



► Projects & Energy Practice Team Newsletter

Atsumi & Sakai's Renewable Energy Team has provided legal support to numerous renewable energy projects in Japan since the Feed-in Tariff Act regime came into effect in 2011, and this newsletter provides an update from the team on recent trends and legal developments in the renewable energy market in Japan.



Renewable Energy News

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Trends in Important Laws and Regulations

1. ANNOUNCEMENT OF SUBMISSION DEADLINES FOR APPLICATIONS FOR NEW/MODIFICATION CERTIFICATION IN FY 2017

As of November 10, 2017^[1], the Agency of Natural Resources and Energy announced that it has issued deadlines for the submission of renewable energy application documents, etc. based on the FIT Act in FY 2017 (the period from April 1, 2017 to March 31, 2018). Upon submission of these applications, etc. they will be reviewed by the Ministry of Economy, Trade and Industry (METI), however, every year, the review process tends to be stalled because of the large number of applications submitted at the end of the fiscal year. Such application deadlines have been set in order to minimize delays in the examination of applications, etc. According to this announcement, the deadlines for submitting applications, etc. are as follows.

TYPES OF APPLICATIONS, ETC.	DEADLINES
Applications for new certification & modification certification for biomass power generation	December 12, 2017
Applications for new certification & modification certification for solar, wind, hydro and geothermal power generation	January 12, 2018
Notifications of modifications for all types of power generation	January 12, 2018
Submission of documents certifying the consent for connections	February 16, 2018
Submission of documents that certify commencement of the procedures in relation to Environmental Assessment Procedures	February 16, 2018

If the applications, etc. are submitted after these deadlines, and even if the applications, etc. are certified, they will be certified in not FY 2017, but in FY 2018 (the period from April 1, 2018 to March 31, 2019).

Depending on whether the applications are certified in FY 2017 or in FY 2018, for example, there may be a difference in the purchase price of electricity under the FIT Act. That is, the purchase prices in FY 2018 for the following types of renewable energy are as follows.

TYPES OF RENEWABLE ENERGY	PURCHASE PRICES OF FY 2017	PURCHASE PRICES OF FY 2018
Solar power generation of 10 kW or more	JPY 21/ kW	To be determined
Residential solar power generation	JPY 28/ kW	JPY 26/ kW
Wind power generation of 20 kW or more	JPY 21/ kW	JPY 20/ kW
Wind power generation of less than 20 kW	JPY 55/ kW	To be determined
Replacement projects of wind power generation	JPY 18/ kW	JPY 17/ kW

Therefore, it is extremely important to submit application forms for new certification, etc. by the above deadlines for the types of renewable energy for which it has been decided that the purchase price in FY 2018 will be lower than the current purchase price (for FY 2017).

The purchase price of electricity under the FIT Act is determined by the Minister of METI, however, on this occasion, it is stipulated that it shall be determined based on the opinions of the Procurement Price Calculation Committee (a committee consisting of five experts appointed by the Minister of METI under the FIT Act). From October this year, said committee has commenced consideration of the above purchase prices of FY 2018 which are "To be determined." At this point, the purchase price of solar power generation of 10 kW or more for FY 2018 is predicted to decrease significantly (approximately JPY 16 to JPY 19/ kW) from the purchase price of FY 2017.

In addition, for "general woody biomass (*ippan mokushitsu biomass*)" out of biomass power generation, although it has been determined and announced that the price for FY 2018 will not change from the current price (that is, JPY 21/ kW for businesses of 20 MW or more, and JPY 24/ kW for businesses of less than 20 MW), METI has indicated the intention to once more reconfigure this. This is because biomass power generation projects of "general woody biomass" have already increased much more than expected. Therefore, if the price for power generation projects of "woody biomass" is to be set again for FY 2018, it is expected to be lower than the current purchase price. "General woody biomass" means power generation projects of lumber, end materials, imported materials, and palm coconut shells, etc.

[1] http://www.enecho.meti.go.jp/category/saving_and_new/saiene/kaitori/dl/announce/20171110.pdf

2. POSSIBILITY OF REVISING THE SYSTEM FOR WOODY BIOMASS POWER GENERATION

METI made the following proposals on the purchase of electricity of “general woody biomass” power generation.

- To introduce a bidding system from FY 2018. However, the details of the bidding will be examined from now.
- Currently, biomass power generation using palm oil is classified as “general woody biomass”, however a new category separate to “general woody biomass” will be newly determined. If another category is determined for palm oil, a purchase price of biomass power generation using palm oil will be set that is different to the purchase price of “general woody biomass.”
- Under “general woody biomass” power generation using imported materials, it will become stricter than before to prove that it can be stably secured. In particular, it is under consideration to require presentation of a stable procurement agreement with local fuel suppliers, or acquisition of international third party certification for palm oil, etc.

