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Renewable Energy 2025

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Japan: Trends & Developments

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JAPAN

Trends and Developments

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Seventh Strategic Energy Plan

In Japan, the Seventh Strategic Energy Plan (SSEP) was approved by the Cabinet on 18 February 2025.

In conjunction with the formulation of the SSEP, the energy supply and demand forecast for the 2040 fiscal year was published. Due to anticipated demand for AI and data centres, electricity generation is projected to increase to approximately 1.1–1.2 trillion kWh, up from 985.4 billion kWh in the 2023 fiscal year. Additionally, for the 2040 fiscal year:

- renewable energy is projected to account for 40–50% of total electricity generation;
- nuclear power for approximately 20%; and
- thermal power for approximately 30–40%.
- solar photovoltaic is projected to account for approximately 23–29%;
- wind power for approximately 4–8%;
- hydropower for approximately 8–10%;
- geothermal for approximately 1–2%; and
- biomass for approximately 5–6%.

In the SSEP, the following challenges have been identified in the introduction of renewable energy:

- ensuring a successful coexistence with local communities;
- the potential financial burden on the public/electricity consumers;
- output fluctuations;
- achieving an acceleration in innovation and supply chain development; and
- dealing with used solar panels.

To address these challenges, the following measures are being proposed:

- strengthening of business discipline;
- utilisation of the feed-in programme (FIP) system and bidding system;
- development of inter-regional transmission lines and introduction of batteries;
- expansion of renewable power generation capacity through:
  (a) greater use of perovskite solar cells (with a target of 20 GW by 2040);
  (b) floating offshore wind power in exclusive economic zones (EEZs);
  (c) geothermal power sources found through national drilling surveys and one-stop permit follow-up;
  (d) acceleration of the social implementation of next-generation geothermal power; and
  (e) promotion of small-scale hydropower led by local governments; and
- establishment of systems to ensure appropriate disposal and recycling.

FIT and FIP Systems

Japan operates a feed-in tariff (FIT) system, based on the Act on Special Measures Concerning Procurement of Electricity from Renewable Energy Sources (hereinafter referred to as the "Act on Renewable Energy Special Measures"). This system obliges electricity utilities to purchase electricity generated from renewable energy at a fixed price (the "purchase price") for a certain period of time. However, in recent years, there has been a shift from the FIT system to the feed-in premium (FIP) system, under which renewable energy generation operators can receive a premium (a "supply promotion grant") if they supply the renewable energy they generate to the market over a specified period.

Briefing sessions and prior notification measures

Under the amendment to the Act on Renewable Energy Special Measures, which came into effect on 1 April 2024, renewable energy generation operators are now required to conduct briefing sessions or prior notification measures for residents in the areas surrounding their proposed generation facilities at least three months prior to submitting an application for FIT/FIP certification. Even certified operators that have already obtained FIT/FIP certification are in principle required to hold briefing sessions or take prior notification measures at least three months prior to applying for a change certification when they intend to make significant changes to their plans.

Power generation operators hold briefing sessions for residents in the surrounding areas in order to obtain FIT/FIP certification, but there have been cases where the briefings have had to be held again because they did not meet the requirements for being recognised as valid under the Act on Renewable Energy Special

Measures. Although having to repeat the briefing sessions leads to power generation operators becoming more familiar with the requirements for ensuring that these sessions are valid, this has become an important issue to be considered in the development and transfer (secondary transactions) of renewable energy power plants using the FIT/FIP system.

Revision of the resident briefing system

With regard to the aforementioned requirements for resident briefing sessions, as a special case where there are no residents in the area surrounding the power generation site, consideration is being given to revising the system so that (i) a briefing session is unnecessary if the Agency for Natural Resources and Energy's website provides adequate notice and no one requests to attend the briefing session by the day before its scheduled date and (ii) applications for a change certification can be submitted without waiting three months.

Review of the priority power supply rules

The priority power supply rules were established to maintain balance between electricity supply and demand by setting conditions and priorities for output control of operational power sources in response to fluctuations in demand. When electricity supply exceeds projected demand, output control is implemented in the following order:

- reduction of thermal power output, pumped-storage operation, charging of battery facilities;
- transmission to other areas via inter-regional transmission lines;
- output reduction of biomass power;
- output reduction of natural variable power sources such as solar and wind power; and
- output reduction of long-term fixed power sources such as hydro, nuclear and geothermal power.

In fiscal year 2026, the aforementioned order will remain unchanged but, in order to promote the transition from FIT power sources to FIP power sources, there is a plan to control the output of biomass power generation in the order of FIT power sources and FIP power sources, and solar and wind power generation in the order of FIT power sources and FIP power sources. As a result, the number of solar and wind power generation cases where FIP power sources are subject to output control will decrease, while the number of cases where FIT power sources are subject to output control will increase, which will reduce the income of power generation operators holding FIT power sources.

