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Discussion Points by Japanese Government toward Enforcement of CCS Business Act (Vol. 2)

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1. Introduction

As reported previously, the Act on CCS Business of Japan (the “**CCS Business Act**”) was enacted in May 2024. As of today, the provisions of the CCS Business Act other than those related to exploration and prospecting have not been enforced. However, those remaining provisions not being enforced now are going to be enforced by May 23, 2026, which is the second anniversary of the enactment of this act¹.

For this purpose, as I previously reported, the working group has already been established under the Ministry of Economy, Trade and Industry (“**METI**”) with a view to the full enforcement of the CCS Business Act (the “**Working Group**”).

This newsletter outlines the main discussion points of the third (3rd) meeting of the Working Group which is the most recent meeting as of today.

¹ For further details, please see my newsletter as of October 2025: https://www.amt-law.com/asset/pdf/bulletins12_pdf/251015.pdf

2. Discussion Points at Third Meeting of the Working Group

The third (3rd) meeting of the Working Group was held on November 25, 2025. The below is an outline of the document titled "Proposal of CCS Business and Pipeline Business Systems" (the "**Proposal Document**"), which was the main subject of discussion at this third (3rd) meeting of the Working Group. The Proposal Document, among others, discusses the following three issues:

- (1) the measures to secure the funds to be contributed by CCS operator necessary for the costs which may occur during the period from the completion of CO₂ injection until the decommissioning;
- (2) "Terms and Conditions" in relation to a "third party access" to the CCS business and pipeline business; and
- (3) regional coordination process in the course of grant of license for CCS business.

I will briefly introduce the matters (1) to (3) above as follows. Just as a quick note beforehand, none of the provisions of the CCS Business Act as referred to in the following descriptions has become effective as of the date of this newsletter (please see the explanation at the beginning of this newsletter).

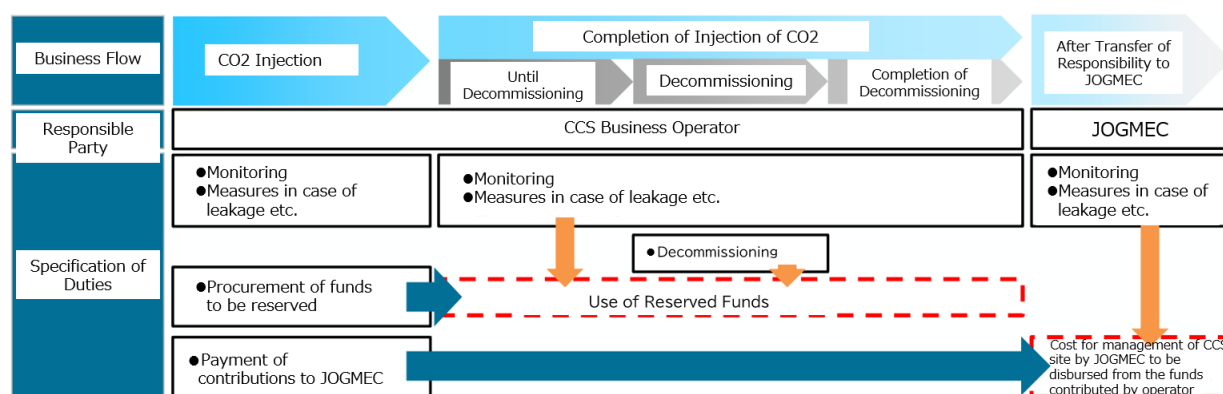
- (1) Funds to be secured and contributed by CCS business operator

As the principle under the CCS Business Act, a CCS business operator² who indeed commenced the CCS injection operation is obliged to monitor the temperature, pressure, and other matters regarding the CCS site necessary to check the status of CO₂ stored in the reservoir, which task will continue ever after the injection of CO₂ has been fully completed. However, as you can see, basically there will be no income generated from the CCS business during the period after the completion of CO₂ injection until the decommissioning.

For this purpose, the CCS Business Act requires that the CCS business operator will set aside beforehand the necessary funds to cover the costs for such task of monitoring, etc., which costs may occur during the period after the completion of CO₂ injection until the decommissioning.

² For clarity, this task of monitoring, etc. shall not be imposed on a "prospecting" operator who has not commenced a CCS business.

As an illustration, this issue refers to the part marked by red-dotted line located in the center of the chart below³.



Source: Page 5 of the Proposal Document

The Proposal Document provides some details regarding this obligation of the CCS operator in respect of the above costs during the period after the completion of CO2 injection until the decommissioning, as follows.