3. OKINAWA ELECTRIC POWER COMPANY ANNOUNCES THE POSSIBILITY OF OUTPUT CONTROL

In Okinawa, the introduction of solar and wind power generation has progressed, and it is becoming difficult to balance the supply and demand of electricity. For this reason, on November 17, 2017, the Okinawa Electric Power Company (OEPCC) announced that depending on the future situation, there is the possibility of performing output control with no compensation. Output control means that OEPCC would restrict the connection of renewable energy producers to the power grid. In other words, this means that for power producers the power purchase would be restricted but there would be no compensation for this loss.

According to this announcement, going forward, OEPCC shall provide a concrete explanation to Okinawan power producers of biomass, solar and wind power generation sometime in the future.



Renewable Energy News Highlights

► PUBLICATION OF RESULTS OF THE FIRST BIDDING OF MEGA SOLAR

The amended FIT Act has become effective from April 1, 2017, and has introduced a bidding system for solar generation projects of 2 MW or more. Based on the amended FIT Act, the first bidding was held and the results were announced on November 27, 2017.

Specifically, how the first bidding worked is as follows.

- The Green Investment Promotion Organization, designated by the Minister of METI, would invite bids for the purchase of electricity from solar power generation businesses under the FIT Act up to a total of 500 MW.
- Businesses that would like to newly conduct solar power generation for business use of 2 MW or more must apply for this. Each applicant must propose a purchase price up to a maximum of JPY 21/kW.
- The successful bidders will be decided sequentially until the total of 500 MW is reached, starting from the business that entered the lowest price among the applicants.

According to the announcement dated November 27, 2017, the results of the bidding are as follows.

BUSINESS OPERATORS WHO MADE A BID	PURCHASE PRICE (yen/kW)	OUTPUT SCALE (kW)
K.K. HINA	17.20	7,260
Canadian Solar Project K.K.	17.97	15,400
Shizen Denryoku K.K.	18.97	18,000
Same as above	19.39	10,500
Q Solar B G.K.	19.50	12,000
X-Elio 17 G.K.	19.95	30,000
Hanwha Energy Japan K.K.	20.49	30,006
Royal Lease K.K.	21.00	5,600
Y.K. Sinnippou	21.00	12,600

As you can see from the above table, bids were invited this time for purchases up to 500 MW, but in fact the total accepted bids were 141,366 kW. Although the total number of companies that eventually participated in the bidding has not been announced, it seems that the number was low.

In addition, four of the nine businesses that made a successful bid this time are foreign-affiliated companies (Canadian Solar, Hanwha, Q Cells and X-Elio), which means that foreign-affiliated companies have strong price competitiveness.

METI is planning to carry out such bidding twice a year from FY 2018.

▶ **PLAN TO ISSUE GREEN BONDS AS FUNDING FOR OFFSHORE WIND POWER GENERATION**

TODA CORPORATION is planning to newly establish a floating offshore wind power generation facilities off the coast of Gotou city, Nagasaki Prefecture. According to information published by TODA, this wind farm will consist of nine wind turbines and a maximum output of 22 MW, with the aim to start operation in approximately April 2021.

In addition, on November 1, 2017, TODA CORPORATION announced that it will issue green bonds (unsecured straight bonds) as funds for the construction of this wind farm. The bonds will have a redemption period of five years, the aggregate amount of the bonds will be JPY 10 billion, and the lead underwriter is Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.

According to TODA's announcement, for the eligibility as green bonds, the company has obtained a second opinion from Sustainalytics, an ESG evaluation company. It is also expected to obtain the "GA 1" rating which is the highest rating of R&I Green Bond Assessment of Rating and Investment Information, Inc.

▶ **LISTING OF CANADIAN SOLAR INFRASTRUCTURE FUND, INC.**

On October 30, 2017, Canadian Solar Infrastructure Fund, Inc. was listed on the Tokyo Stock Exchange's Infrastructure Fund Market. Such investment corporation is an infrastructure investment corporation mainly investing in renewable energy generation facilities, etc. in Japan.

The Infrastructure Fund Market of the Tokyo Stock Exchange was opened in April 2016, with Takara Leben Infrastructure Fund being the first listed company in June of the same year, and a total of three renewable energy related funds being listed up to now. The Canadian Solar Infrastructure Fund, Inc. was the fourth fund to be listed in said market.

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