Solar Photovoltaic Power Generation

Long-term stable qualified solar photovoltaic power business operator system

Solar photovoltaic power generation is highly dispersed and there is a clear policy need to consolidate and stabilise it. A system has therefore been introduced under the amended Regulations for Enforcement of the Act on Special Measures for Renewable Energy, effective 1 April 2025, in which the government certifies operators that can continue solar photovoltaic power generation operations on a stable long-term basis as "stable long-term qualified solar photovoltaic power business operators" (hereinafter referred to as "qualified business operators").

Certification criteria for qualified business operators

The overview of the certification criteria for qualified business operators is as follows:

- the applicant and business operators closely related to the applicant must comply with the provisions of relevant laws and regulations in conducting a renewable energy generation business;
- the applicant must have the necessary capabilities, experience and management systems to carry out solar photovoltaic power generation projects in a long-term and stable manner;
- the applicant must have set targets for the long-term and stable implementation of solar photovoltaic power generation projects; and
- the applicant and business operators closely related to the applicant must not have been subject to administrative disposition relating to the FIT/FIP system.

Investment by a listed corporation or local public body is required as a certification criterion for the management system mentioned above, and it is expected that the number of businesses that can obtain qualified business operator certification will be limited.

Benefits of becoming a qualified business operator
If recognised as a qualified business operator, the following benefits apply.

- Instead of holding resident briefing sessions required during FIT/FIP change certification, prior notice measures such as posting announcements online are sufficient.
- It is possible to use a comprehensive management system (one that allows a single chief electrical engineer to work with the operator's internal safety organisation to oversee the safety operations of multiple power plants) to cover plants owned by power generation operators that are closely related to the qualified business operator.
- With respect to disposal costs when adding panels, it was previously necessary to make a lump-sum external reserve at the time of the change certification of the expansion, but qualified business operators can now make external reserves in instalments from the time of the change certification of the expansion until the end of the reserve period.
- Information on operators that wish to sell their business(es) without waiting for the end of the FIT procurement period or FIP grant period is to be disclosed to the public, but said information shall be disclosed to qualified business operators prior to disclosure to the general public.

Wind Power Generation

Selection of power generation operators through public tenders for offshore wind power generation
The national government, based on the Act on Promoting the Utilisation of Sea Areas for the Development of Marine Renewable Energy Power Generation Facilities (the name of the law is subject to change, but hereinafter referred to as the "Act on Promoting Utilisation of Sea Areas for Renewable Energy Generation" before and after such changes), designates sea areas as Marine Renewable Energy Power Generation Facility Development Promotion Areas (hereinafter referred to as "Promotion Areas"), and it selects power generation operators to implement offshore wind power generation projects through public tenders. Selected power generation operators will implement offshore wind power generation projects after obtaining certification under the Act on Renewable Energy Special Measures and, with that certification, permission to occupy the area for up to 30 years.

The national government will establish Guidelines for the Implementation and Promotion of Public Tenders and the Occupation of Sea Areas Within the Zone (hereinafter referred to as "Guidelines for Public Tenders and Occupation") for each Promotion Area and require power generation operators who wish to be selected through public tenders to draw up and submit public tender occupation plans. The national government will review and evaluate the submitted public tender occupation plans and select the most appropriate power generation operator as the selected operator.

The public tender occupation plan will be evaluated on a total of 240 points, with 120 points for the supply price and 120 points for the feasibility of the project. The feasibility of the project will be evaluated on a scale of 80 points for the project implementation capability (speed of project planning, foundations, implementation, stable power supply, etc) and 40 points for co-ordination with the local community and ripple effects on the local economy, etc.

As of 14 August 2025, there are twelve areas designated as Promotion Areas, ten of which have selected power generation operators, and the remaining two are scheduled to undergo a public tender for power generation operators in the future.

Revision of public tender occupation guidelines
Due to fluctuations in revenue and expenses related to large-scale offshore wind power generation projects with a long total project duration, there have been cases of companies withdrawing from offshore wind power projects outside Japan. The Ministry of Economy, Trade and Industry, through an inquiry commission, is considering revising the guidelines for public tender occupation in order to promote the completion of offshore wind power projects. What follows is an overview of the revisions at the time of writing.

Revision of the evaluation of supply prices
Under the public tender occupation guidelines, the evaluation score for supply prices is calculated by dividing the lowest supply price proposed by the

public tender participant by the supply price of the proposer and multiplying the result by 120 points.

Based on the results of previous public offers, even exceeding the minimum price of JPY3/kWh (zero premium level) by a small amount will result in a significant reduction in the bid's supply price evaluation score, making it virtually impossible to recover in the project feasibility evaluation (120 points). As a result, only bids at the zero premium level are likely to be selected.

At the zero premium level, there is also a possibility that the project may not adequately respond to environmental changes such as fluctuations in revenue and expenses. Therefore, to encourage the continued development of the project, a revision of the evaluation method is under consideration so that the reduction in points becomes more gradual up to JPY14/kWh.

