



April 25, 2022

Summary of Remarks by JGA Chair HONJO Takehiro

Introduction

Amid ongoing concerns about LNG supply and demand following Russia-Ukraine conflict, the government has stated its "policy of not withdrawing" from continued operations at Sakhalin 2, saying that the project is extremely important from an energy security standpoint.

The gas industry will continue to work for the stable procurement of LNG, recognizing that it is extremely important for the stable supply of city gas. The Japan Gas Association will continue to closely monitor the situation in close cooperation with the gas companies and the Agency for Natural Resources and Energy (METI).

1. 5-year review of the full liberalization of entry into the gas retail business.

With the full liberalization of entry into the gas retail business in April 2017, residential customers are now able to choose their gas supplier. Five years have passed since then, and compared to the beginning of the full liberalization of gas retailing, the number of new entrants has increased from 39 to 77, and the share of sales volume in the gas market has expanded from 8.2% to 19.6%, indicating a certain degree of new entrants.

Gas companies are also launching new rate and service menus, and we

perceive that the gas industry as a whole is being revitalized. We would like to continue to grow as an industry and improve customer convenience through competition among companies.

On April 1, the pipeline divisions of Tokyo Gas, Osaka Gas, and Toho Gas were spun off, and while the neutrality of the three companies' pipeline divisions has been established by firewalls, the clear separation of the organizations will further ensure their neutrality. The pipeline companies, as businesses that "supply gas energy through pipelines," will play a central role in the gas business and work to expand gas use and efficiency based on ensuring a stable supply and safety.

On April 20, it was announced that the three pipeline operating companies had signed a collaboration agreement in the three areas of decarbonization, smart security, and resilience to ensure stable supply and security and to further expand the use of city gas.

2. Public and private initiatives for social implementation of methanation

At the Methanation Promotion Public-Private Council meeting on March 22, Tokyo Gas and Osaka Gas explained their technology development timetable and recent studies on demonstration projects in Japan and overseas, and expressed their strong commitment to introduce 1% synthetic methane by 2030.

At the April 19 meeting of the Council, the government presented an action plan for 2030 that outlines the timing, entities, and initiatives for each of "technology development," "business," and "rules. The content of the Action Plan reflects the discussions that have taken place in the Council thus far, and we hope that concrete discussions will be carried out in accordance with the

Action Plan in the future.

The gas industry will continue to work diligently toward social implementation in cooperation with the government and related industries.

On April 19, the results of the adoption of the Green Innovation Fund related to methanation were announced. From the gas industry, Tokyo Gas' "Development of Innovative Methane Production Technology by Low Temperature Process" and Osaka Gas' "SOEC Methanation Technology Innovation Project" were selected for the "Fuel Production Technology Development Project Using CO₂ and Other Resources".

By making effective use of such policy support, we would like to promote our technology development efforts.