

9. Energy

[Awareness of the Issues]

In order to raise Japan's international competitiveness and improve people's lives, it is crucial to conduct diverse services and quality improvements while correcting high cost structures by promoting management efficiency for entrepreneurs due to a positive introduction of domestic competition in the energy field, while considering the issues, etc such as obtaining energy security and global warming prevention. In the fields of electric power and gas, from the above viewpoints, step-by-step liberalization should be implemented through measures that open so-called essential facilities such as the retailing of the partial liberalization, transmitting electricity network, and gas pipelines. However, on the basis of achievements so far, it will be necessary to further promote the tasks done until now in the future, while surely confirming schedules, including the scope of a total liberalization.

Moreover, discussions have been carried out by industries including the electric power, gas, and oil industries, but under liberalization progress, it will be necessary to make a market plan by considering a real total energy industry, while taking into account the present situation whereby companies of each industry are competitors.

[Specific Measures]

1 Review of the total electric power business system [To be implemented in FY 2002]

Review of the total electric power business system was pointed out at meetings of the First Report Regarding Promotion of Regulatory Reform last year and the "Three-Year Program for Promoting Deregulation (Revised)" was decided at cabinet meetings in March of this year. Accordingly, this decision made at cabinet meetings should be steadily implemented.

At that time, an expansion in the scope of retailing liberalization should be immediately implemented with a certain schedule for total liberalization of household electricity etc., while developing an environment whereby electric power users can secure supply options and implementing a liberalization of high voltage (for customers using 6kV or more of electricity : for small and medium sized buildings and factories).

In addition to the items mentioned above, the following measures should be taken. That is, the report to the authorities is adopted for a connection-supply tariff charge, but some say that the securing of the validity of the charged tariff-level for new entrants is insufficient. Consequently, the establishment of a system whose incentives for cost reduction and a lowering of charges can sufficiently work should be performed, while specifying the change commanding criteria in the present system in terms of promoting competition through the mutual entry of new entrants and existing electric power companies.

Moreover, the appropriate operations for such a system are secured and the

high-level supervisory function should be given to the supervising organization for dispute settlement and market supervision in proposals made at the meetings in the previous year.

2 Structural reform of the gas business as a whole [To be implemented in FY 2002]

With regard to structural reform of the gas business as a whole, in accordance with the existing "Three-Year Program for Promoting Deregulation (Revised)", necessary measures should be taken to deal with issues such as an expansion in the scope of retailing liberalization, wholesale market vitalization, opening up existing gas-supply infrastructure to third parties, promoting efficient development of the gas pipeline network and so on.

At that time, an expansion in the scope of retailing liberalization should be immediately performed within a certain schedule and at the same time the possibility of realizing the liberalization of small-scale gas demand including household gas should be examined.

As for gas pipelines, the subject of the commissioned delivery system should be immediately expanded from the four large urban gas supply companies to other general gas business partners and other partners with gas supply pipelines. The improvement of the commissioned delivery system should be also implemented.

As for the gas business, the establishment of a monitoring organization to ensure market fairness should be examined similar to the system in place in the electric power business.

3 Current C fuel oil tariffs [To be implemented by FY 2005]

C fuel oil tariffs are set at the amount of tax exceeding 3.202 yen per kl in a high intensified sulfur-including C fuel oil and other petroleum products. When C fuel oil tariffs were considered as fiscal tariffs for domestic coal measures in 1960, the tariff rate was set at a low level. However, for the period when the foreign exchange allocation system (the basic tariff rate at the time was 570 yen per kl) was replaced by the tariff quota system, in terms of the limitation of disorderly imports, the second tariff rate was sharply raised to 2.280 yen per kl and the rate was further raised in 1982.

Thus, C fuel oil is a financial source. Although, at the same time for the purpose of securing a stable supply of related petroleum products, the tariff quota system was abolished and the tariff rate was reduced in steps. However, as the C fuel oil tariff rate is still high, it works as a tariff to restrain imports in the users' industries of sheet glass and soda. Under such a high tariff rate, domestic users have no choice but to purchase fuel oil from domestic refining contractors, while the contractors pay their tariffs through the imports of C fuel oils. It is pointed out that even if domestic contractors pay the tariffs, it is sufficient compensation in terms of preventing domestic users from importing fuel oils.

Nevertheless, the tariff measures for the repayment of loans on measures for coal mentioned above will be abolished in 2005. The petroleum policy is also converting to promoting competition with the abolition of the oil business law.

Therefore, a review of C fuel oil tariffs will be examined so that excessive users burden for C fuel oil can be corrected for the period from now to FY 2005. In regard to C fuel oil tariffs after FY 2006, strict measures should be taken to correct such a situation.