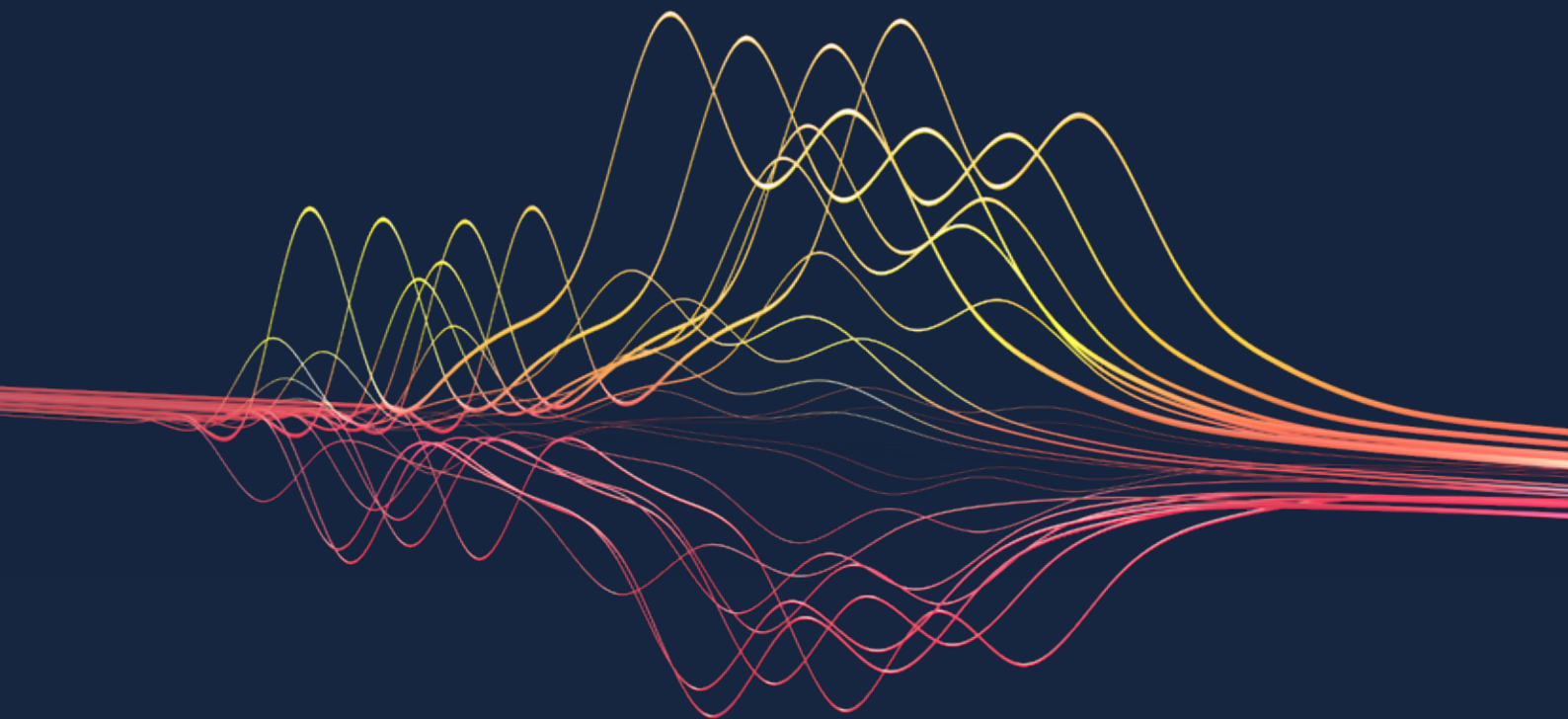


Japan Renewable Energy Update - Offshore Wind Energy (2) Energy Alert

10 JUNE 2019



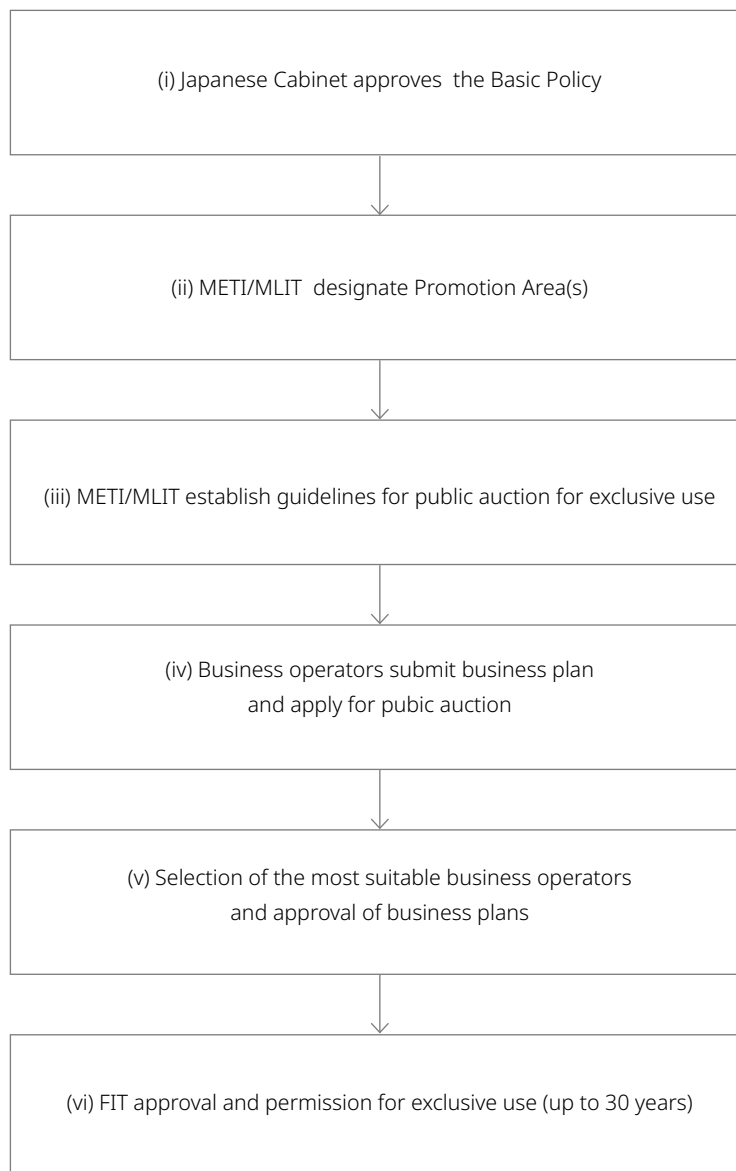
By: Dan Matsuda, Kaoru Umino, Takanobu Morita

On April 1, 2019, a new law intended to facilitate the development of offshore wind projects in Japan became effective. This new law provides for a process for securing long-term exclusive use of sea areas to be used for the implementation of offshore wind projects, by designating promotion areas and requiring prospective developers to obtain exclusive use of such areas through a public auction.

As previously reported (<https://www.dlapiper.com/ja/japan/insights/publications/2018/05/japan-renewable-energy-update-offshore-wind-energy/>), the Japanese Diet passed a law to promote off-shore wind projects in December 2018. This law - the Act of Promoting Utilization of Sea Areas in Development of Power Generation Facilities Using Maritime Renewable Energy Resources (*Saiene Kaiiki Riyo Ho*) (the "Offshore Renewable

Energy Act" or the "Act"), and the Enforcement Order of the Act -- became effective on 1 April 2019. The Offshore Renewable Energy Act establishes a legal framework to grant approval for usage of general sea areas (*ippan kai-iki*) for long-term periods to develop and operate offshore wind energy projects.

Under the Act, the process for obtaining approval for exclusive use of sea areas is as follows:



