

# Policy Making Process in Japan

## Strategic Energy Plan as a Case Study



### 日本の政策決定プロセス

エネルギー基本計画の事例の検証

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# I. Purpose of this report: To examine Japan's energy policy making process

The international community aims to limit the global temperature rise to 1.5° C above preindustrial levels in line with the Paris Agreement.

At the G7 Hiroshima Summit in May 2023, in order to bridge the gap between this goal and the current situation and further strengthen actions, G7 leaders committed to achieving a fully or predominantly decarbonized power sector by 2035 and to accelerate the phase-out of domestic unabated coal power generation. At the 28th Session of the Conference

of the Parties to the United Nations Framework Convention on Climate Change (COP28) in December 2023, governments agreed to transition away from fossil fuels, triple the capacity of renewable energy, and double the annual average energy efficiency improvement rate by 2030, among other things. Japan must strengthen its climate and energy policies in view of these international commitments.

Since climate and energy policies span across all socio-economic activities and have a broad impact on

both current and future generations, policy making processes must be fair and transparent.

Measures to reduce energy-derived CO<sub>2</sub> emissions – which account for about 90% of Japan's CO<sub>2</sub> emissions – are central to climate and energy policies. In that context, this report uses Japan's Strategic Energy Plan ("SEP") as a case study to examine the reality of Japan's policy making processes, based on publicly available information including materials from the government's advisory bodies.

## II. Japan's climate and energy policy framework

Figure 1 provides an outline of Japan's climate and energy policy framework. The government's basic approach and vision for carbon neutrality by 2050 are stated in the Long-term Strategy under the Paris Agreement. In addition, the government's greenhouse gas (GHG) emission reduction targets and measures are stated in the Plan for Global Warming Countermeasures, based on the Act on the Promotion of Global Warming Countermeasures, which is under the jurisdiction of the Ministry of the Environment ("MOE"). SEP, based on the Basic Act on

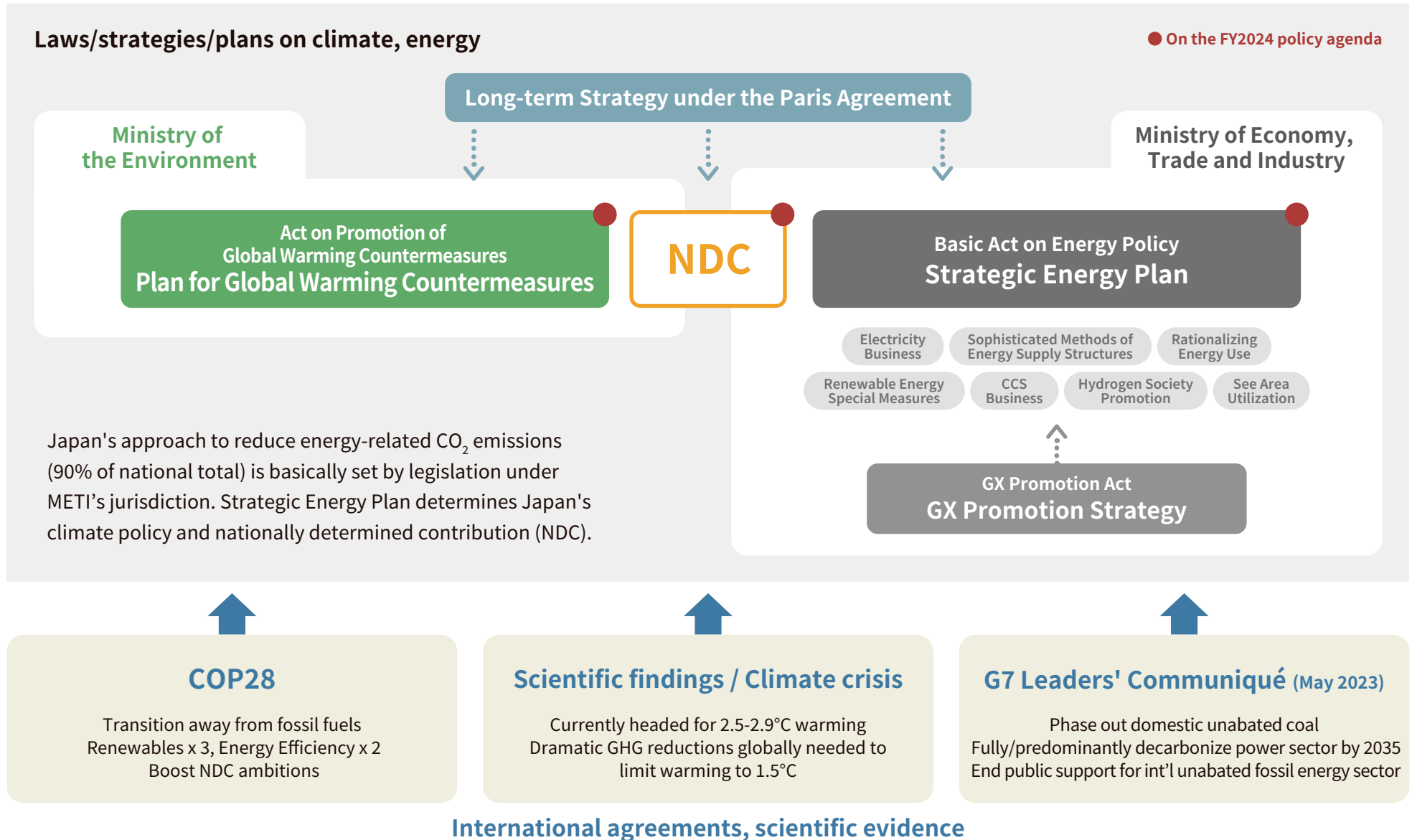
Energy Policy, under the jurisdiction of the Ministry of Economy, Trade and Industry ("METI"), sets out the basic policies and measures concerning energy supply and demand. The Plan for Global Warming Countermeasures and SEP are to be reviewed at least every three years. Based on these two plans, the government will prepare and submit Japan's nationally determined contribution (NDC), which under the Paris Agreement must be submitted every five years. Both plans and Japan's NDC are scheduled to be formulated in fiscal year 2024 ending March

