

The current status of Offshore Wind policy in Japan



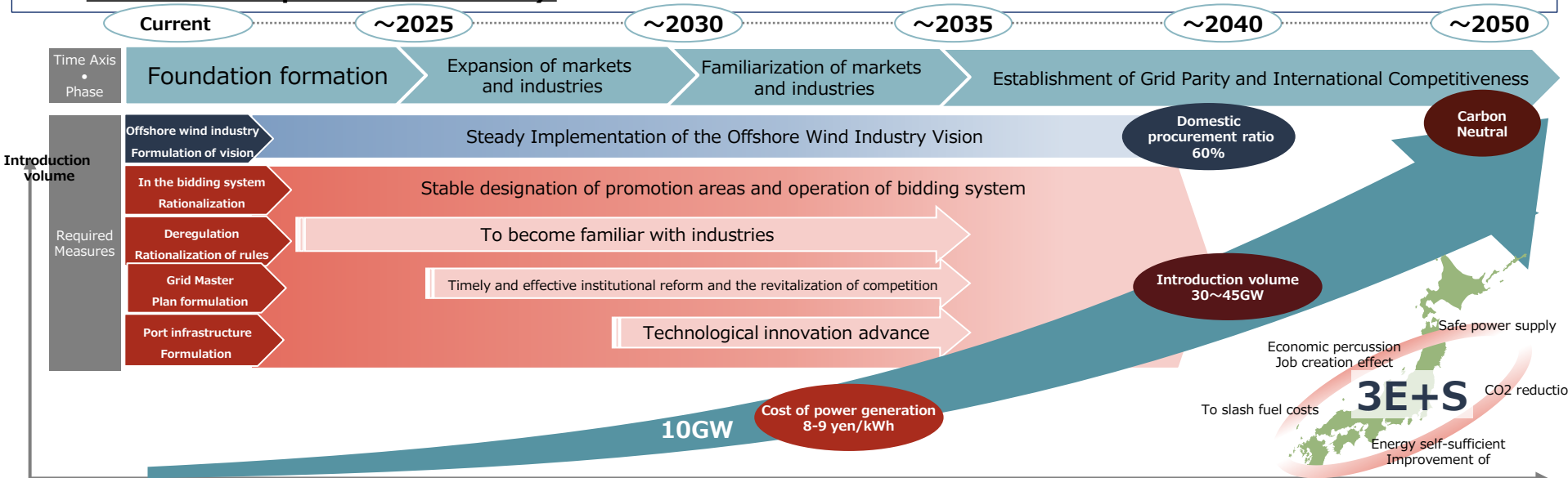
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Jin Kato
President

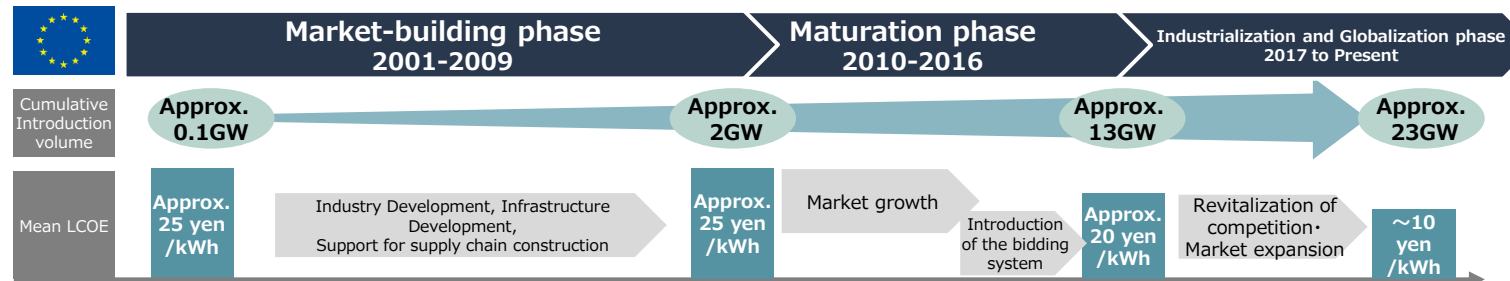
Japan Wind Power Association

Path toward the transition to offshore wind power as a main power source

- It is extremely important to implement necessary measures in an appropriate order and in a timely manner in order to achieve both cost reduction and domestic industry development, and to achieve the introduction targets.
- It aims to form the foundation of the industry in the next 10 years, foster domestic industries with international competitiveness early after 2030, and realize three targets (introduction amount, LCOE, and domestic procurement ratio).**



Comparison ※ with the European History



Europe spent 20 years to build a supply chain and timely implement measures such as bidding system and industrial vision to achieve grid parity.

Source: JWPA

Current Status and Challenges of the “Offshore Wind Industry Vision (1st)”

Current status and issues

- Offshore wind power generation ① mass introduction, ② cost reduction, ③ economic Ripple effect is expected, and a key to the main power source of renewable energy is presented.
- Re-entry of potential suppliers into offshore markets in forming domestic supply chains
- **Russia's invasion of Ukraine accelerated its introduction, particularly in Europe**
Targets for implementation in 2030: EU150GW, UK 50GW
Shift from a buyer's market to a seller's market

Creation of an attractive domestic market

■ Government Introductory Goals

- 10 GW by 2030
- 30 - 45 GW by 2040

① Accelerate the introduction

• Creation of attractive and stable offshore markets

- Presentation of Project Pipeline to Enhance Market Predictivity
- Early introduction of Central auction system

② Systematic development of infrastructure

- Early Realization of Interregional HVDC DC Power Transmission line
- Planned reinforcement of Base Ports based on Project Pipeline

Fostering domestic offshore industries

■ Industry goals

- 60% domestic procurement ratio by 2040
- Reduction of LCOE ¥8 to 9/kWh by 2030-2035.

① Formation and enhancement of domestic supply chain

- Development of competitive industrial infrastructure by 2030

(Increase the number of domestic industries and their matureness and productivity)

- Support for new capital investment

② Introduction of Advanced European Technologies and Know-how and Implementation of Business collaboration

③ Development of offshore wind related Human resources

Floating offshore wind Strategic development

■ Development of GW-class commercial wind firm by 2030

① The leader of Asian market (Revitalization of Shipbuilding industry)

② Stable legal framework for the utilization of EEZ

Round 2 Auction Evaluation Criteria (1)

1 Price part :Upper limit ¥ 19/kwh ZPL ¥ 3/kwh

2 Non-Price Part : Minimum required conditions:

- 1) No dumping :Reasonable construction cost**
- 2) Realistic/Feasible Funding plan**
- 3) Realistic forecast on Power generation, Curtailment and Imbalance compensation**
- 4) All cumulative losses for entire plant life should be wiped out with electricity sales income.**
- 5) Reasonable funding plan for Demolition**

Round 2 Auction Evaluation Criteria (2)

Areas of concern

- 1) Electricity market for FIP is not yet developed
- 2) Business plan is considered in PPA, not bid price
- 3) No evaluation criteria on;
 - PPA
 - Curtailment : Impossible prediction
 - Imbalance cost : Ditto
 - Fundraising : Difficult to materialize Project Finance
- 4) All immeasurable risks borne by Contractor
No subsidy, many risks



**Require Improvement in order to make
Transparent/Sustainable Auction system**