Renewable Energy Institute
Earth day, 22 April 2017

Proposal for Promoting Renewables in the Corporate Sector in Japan

Numerous world-leading corporations with operations in Japan have committed to installing and sourcing from 100% renewable energy supplies. The voluntary transition to 100% renewable energy is driven by a desire to combat climate change and promote sustainable business practices for many years to come. About half of the worlds electricity is consumed by private enterprises, so their demand has a great influence on the global energy market.

However, the Japanese business sector has been less active in pursuing 100% renewable commitments. This is largely due to the high price for renewable energy procurement and investment. Furthermore, policy frameworks to visualize the environmental values of renewables are not well developed in Japan.

Since the Paris Agreement went into effect, efforts to shift towards a decarbonized society have become an important factor in corporate assessments. Promoting the use of renewable energy is an essential element of many corporate business strategies across Japan.

The Japanese government plans to introduce a "non-fossil value trading market" in FY2017. This policy, created according to rules and guidelines stipulated by the Japanese government, can play an important role for the corporate sector to cost-effectively utilize renewable energy if appropriately designed. Renewable Energy Institute therefore proposes that the following three elements be considered in the policy design:

1. Allow power consumers to declare the use of renewable power.
2. Divide non-fossil power sources into renewable energy and nuclear energy.
3. Show a breakdown of renewable energy by type, such as solar PV, wind power, small-scale hydropower and biomass.

In order to enable Japanese companies to set goals and achieve the voluntary 100% renewable energy targets, it is important to create a variety of options in addition to the "non-fossil value market." Many countries in the world offer different options that allow cost-effective renewable solutions.

Eliminating unreasonable regulations on grid connection or land use and developing an environment where companies can actively invest in solar PV and wind power generation are essential for accelerating the deployment of renewables.

Renewable Energy Institute will continue to propose and provide a platform for dialogue on these issues to encourage a broader adoption and growth of corporate renewables in Japan.

Ten companies have announced their support for this proposal (in alphabetical order);

Apple
Fujitsu Limited
IBIDEN Co., Ltd
IKEA Japan K.K.
Microsoft Corporation
Patagonia Japan
Ricoh Company Ltd.
Shimizu Corporation
SoftBank Group Corp.
Sony Corporation

Background

There are many approaches to encourage business sectors to achieve 100% renewable energy use. One such initiative is "RE100," in which approximately 90 companies such as Apple, IKEA, Microsoft, Google, Starbucks, Nestle, Coca-Cola and GM have committed to achieving 100% renewable energy use globally by various dates. As represented by Apple, which has already achieved 96% in 2016, efforts to achieve this goal are making steady progress.

No Japanese company had joined the movement[*1]; however, the Japanese business sector remains deeply interested in the deployment of renewable energy.

The greatest challenge to the Japanese business sector in transitioning to 100% renewable energy use is centered around the cost of renewables in Japan which is far greater compared to global standards. In many countries and areas in the world, wind and solar are already competitive electricity sources, their prices being the same or lower than conventional power sources.

Another root cause is the lack of tracking systems for power generation and consumption for renewables in Japan. For instance, the green power certificate, which has encouraged European and American companies to use renewable power, has not been fully utilized in Japan. Japan has this green power certificate system, however, because it is more expensive in comparison to other countries and because it is a voluntary and legally non-binding scheme and not applicable to renewable sources introduced by the Feed-in Tariff system, widespread application of the scheme cannot be expected.

There exist many companies in Japan that wish to use renewables affirmatively, if they can acquire a sufficient energy source in a stable and affordable manner. In many other parts of the world, there exist options for cost neutral procurement of 100% renewable energy, opportunities to cost effectively invest in new renewable energy plants while generating positive ROI, and options to cost effectively enter voluntary credit markets for the purchase of green power certificates.

To encourage broader adoption of 100% corporate renewable energy use in Japan, it is important to reduce the cost of renewables and create a system whereby corporations can demonstrate their investment and utilization of renewables.

The purpose of establishing the non-fossil value trading market in FY2017 is to encourage electricity retailers to meet their procurement requirements on the ratio of non-fossil power sources (44% or more by FY2030) based on the Act on the Sophisticated Methods of Energy Supply Structures. It is not to encourage deployment of renewables. It is still not clear how electricity retailers can claim that they sell renewable energy or whether companies that purchase electricity from retailers can declare renewable energy values, or whether non-fossil values can be divided into nuclear and renewable power[*2]. Whether breakdowns in renewables such as solar and wind power will be indicated is also unclear.

The above recommendations are based on the perspective that the non-fossil value trading market will specify the environmental values of renewables and serve as an effective scheme to accelerate companies' renewable energy use.

*1 On 21 April 2017, Ricoh announced that it joined RE100

*2 At the commencement of the policy in FY2017, only electricity generated from renewable energy recognized by the Feed-in Tariff system is eligible, and that generated from nuclear power is not included. While all the certificates sold by the Expense Sharing Coordinating Body are planned to be a renewable energy certificate, whether other sellers (power producers) distinguish between nuclear power and renewable energy is at the discretion of the seller.

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