee considers grid measures, investments, etc., to be appropriate as their importance has also been pointed out by the IEA, etc.

Other elements / other

- It is not just the upgrading of the distribution network, boosting initiatives will also contribute to the improvement of efficiency and the reduction of emissions. Based on safety distance and other safety factors, and the switchgear specifications, etc., the committee certainly wants the company to work on boosting initiatives if they will be positive for the introduction of renewable energy at Chubu Electric Power.

This report focuses on the contribution of transition finance to the realization of Japan's 2050 carbon neutrality and the Paris Agreement, and does not cover any evaluation of the risks of transition finance as a financial instrument. Even in the model case of this project, it should be noted that credit risks and other risks (such as price fluctuation or liquidity risks in the case of bonds) exist as in ordinary financing.