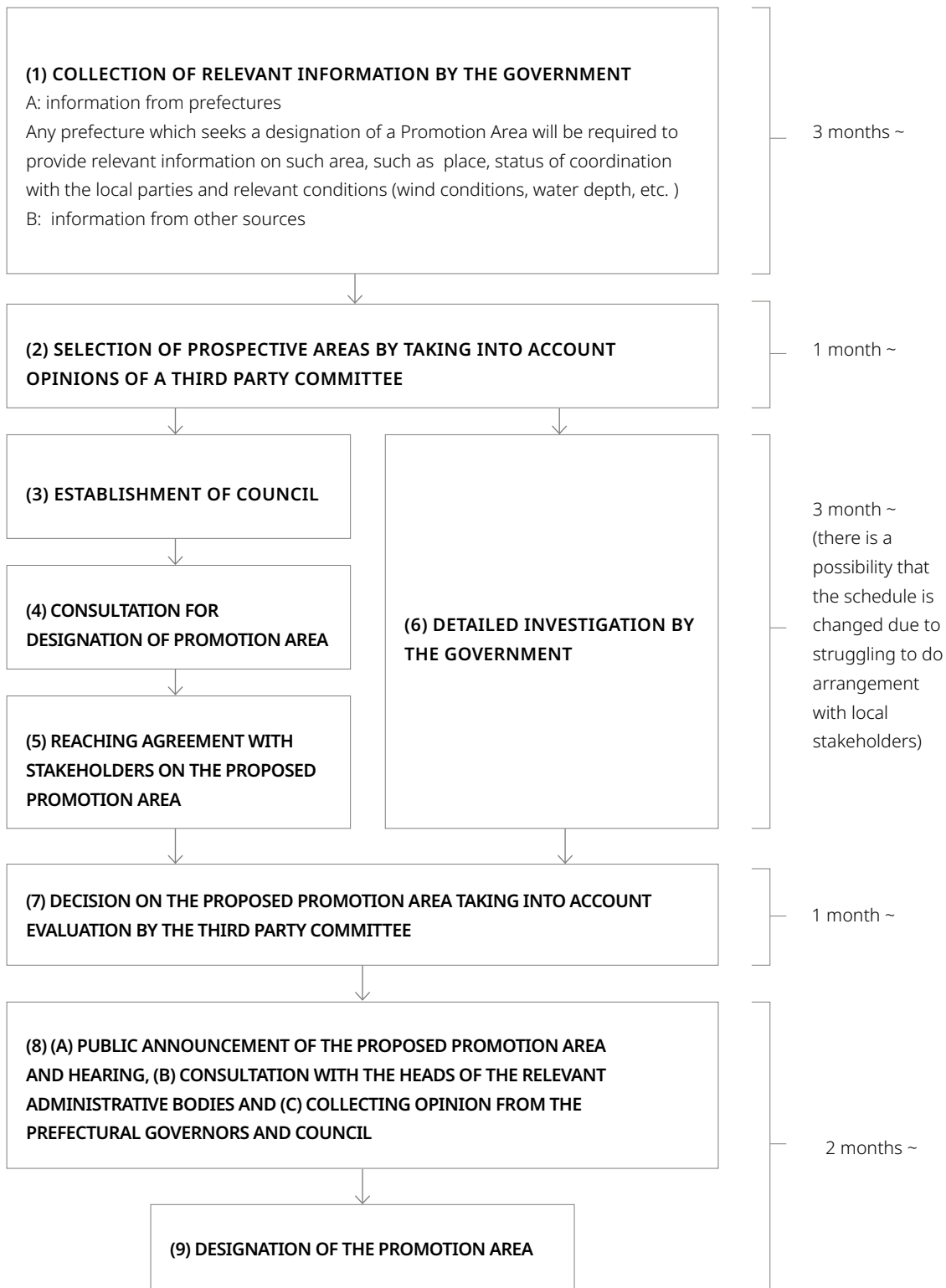
On May 17, 2019, the Japanese Cabinet approved a draft of the fundamental policy of the approval process (the “Basic Policy”) pursuant to the Offshore Renewable Energy Act. The Basic Policy does not provide any details of the process for designating a Promotion Area or the auction for the exclusive use of such area. However, it sets forth certain basic principles, including the purposes of promoting offshore renewable energy projects: (a) to implement “long-term, stable and efficient” power generation projects; (b) to realize the coexistence and

co-prosperity of offshore renewable energy projects and fishery and other uses of the ocean; (c) to ensure impartiality, fairness and transparency, and to realize proper competitive environment in the operation of the Act; and (d) to promote offshore wind projects in a systematic and continuous manner and to create a sustainable offshore wind market. The Basic Policy emphasizes that offshore wind projects in a designated Promotion Area should not harm fishery in the surrounding sea.

In this regard, one of the most important factors in designating a Promotion Area and in prevailing in the bidding for an offshore wind project is the developer’s ability to coordinate with the fishing industry and other local stakeholders.

