



19 October 2020

JGA Chair Michiaki Hirose Press conference on 19 October 2020
Summary of remarks

1. LNG Producer Consumer Conference 2020

- The 9th LNG Producer Consumer Conference was held by online because of the COVID-19.
- At the beginning, Minister of Economy, Trade and Industry Kajiyama stated an LNG strategy suitable for a new era in the midst of environmental changes such as corona and decarbonization, and aimed at expanding and make it flexible LNG markets and expanding the use of cleaner LNG. We recognized that the Minister stated that Japan would take the lead in improving international momentum.
- I would like to introduce some key-phrases of the Conference.
- The first agenda was " Price mechanism favorable and sustainable for both producer and consumer of LNG ". Panelists of the session stated; "A common price index that reflects supply and demand is needed.", "Diversity of contracts is required to complement each other in complex markets.", Long-term partnership with equality and mutual trust is essential."
- The second agenda was, "De-carbonization through LNG value chain". Panelists of the session stated, " LNG plays a major role as a substitute for coal and for backing up and expanding renewable energy, and will continue to grow for the time being, especially in Asia." All stakeholders need to work together for decarbonization for the future.", "To achieve those, it is necessary to verify warming gas emission data for the entire supply chain.", "Cost reduction of decarbonization through innovation and R & D is essential."

- As a whole, while the growth of LNG will continue to be important as a realistic option to achieve both environmental friendliness and economic growth, there are also issues that need to be resolved. However, I received a strong message from the conference that the issue could be solved by cooperation of all stakeholders and the future of LNG could be brightened through cooperation.
- To solve such issues, the Japan Gas Association will work on : 1) securing flexibility in the contract period and realize index links that reflect supply and demand, 2) CO2 reduction through support for the spread and expansion of distributed energy systems such as cogeneration, and decarbonization by supporting innovation such as methanation*.

2. Status of full liberalization of gas retailing : three years and a half have passed since the liberalization started from April 2017

- The number of switching cases exceeds 4 million nationwide, and about half of them, more than 2 million, are in the Kanto region.
- Looking at the switching rate, the national average is just over 15%, but at Kinki (Kansai) and Chubu-Hokuriku regions, fierce competition continues, exceeding 20%. In addition, Hokkaido Electric Power Company entered gas retail market in October this year. From Hokkaido to the north to Kyushu, the flow of liberalization is spreading nationwide, just like electricity.
- Comparing the switching situation three and a half years after the liberalization on the same level as electric power, gas is 20.4% and electricity is 18.2%, and gas market is a little more competitive.
- As I mentioned above, the liberalization of gas is steadily progressing, and although there are some difficult aspects from the standpoint of gas companies, each company will continue to make various ingenuity and efforts in order to overcome this competition.

3 . Living and Town Future Conference 2020

- The conference, which started last year, will be held online on October 28th this year because of COVID-19. Considering changes in the

environment caused by COVID-19 etc., we plan to disseminate information on the importance of energy saving, environmental friendliness, health and comfort, resilience, etc. in daily life and towns.

- Specifically, including a keynote speech by Ms. Yoko Takeda of Mitsubishi Research Institute, a panel discussion on the value of ENE-FARM in the COVID-19 disaster and the future of changing living, and a decentralized type integrated with urban development. We are planning to introduce promotion measures such as distributed energy and examples of best practices.
- We hope that this will be an opportunity to find hints on how we can live a healthy and comfortable life while responding to the trend of decarbonization and the frequent natural disasters.

4 . Study committee on the Ideal Gas Business for 2050 [2nd (October 6th)]

- Following the last month, the 2nd meeting of "the Study committee on the Ideal Gas Business for 2050" was held on October 6th. The theme for the meeting was "low-carbon and de-carbonization" and "strengthen the management foundation". From the gas industry, Tokyo Gas and Osaka Gas made presentations for the efforts and future challenges related to management base and strengthening low-carbon and decarbonization.
- The two committee members also gave us suggestive talks about the future of the gas business in a low-carbon and decarbonized society.
- We hope to deepen the discussion in the future and reflect the results here in the next Energy Basic Plan, which was started the other day.
- We hope that the discussions will be further deepened and that the results there will be reflected in next Strategic energy plan of the government which was started to discuss the other day.

*methanation: one of carbon capture and recycle technology to synthesize methane from CO₂-free hydrogen and CO₂.