2025.

In 2023, the Act on Promotion of a Smooth Transition to a Decarbonized Growth-Oriented Economic Structure (GX Promotion Act) was enacted under the jurisdiction of METI, creating a framework for investment in decarbonization-related sectors, using government bonds as a source of revenue. This legislation is also a part of Japan's climate and energy policy framework.



Figure 1. Japan's climate and energy policy framework



### III. Strategic Energy Plan (SEP): Committee structure and management

#### 01 Regulatory basis for advisory bodies

Under Japan’s Basic Act on Energy Policy, the government is required to formulate SEP to promote measures on energy supply and demand (Article 12.1). METI must listen to the opinions of the Advisory Committee for Natural Resources and Energy (“ACNRE”), formulate a draft of SEP, and seek a cabinet approval thereon (Article 12.3). ACNRE is one of the advisory bodies established within the Agency for Natural Resources and Energy (“ANRE”), one of METI’s affiliated agencies.

ACNRE has four subcommittees: (1) Strategic Policy, (2) Energy Efficiency and Renewable Energy, (3) Natural Resources and Fuel, and (4) Electricity and Gas Industry. Among them, it is the Strategic Policy Committee that prepares the draft SEP (Article 6.1 (1) of ACNRE Ordinance). Specific topics are discussed by subcommittees, working groups (WG), task forces and other bodies (Article 7.1 of ACNRE Ordinance) under each of these committees. In addition, METI has established a number of study groups and discussion groups that are ad hoc, not statutory. Discussions are also being held by public-private councils, consultative bodies of other related ministries and agencies, and

study groups of the Organization for Cross-regional Coordination of Transmission Operators (OCCTO), an authorized corporation under METI based on the Electricity Business Act.

The Strategic Policy Committee compiles the draft of SEP by integrating discussions from both inside and outside ACNRE.

#### 02 Guidelines for advisory bodies

The Basic Plan for Reorganization and Rationalization of Advisory Bodies was formulated in 1999 to guide the management of the government’s advisory bodies. It was formulated in response to criticism that some of them had been functioning as “hideouts” during central government ministry and agency reforms. Annex 3 of “Guidelines for the Management of Advisory Bodies” (“Guidelines”), stipulates that their composition should be fair and balanced.

