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# AMT/NEWSLETTER

## Energy

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### Formulation of Seventh Strategic Energy Plan

Yoshiaki Otsuki

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## 1. Introduction

On December 17, 2024, the 67th meeting of the Strategic Policy Committee of the Advisory Committee for Natural Resources and Energy of the Ministry of Economy, Trade and Industry was held and a draft of a new strategic energy plan of Japan, which is the seventh strategic energy plan, was released (the “New Strategic Energy Plan”). As of the date of this newsletter, this draft of the New Strategic Energy Plan is open for public comment.

This newsletter provides an overview of the draft of the New Strategic Energy Plan, while focusing on issues that have been frequently discussed in recent years, such as hydrogen energy, solar power generation, geothermal power generation, and CCS,<sup>1</sup> particularly concerning laws and regulations.

## 2. Details of the draft of the New Strategic Energy Plan

### 2.1. Hydrogen energy

In the draft of the New Strategic Energy Plan, hydrogen energy is described under the title “Securing and Supplying Next Generation Energy” as follows:

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<sup>1</sup> Carbon Dioxide Capture and Storage.

*“Hydrogen is a base component of ammonia, synthetic methane, and synthetic fuel, and such hydrogen and hydrogen compounds are key types of energy for achieving carbon neutrality, which are expected to be utilized in a wide range of areas (including steel, chemistry, mobility, industrial heat, and power generation). [Omitted] For actual implementation, in accordance with the **Hydrogen Society Promotion Act**, while strongly supporting the establishment of a large-scale supply chain of low-carbon hydrogen, etc., we shall continue to apply integrated regulatory and support policies for a further large-scale utilization of low-carbon hydrogen, etc., in and outside Japan, and endeavor to reduce costs and expand the use of such energy, taking into account the trends of other countries and companies.”*

The outline of the “Hydrogen Society Promotion Act” stated above is as follows:

The official name of the Hydrogen Society Promotion Act is the “Act on Promotion of Supply and Use of Low-Carbon Hydrogen, etc., for Smooth Transition to a Decarbonized Growth-Oriented Economic Structure.” The Act was enacted by the Diet on May 24, 2024, and was subsequently enforced on October 23, 2024.

The purpose of the Hydrogen Society Promotion Act is to ensure a smooth transition to a decarbonized growth-oriented economic structure, which is the objective of the “Green Transformation Promotion Act,”<sup>2</sup> by implementing support policies for business operators whose business plans are approved pursuant to such Act, in order to promote the supply and use of “low-carbon hydrogen, etc.”<sup>3</sup>

The Hydrogen Society Promotion Act mainly stipulates the following matters: (i) competent minister shall formulate basic policies for the promotion of supply and utilization of low-carbon hydrogen, etc.; (ii) establishment of the business plan approval system in relation to low-carbon hydrogen, etc., special measures for various regulations for projects so approved,<sup>4</sup> and formulation of determination criteria for business operators so that it will be approved; and (iii) support measures through JOGMEC (support for price differences and base development<sup>5</sup>).

## 2.2. Solar power generation

In the draft of the New Strategic Energy Plan, renewable energy in general is described as follows:

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<sup>2</sup> This is the abbreviation of the “Act on Promotion of Smooth Transition to a Decarbonized Growth-Oriented Economic Structure.”

<sup>3</sup> Hydrogen and other hydrogen-based matters that meet the following criteria: (i) the amount of carbon dioxide emitted by its production shall be below a certain level; and (ii) its use shall contribute to the reduction of carbon dioxide emissions of Japan in light of international decisions on calculation of carbon dioxide emissions, and other requirements specified by the Ministry of Economy, Trade and Industry.

<sup>4</sup> Special measures under the High Pressure Gas Safety Act, the Road Act, and the Port and Harbor Act.

<sup>5</sup> For example, subsidies (support for price differences) to cover the funds necessary for continuous supply of low-carbon hydrogen, etc., pursuant to the business plan approved under the Hydrogen Society Promotion Act.

