

SUPPLEMENT ON ENERGY and U.S.-JAPAN COOPERATION
49th U.S.-Japan Business Conference
US-Japan Business Council/Japan-US Business Council
November 9, 2012

Maintaining Nuclear Power

In the Councils' view, maintaining nuclear power generation is a critical part of Japan's energy mix going forward. Accordingly, the Councils recommend that the Government of Japan, in cooperation with the U.S. and other governments, establish rigorous and transparent nuclear safety and regulatory procedures that surpass the highest standards and best practices from around the world. At this juncture, the Councils welcome the Government of Japan's taking steps to establish an independent Nuclear Regulation Authority (NRA) to pursue this goal.

Seizing the LNG Opportunity

As a result of the Great East Japan Earthquake, the demand for liquefied natural gas (LNG) in Japan has increased dramatically. With the discovery of vast amounts of shale gas, and enhanced technological capacity to recover it, the United States has the potential to become a major exporter of LNG over the next several years if certain technical, financial, transportation and political aspects of this complicated process are aligned properly. This situation creates a tremendous opportunity for the United States and Japan to expand energy cooperation through the export of U.S.-produced LNG to Japan if the relevant factors are aligned.

To date, licenses have been granted to U.S. companies to export U.S.-produced LNG to several countries, including South Korea, with which the United States has free trade agreements (FTAs), but not Japan. The Councils do not think Japan's participation in the Trans-Pacific Partnership (TPP) negotiations should be a precondition for approving U.S. LNG exports to Japan. Japan is a critical ally and economic partner of the United States, and on this basis, should be eligible to receive U.S. LNG.

The Councils therefore urge the U.S. government to approve licenses to export U.S.-produced LNG to Japan, while also taking into account the benefits of low natural gas prices to U.S. manufacturers and consumers. Such cooperation would enhance Japan's energy security and help meet its growing need for thermal electricity generation, expand U.S. exports to Japan, and provide another economic bond that strengthens bilateral economic integration and overall relations.

Accelerating Development of Renewable Energy

The development and dissemination of renewable energy is essential to enhance energy security and cope with climate change.

Renewable energy technologies are not without challenges, such as their intermittent supply, and they can also cost more than conventional energy at current scales and stages of technology development. To overcome these challenges and accelerate the development of economically viable renewable technologies, the Councils recommend that our respective governments support and encourage R&D and private investment in energy technology companies. Deregulation – e.g. speeding up the environmental assessment process – and cooperation on standards for smart grid and other renewable technologies can also encourage domestic and foreign companies to launch private projects on a more timely and cost-effective basis.

It is important that government policies to support renewable development and dissemination do not impose significant rate increases on industrial and household users of conventionally generated electricity, as this will have a negative impact on economic growth. Moreover, care must be taken to avoid distorting markets by offering large-scale subsidies or setting artificially high prices for electricity generated through renewable technologies.