There is no disclosure of the timing and selection criteria for appointments of members of METI’s advisory and consultative bodies, at least if one checks the METI website. As for ACNRE, the last record of any general meeting having been held is for

August 1, 2008, and it is not possible to confirm the appointment or reappointment status of committee members and the current composition. ANRE has only announced that on February 16, 2024, Shuzo Sumi, an advisor to Tokio Marine & Nichido Fire Insurance, was appointed as the committee’s new chair.

#### Guidelines for the Management of Advisory Bodies (excerpt from April 27, 1999)

- **Composition:** Must be fair and balanced in terms of opinion and relevant experience.
- **Appointments:** Former government officials should be strictly limited. Unless otherwise required, no person should be appointed from a ministry that has jurisdiction over the relevant body.
- **Elderly:** Considering the responsibilities, the elderly should not be appointed, in principle.
- **Concurrent positions:** In principle, one person should serve a maximum of three bodies, with an upper limit of four.
- **Term:** 2 years. Reappointment is not prohibited, but should not exceed 10 years.
- **Gender:** Make efforts to increase female ratio to 30%.

## IV. Strategic Energy Plan (SEP): Analysis of the policy making process

### 01 Focus and features of this analysis

The purpose of this report is to shine a light on Japan's policy making processes relating to energy. Specifically, taking up the process of formulating the 6th SEP, which occurred between October 2020 and October 2021, we analyze the deliberative framework, the process from the start to the point of Cabinet approval, and member composition of the various consultative bodies (by sector, age, gender, and stance).

Based on legislation, SEP is discussed mainly by consultative bodies that are under ACNRE, which is under METI (ANRE). (In sectors such as transportation and construction, some deliberations are also conducted under the jurisdiction of the Ministry of Land, Infrastructure, Transport and Tourism ("MLIT").)

In the case of the 6th SEP, then-Prime Minister Yoshihide Suga declared in an October 2020 policy speech that Japan would aim to achieve carbon neutrality by 2050. At the U.S.-hosted Leaders Summit on Climate in April 2021, Suga announced that Japan would aim to reduce GHG emissions by 46% to 50% by 2030. In a departure from past practices, these

political decisions were being made even while deliberations were still in progress. Another interesting aspect was that an "Expert Panel on Climate Change" had been created within the Cabinet Secretariat and a "Task Force for Comprehensive Regulatory Review related to Renewable Energy, etc." within the Cabinet Office, with discussions being conducted in parallel.

Regarding the formulation of SEP in the future, the manner of deliberations could vary with the political situation in Japan and abroad, but the basic statutory structure for the Plan to be formulated under ACNRE remains unchanged. Thus, in this report, we focus mainly on the processes involving consultative bodies under ACNRE.

