

Voluntary Report – Voluntary - Public Distribution

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Report Name: Japan Proposes to Revise Eligibility for Biomass Feed-In
Tariff Program

Country: Japan

Post: Tokyo

Report Category: Biofuels, Wood Products

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Report Highlights:

Japan's Ministry of Economy, Trade and Industry (METI) invites public comments on its proposal to shorten the eligibility window for previously approved and future biomass projects under its feed-in tariff (FIT) program. METI will accept public comments on the proposal submitted before October 6, 2020.

Proposed Revision of Feed-In Tariff Eligibility Criteria:

On September 7, 2020, the Ministry of Economy, Trade and Industry (METI) proposed time limits on how long approved feed-in tariff (FIT) projects should take to become operational biomass power plants. Approved FIT projects that do not meet the new criteria will lose their FIT eligibility. After METI approves a project for FIT, project operator needs to secure an engineering, procurement and construction (EPC) contract within 5 years (4 years + 1 year grace period). Once the project operator has an EPC contract, to retain FIT eligibility, the power plant has to (i) enter operational status within 8 years from METI's FIT approval or (ii) be large (at least 10-megawatt).

METI also proposed to limit the total duration of FIT eligibility for all biomass projects to 24 years from the date of METI's FIT approval. Therefore, larger projects that may require more time to become operational would be eligible for FIT for a shorter period of time than a project that can be operationalized quickly.

Under the current FIT program, there is no limit on the time to operationalize biomass power plants after METI's approval, and completed FIT-approved biomass projects retain their FIT eligibility for 20 years from the time the power plant is first commissioned.

Comment Submission on METI's proposal:

ANRE will accept public comments submitted in Japanese before October 6, 2020 via:

- 1) [e-Gov](#): click “意見提出フォームへ”.
- 2) Mail to 〒100-8901
1-3-1 Kasumigaseki, Chiyoda-ku, Tokyo
To: Agency for Natural Resources and Energy, New Energy Department, New Energy Division,
Attn.: Policy Team
- 3) FAX to +81-(0)3-3501-1365

Japan's FIT Program for Biomass-Derived Power Generation:

Following the 2011 Fukushima Dai'ichi nuclear power plant disaster, Japan passed the [Act on Special Measures Concerning Procurement of Electricity from Renewable Energy Sources by Electricity Utilities](#) (hereafter the Renewable Energy Act) to promote the use of eligible renewable energy sources, including solar, wind, hydro, geothermal and biomass, for power generation. The Renewable Energy Act established the framework for FIT programs overseen by METI's Agency for Natural Resources and

Energy (ANRE). Under the FIT program for biomass, power utility companies charge customers a fixed price (i.e., tariff) for biomass-derived electricity.

Currently, biomass power plants charge consumers 32-40 yen per kilowatt hour (kWh) (\approx \$0.30-0.36/kWh) for woody biomass derived from domestic forest thinning and 21-24 yen/kWh (\approx \$0.19-0.22/kWh) for other certified sustainable woody biomass sources, such as wood pellets and palm kernel shells (PKS), for the first 20 years of plants' operation. While small-scale biomass-fired power plants typically rely on biomass from nearby forests, large biomass power plants source various biomass types, including wood chips, wood pellets and PKS ([Japan Biofuels Annual: JA2020-0183](#)).

METI determines FIT eligibility of new biomass power plant projects by inspecting project plans. When a project meets METI's criteria, METI approves it and assigns it a FIT ID number, which presently has no expiration date. Upon METI's approval, the project operator finalizes the financial backing for the power plant construction, conducts an environmental assessment, and builds the facility. For larger biomass projects, it typically takes years before the power plants become operational.

By March 2020 ([latest available data](#)), Japan has approved proposals for biomass power plants with a pooled power generation capacity of 8.5 GW, yet the actual operational capacity of qualifying power plants stood at 2.2 GW. Following calls by Japan's governing Liberal Democratic Party to reduce energy costs, on June 12, 2020, METI implemented the [Energy Supply Resilience Act](#) to further promote reliable, sustainable and resilient power generation.

Among the newly adopted measures, Japan revised the Renewable Energy Act, renamed "the Act on Special Measures Concerning Promotion of Use of Renewable Energy Electricity," in three key ways to take effect in April 2022 (for details, see [ANRE's website](#) available only in Japanese). First, the FIT program was expanded to include feed-in premium (FIP) scheme, where renewable energy producers receive a premium in addition to the fixed energy price under FIT. Second, METI will impose a mandatory fee on FIT-eligible power plants to finance power grid system enhancements and connect scattered renewable energy power plants across Japan. Third, METI can revoke FIT eligibility for a projected power plant if it does not become operational within a certain time frame.

Attachments:

No Attachments.