



23 September 2020

JGA Chair Michiaki Hirose Press conference on 23 September 2020
Summary of remarks

1. "Study Group on the Ideal Gas Business for 2050"

- " Study Group on the Ideal Gas Business for 2050" , a study group of Electricity and Gas Division of the Agency for Natural Resources and Energy (ANRE, Ministry of International Trade and Industry), was launched on September 4. It was, indeed, first time of this 10 years organized by ANRE to discuss on the future of the gas business.
- Background of the study group being started is, it is recognized important to discuss the ideal state of gas business from a medium- to long-term perspective with a view to 2050 and beyond from the view point of 3Es (Energy Security, Economic Efficiency, and Environment) to response to big environmental changes such as requests for decarbonization, threats of natural disasters, declining birthrate and aging population, digitization, and COVID-19.
- The themes of the study group are following 3 points: "Low-carbonization and de-carbonization toward a sustainable society", "Strengthening resiliency towards the safe and secure society" , and " Strengthening business base towards stable supply and business continuity. For the sake of those discussion, experts of energy, finance, and environment, etc., participated as members of the study group.
- At the beginning of the 1st Study Group Meeting , Mr. Matsuyama Yasuhiro, Director-General, Electricity and Gas Department of ANRE presented as opening remarks referring to following 3 points: "Environmental changes about energy-related issues", "Liberalization", and "Resilience".
- I (Hirose) and Sawada Satoru, Senior Managing Director of the JGA participated as observers for the Study Group. I commented as follows

- " The City gas business started about 150 years ago. During the period, raw material of city gas had been changed to such as coal, oil, and LNG. Use Applications had been changed from light to heat, power, and CHP (combined heat and power).
- However, the role of city gas which support people's life and industry never changes. As an energy infrastructure to support people's life and industry, the role of city gas has not been changed.
- During the time, we suffered from earthquakes and the War. Gas industry has been under fierce competition with other energy, but we have overcome them. The history of the gas business is, so to speak, " the history of the revolution transforming ourselves". Recent environmental changes and unbundling of pipeline sector from 2022, are dramatic transformation since the establishment gas business. However , we will survive with innovations and challenges."
- Following my speech, Mr. Sawada's made a presentation titled "Contribution of city gas industry to realize a sustainable society". Important points of the presentation are as follows: "
- First: "In order to realize a sustainable society, the sophistication of 3E + S and the optimization of Japan's energy are required.
- Second: " Natural gas enhances 3E + S and plays a major role in the realization of a low-carbon society, while city gas is an energy that can contribute to future decarbonization."
- Third: "Contribute to save social costs by thoroughly utilizing existing urban gas infrastructure."
- We received valuable opinions from the Study Group members from the professional point of view. Each of them has a medium- to long-term perspective touching on gas business and gas companies are required to change themselves. I believe I got a strong cheer from them. We would like to continue to participate actively for the Study Group.

2. Impact and response to COVID-19 infections

- Regarding Gas sales volume has been recovering after May, the hardest hit month due to COVID-19 pandemic, but it is still minus from the previous year even in August, The effect of COVID-19 on gas business has been prolonged.

- As for commercial use of city gas, government statistics of nationwide gas industry statistics of May showed 44 percent decrease year-on-year, which was a significant drop that has not been experienced before. But according to our interview to several gas companies, gas sales volume for commercial use in July and August was around 10% decrease.
- As for industrial use, 23% decrease in May was a bottom and that of July was about 10% decrease,
- Total gas sales volume has gradually been recovering. It recorded 18% decrease in May, which was the bottom of total gas sales volume. But that of July was about 10% decrease as well as a little less than 10% decrease in August.
- However, I believe it will take some time to recover like pre-pandemic levels.
- In addition, measures for the payment grace of gas fee in terms of assistance for those who are facing difficulties for life, each company has been considering and taking measures, from the view points of the financial condition or the like of the circumstances. As for the four major companies (Tokyo Gas, Osaka Gas, Toho Gas, and Saibu Gas), payment grace of gas fee from June to September has been extended. Companies are included for the measures.
- Repercussions of COVID-19 have been great and prolonged. It could give a great impact on balances of gas companies.