Review of project feasibility evaluation

(a) Speed evaluation

The speed assessment is worth 20 points in the project feasibility assessment and the earliest start date for offshore wind power plant operations is set based on the period of port availability in each Promotion Area. However, a new assessment method is being considered in which, regardless of the period of port availability, a maximum score (20 points) is given if the period until the start of operations is within five years and six months with points deducted for each extension of the development. However, in cases projected to require longer periods depending on the marine area, flexibility will be allowed through the public tender occupation guidelines.

(b) Response to risk scenarios

Since risks such as (i) suddenly rising procurement, construction, or labour costs due to inflation; (ii) delays in procurement and construction; and (iii) increased costs due to personnel shortages or procurement issues are becoming apparent, increasing the weighting of the funding and revenue plan in the feasibility assessment and the weighting of the operational plan until the start of operations and strengthening the evaluation of supply chain resilience in terms of stable power supply are also being considered.

Deposit system

A security deposit system has been established as a penalty for power generation operators responding to public tenders that fail to submit a public tender occupancy plan by the scheduled start date of offshore wind power plant operations, assuming delays. If the construction of an offshore wind power plant is delayed and the speed of the public tender occupancy plan is downgraded, the security deposit will be forfeited in full immediately.

With respect to this, consideration is being given to changing the system so that the amount forfeited is increased every six months for delays from the scheduled start date of the public tender occupancy plan, with the entire amount being forfeited after two years.

Introduction of a price adjustment scheme

For large-scale offshore wind power generation, a new price adjustment scheme is being considered that would allow prices to be adjusted after bidding due to the effect of large investment amounts, long total project duration and susceptibility to price fluctuations. Specifically, linking 70% of the base price to the consumer price index is under consideration.

Additionally, regarding the timing of adjustments, a method is being considered where the price is adjusted once, based on a comparison between the price level during the year preceding the start of the public tender process and the price level during the year preceding the scheduled submission date of the construction plan submitted upon the commencement of construction, with upper and lower limits in place.

Participation of zero-premium cases in the capacity market

Japan operates an electricity capacity market where the ability to generate electricity (kW value) can be traded and power generation operators can receive a consideration by providing their supply capacity four years in advance to retail electricity suppliers.

Offshore wind power generation projects based on the Renewable Energy Marine Area Utilisation Act utilise

the FIP system and are not permitted to participate in the capacity market; however, participation in the capacity market is being considered on a limited basis for zero-premium cases.

Standardisation of the centralised system

When power generation operators make tenders for Promotion Areas, they need information on wind conditions and seabed conditions. However, since each operator conducts its own preliminary surveys after the government designates Promotion Areas, concerns have been expressed about the fairness of the tender process and they inefficiencies of duplicate surveys.

Therefore, the adoption of a (centralised) system where surveys are conducted by the Japan Organization for Metals and Energy Security (JOGMEC) and where that information is subsequently provided to those seeking to participate in the public tender is being considered.

Amendment to the Renewable Energy Marine Area Utilisation Act (expansion to the EEZ)

On 3 June 2025, an amendment to the Renewable Energy Marine Areas Act was established by the National Diet (the Japanese legislature). The amendment allows the installation of offshore wind power plants in the EEZ through public tender and the installation of power generation facilities will be permitted in the following manner.

- The Minister of Economy, Trade and Industry designates areas within the EEZ that meet appropriate natural conditions as Marine Renewable Energy Power Generation Facility Public Tender Areas (hereinafter referred to as "Tender Areas").
- Provisional status is granted to operators that intend to install power generation facilities in Tender Areas after receiving their business plans.
- A council consisting of the persons granted provisional status and interested parties is established.
- Permission is granted for the installation of power generation facilities to operators who have obtained provisional status and meet the approval criteria, including consistency with matters agreed upon by the council.

Waste disposal cost reserves for onshore wind power generation

With regard to onshore wind power generation, the FIT/FIP system business plan guidelines require that efforts be made to adequately secure funds for disposal costs after the end of the project through systematic accumulation but, at present, nearly 80% of power generation operators do not accumulate disposal costs.

Given this situation, it is appropriate to include onshore wind power generation in the same disposal cost reserve system as solar photovoltaic power generation. Going forward, discussions are expected to begin on the detailed design of the system, with the principle of requiring external reserves to be collected from electricity sales revenues.

Conclusion

The SSEP reaffirmed Japan's commitment to promoting the introduction of renewable energy. While the pace of solar photovoltaic power is slowing due to a decline in suitable sites, offshore wind power is expected to see further growth. This article has covered the SSEP and recent and anticipated changes to the systems for solar photovoltaic and wind power generation. Looking ahead, it is likely that Japan will see the further introduction of renewable energy sources, accompanied by changes to the systems to take into account safety, landscape and environmental considerations.

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