*“Renewable energy sources are becoming cost-competitive energy sources, and their introduction is increasing at a great rate, as their power generation costs have rapidly decreased on a global level. In Japan, since the introduction of the Feed-in Tariff scheme (FIT scheme) in July 2012, the ratio of renewable energy in the country’s power supply composition has increased from 10% to 22% by FY2022. In particular, the installed capacity of renewable energy of Japan has been ranked sixth in the world and the introduction of renewable energy has steadily been progressing.”*

On the other hand, one of the issues that have emerged recently is the amended law on the FIT/FIP approval requirements, which is mentioned in the draft as follows:

*“In accordance with the **amended Act on Special Measures Concerning Promotion of Use of Electricity from Renewable Energy Sources**, which came into force in 2024, in order to ensure appropriate communication with local residents, the approval criteria has newly included prior communication of the project content with local residents (such as by holding briefing sessions). Furthermore, to promptly correct any breach of related laws and regulations on the implementation of renewable energy power generation business, a measure to suspend the FIT/FIP subsidies for breaching business operators has been introduced.”*

The overview of the amendment of the Act on Special Measures Concerning Promotion of Use of Electricity from Renewable Energy Sources as described above, which has included prior communication of the project content by holding briefing sessions in the approval requirements for FIT/FIP, is as follows:

The amended Act on Special Measures Concerning Promotion of Use of Electricity from Renewable Energy Sources requires holding briefing sessions or prior communication measures for local residents when applying for approval of the business project related to renewable energy power generation business, particularly all high-voltage/special high-voltage renewable energy power plants, with certain exceptions. It will be required to hold such briefing sessions not only for new applications, but also for applications for approval for partial change, otherwise approval for such change will not be granted.

### **2.3. Geothermal power generation**

In the draft of the New Strategic Energy Plan, geothermal power generation is described as follows:

*“While Japan’s potential capacity of geothermal power resources is the third largest in the world, there are issues concerning geothermal power generation including high risks and costs for development, long lead times, restrictions for suitable development sites and grid connections due to uneven distribution of promising areas for geothermal power resources, and coordination with local communities and compliance with regulations for development. [Omitted] Taking into account the natural environment and the hot spring business, the relevant ministries and agencies shall cooperate with each other to provide one-stop follow-up measures to foster understanding*

*among stakeholders, address high drilling costs and high drilling risks, and deal with various licensing and approval procedures under the **Hot.Springs.Act**, the **Natural.Parks.Act**, and the Forest Act in accordance with site conditions.”*

The abovementioned regulations under the Hot Springs Act refer to the licensing system by prefectural governors for drilling production wells for geothermal power generation. Regulations under the Natural Parks Act mean the approval and application system by the Minister of the Environment or prefectural governors for drilling or altering geological features for geothermal power generation. The application of the licensing systems under these laws has recently been amended and improved.

## 2.4. CCS (Carbon Dioxide Capture and Storage Business)

In the draft of the New Strategic Energy Plan, CCS is described as follows under the title “Section 6. CO2 Capture, Utilization, and Storage”:

*“For CCS, it is planned in the “Green Transformation Promotion Strategy” to develop a business environment for launching actual operations by 2030. As the **CCS.Business.Act** was enacted in May 2024, which stipulated the licensing system for the storage business, we shall proceed with specific measures based on the CCS Long-Term Roadmap.”*

The overview of the CCS Business Act is as follows:

The CCS Business Act, whose official name is the “Act on Carbon Dioxide Storage Business,” is Japan’s first law designed to improve the environment for the CCS business and was promulgated on May 24, 2024.<sup>6</sup> Specifically, two categories of rights, “prospecting right” and “storage right,” are created as business licenses for conducting CCS business and it is provided that only business operators that have been granted such rights are allowed to conduct CCS business.

Regarding the process of acquiring a “prospecting right” and “storage right,” the Minister of Economy, Trade and Industry (METI) designates an area where a reservoir exists or is likely to exist as a “specified area” as a precondition for selecting a business operator, in principle. The criteria for granting relevant rights (prospecting right and storage right) include financial basis and technical capacities sufficient for conducting CCS business, absence of past violations of laws, non-interference with other person’s storage area or mining area, and that the CCS business does not violate public welfare. Once an application for a prospecting right or storage right is filed, consultation with relevant prefectural governors shall be held.

Among the provisions of the CCS Business Act described above, those on prospecting already came

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<sup>6</sup> Please refer to the article published by this author which sets out the outline of this new law of the “CCS Business Act” at:[https://www.amt-law.com/insights/articles/publication\\_20241216004\\_ja\\_001/](https://www.amt-law.com/insights/articles/publication_20241216004_ja_001/).

into force on November 18, 2024.<sup>7</sup> Other regulations are expected to come into effect by May 24, 2026, two years after the promulgation date of the law.

### 3. Summary

With regard to the draft of the New Strategic Energy Plan, we continue to pay attention to the development in various fields including public comments thereto and the development of the amendment of related laws and regulations.

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<sup>7</sup> Please refer to another newsletter of this author at: [https://www.amt-law.com/en/insights/newsletters/newsletter\\_20241203001\\_en\\_001/](https://www.amt-law.com/en/insights/newsletters/newsletter_20241203001_en_001/).

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