### 02 Committee structure: 6th SEP (actual), 7th SEP (expected)

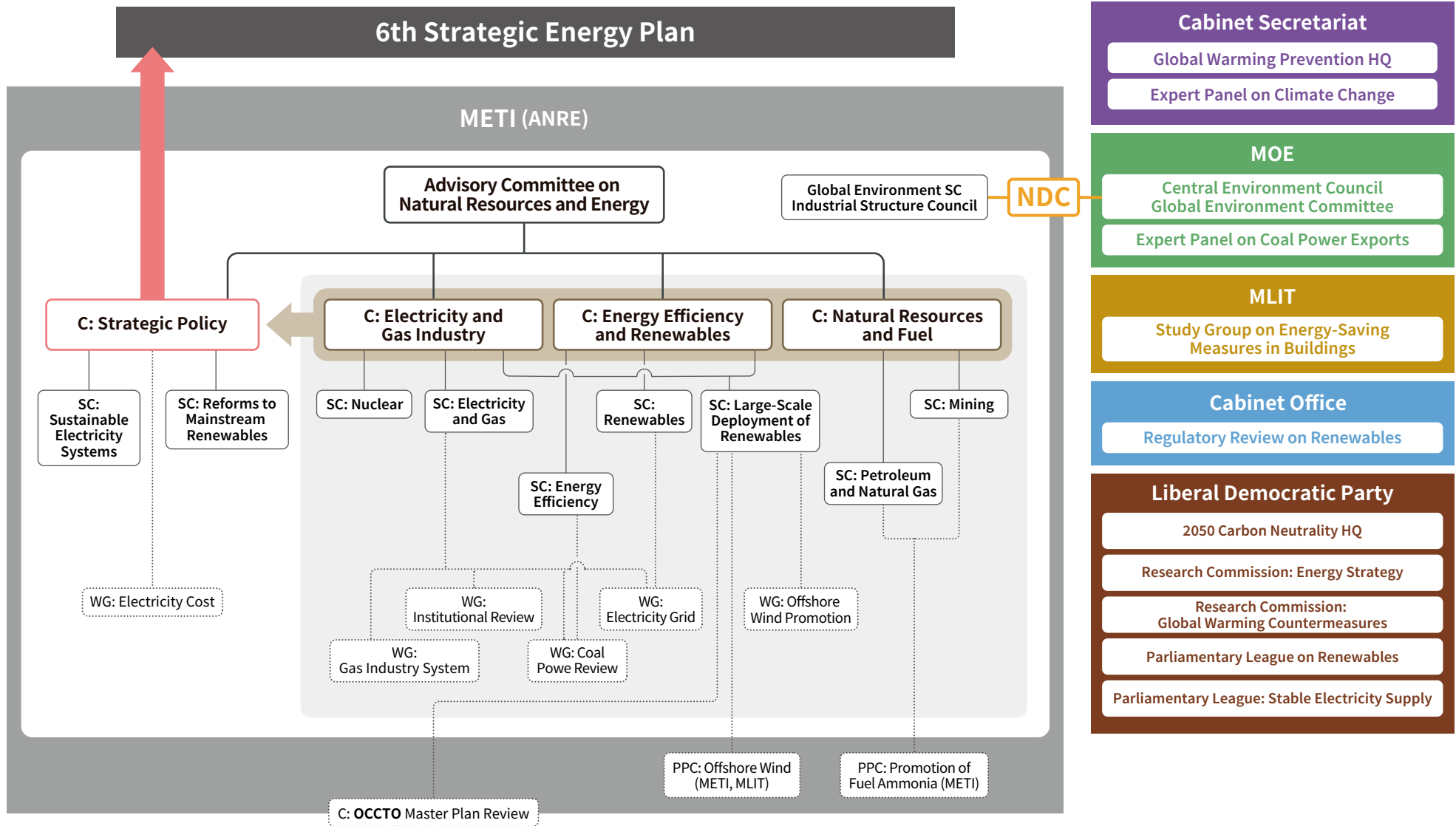
Figures 2 and 3 outline the deliberative framework for Japan's 6th SEP (2020–2021) and the 7th (expected, as of April 2024).

Many consultative bodies, mainly centering on ACNRE, are involved in the formulation of SEP. The basic deliberative framework for the 7th SEP is the same as for the 6th, although some subcommittees have

been renamed and new subcommittees and working groups have been established. Having met certain objectives, some consultative bodies are no longer meeting (such as the WG to Review Coal Power), while it is not yet known if others will resume meetings (such as the WG on Electricity Cost Verification). Of the four committees, two (Electricity and Gas Industry Committee and the Committee on Energy Efficiency and Renewable Energy) have not met for some time, while only their subcommittees and subordinate bodies have been meeting. OCCTO, an organization external to ACNRE, is deeply involved in important issues, such as examining master plans for cross-regional grid interconnections during the formulation of the 6th plan, and as of April 2024, examining future electricity supply and demand scenarios.

As explained above, it is exceedingly difficult to determine where important discussions are being held and decisions are being made in the formulation of SEP.