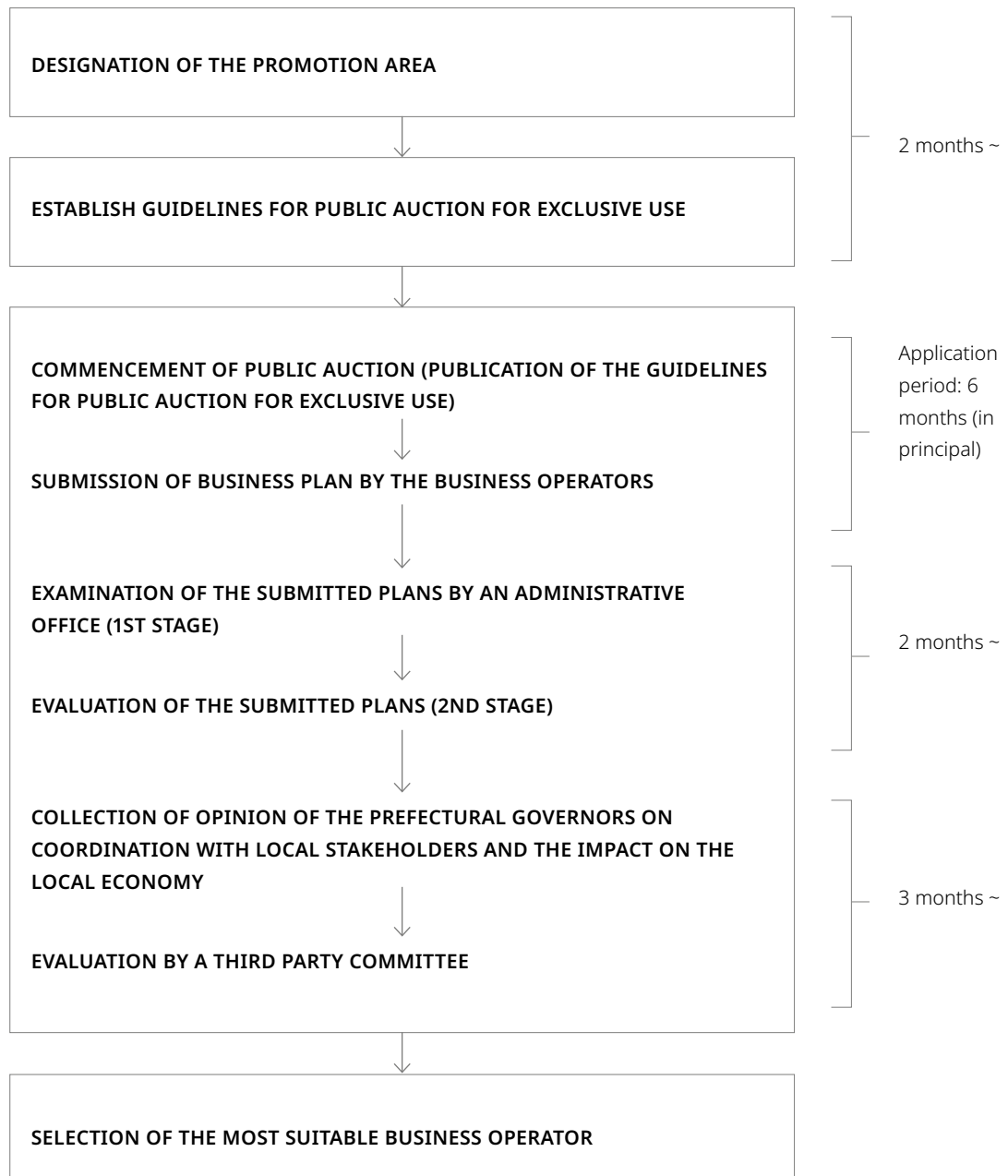
¹An area in respect of which business operators may apply for its exclusive use for wind power projects.

According to information from the relevant government committee, the designation of Promotion Areas by the Ministry of Economy, Trade and Industry (“METI”) and the Ministry of Land, Infrastructure, Transport and Tourism (“MLIT”) is expected to proceed in accordance with the following process involving at least ten (10) months:



In April 2019, the Japanese government requested developers that have started their own assessment of potential project sea areas to share information and/or result on or of their analysis about sea areas such as wind conditions and nature of the seabed. The Japanese government also requested local governments to share information when it receives applications for approvals from developers to conduct assessments of wind conditions, seabed, and other factors (item (1) of the above diagram).

The expected process and timeline for the auction process are as follows:



As can be seen above, it is apparent that the prefecture seeking designation of the Promotion Area and prospective areas for such Promotion Area are expected to be determined at the early stage of the designation process. It therefore would be very important to commence arrangements with the relevant local government as well as local stakeholders, especially fisheries, as soon as possible in order to prevail in the public auction.