As the starting point, the Proposal Document refers to the scope of coverage of the costs required for the monitoring work, etc. (as mentioned above) to be incurred during the period commencing from the completion of CO2 injection until the decommissioning. According to the Proposal Document, the coverage of these costs is supposed to be divided to the following three (3) categories: (i) costs required for monitoring the CCS site after the completion of injection of CO2, (ii) costs required for decommissioning, and (iii) costs required for emergency measures if CO2 leaks out, each to be incurred during the period from the completion of CO2 injection until the decommissioning.

First, as for the methods of securing funds, the Proposal Document suggests the following two ways: "internal" funding and "external" funding measures. Regarding the "external" funding, further, utilization of escrow account or trust mechanism is being proposed in the Proposal Document. "Internal" funding is, obviously, the way by which the CCS business operators will secure the funds by themselves without involvement of any third party or organization.

³ The Proposal Document also discusses the issues regarding the fund contribution to be used for the management task on the CCS site **after** the decommissioning to be handled by Japan Organization for Metals and Energy Security ("**JOGMEC**") (the points marked by the red-dotted line in the lower right of the chart below), however, I will omit such points in this newsletter.

Next, as for calculation of the amount of funds to be secured (i.e., to be contributed by the CCS business operator), the Proposal Document proposes a calculation formula as an example of the amount to be funded during each year before the completion of CO2 injection, as shown in the below chart.

< Formula >		
$C_1 = (T_1 - A_1) / N_1$		
	Item	Description
C_1	Amount of funds to be secured for the relevant year	—
T_1	Total estimated cost	Total estimated amount of costs during the time commencing from the completion of CO2 injection until the decommissioning, which are required for monitoring, measures in case of leakage of CO2, and emergency measures. The total estimated amount shall be adjusted according to the performance of the obligations during the relevant period of CCS operation. Also, if a change of the monitoring plan, etc. happens, the total estimated amount shall be changed accordingly.
A_1	Total amount of the secured funds until the previous business year	Total fund which has been contributed by the CCS business operator
N_1	Number of the remaining years during which the funds shall be contributed, after the relevant year	The period during which the fund shall be contributed will end in the fiscal year to which the completion date of the CO2 injection belongs.

Source: Page 7 of the Proposal Document

As you can see the above formula, the funds shall be contributed in each year during the injection period of CO2, i.e., the operational period of CCS business until the completion of the full injection of CO2.

The total amount of the funds to be contributed shall be calculated based on the estimated costs of: (i) costs required for monitoring the CCS site after the completion of injection of CO2, (ii) costs required for decommissioning, and (iii) costs required for emergency measures if CO2 leaks out, those costs to occur during the period from the completion of CO2 injection until the decommissioning.

As such, the amount of the funds to be secured and contributed in each year during the funding period above shall be the total amount of estimated costs as divided by the number of the remaining years after such given year until the (scheduled) timing of completion of injection of CO2.

- (2) "Terms and Conditions" in respect of third party access to the CCS and pipeline business
 This is related to the issue of so-called "third party access", as you may aware. The concept here is that every CO2 emitter may be able to properly access to, and use, the CCS services as provided by the CCS and pipeline business operator on fair terms and conditions.
 With regard to this issue of "Terms and Conditions" for the purpose of third party access of CCS and pipeline business, the Proposal Document provides some examples of such "Terms and Conditions" for each CCS business and pipeline business, although the proposal as of

now in the Proposal Document is still on the basis of "item-level" without any details of each item of the "Terms and Conditions" to be used for the purpose of third party access.

(3) Regional coordination process in the CCS business permission phase

Both items (1) and (2) noted above were related to the phase **after** the license for the CCS business has been already granted, and the CCS business has indeed commenced. Meanwhile, this issue of this item (3) regarding the regional coordination process somehow relates to the process **before** and in the course of the grant of the license for the CCS business. In short, this matter refers to one of the criteria that must be met for the purpose of grant of the license of the CCS business. Specifically, this relates to the criterion to the effect that *"(the contemplated CCS business) will not harm the interests of agriculture, fisheries or other industries or conflict with the public welfare"*, as provided in the CCS Business Act.

According to the Proposal Document, as part of the regional coordination process, the following matters will be checked in the course of granting process of the license for CCS business: (i) whether the necessary information has been provided to the relevant stakeholders such as fishery people, upon consulting with the relevant local governments as necessary, (ii) whether the process of provision or disclosure of such information to such stakeholders was appropriate in light of due process, and (iii) whether any measures have been taken by the CCS operator to avoid or mitigate the negative impacts on the business of such stakeholders, etc. (if required).

3. Conclusion

As described above, it appears that, to some extent, the concrete measures have been discussed and determined by METI, with a view to the upcoming full enforcement of the CCS Business Act. I would like to pay continuous attention to the development of such discussion in the government, and the relevant statutes as for enforcing the CCS Business Act, which to be formulated in the form of the cabinet orders and ordinances of METI in the near future.

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