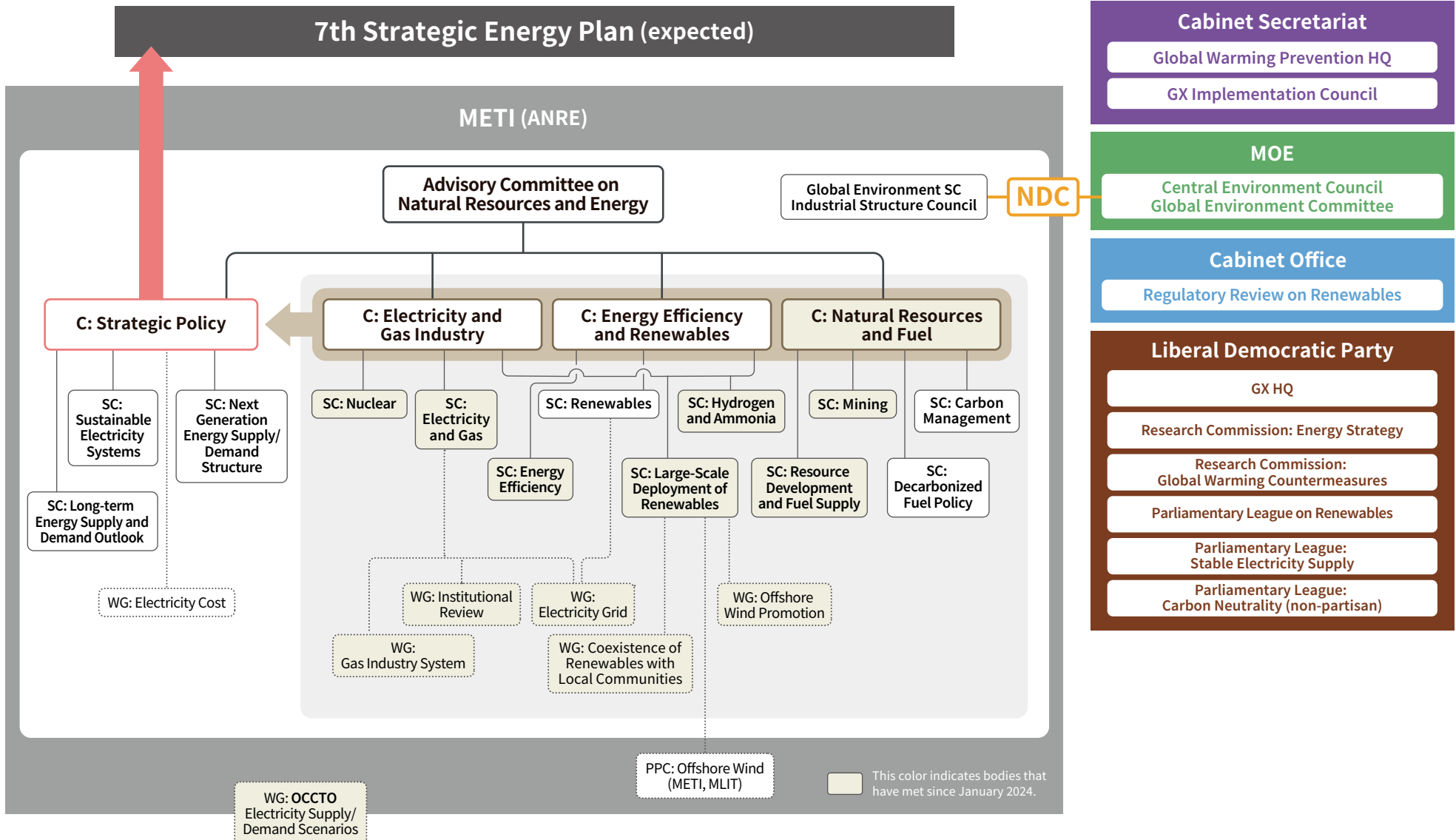
Figure 2. Advisory committee structure behind 6th SEP (2020–2021)



■ SEP: Strategic Energy Plan, C: Committee, SC: Subcommittee, PPC: Public-Private Council, MOE: Ministry of Environment, MLIT: Ministry of Land, Infrastructure, Transport and Tourism, METI: Ministry of Economy, Trade and Industry, ANRE: Agency for Natural Resources and Energy

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Figure 3. Advisory committee structure behind 7th SEP (Outlook as of April 2024)



■ SEP: Strategic Energy Plan, C: Committee, SC: Subcommittee, PPC: Public-Private Council, MOE: Ministry of Environment, MLIT: Ministry of Land, Infrastructure, Transport and Tourism, METI: Ministry of Economy, Trade and Industry, ANRE: Agency for Natural Resources and Energy



## IV. Strategic Energy Plan (SEP): Analysis of the policy making process

### 03 Flow of policy deliberations

Discussions on the 6th SEP began at the 32nd meeting of the Strategic Policy Committee of ACNRE, on October 13, 2020. Meetings were held 17 times (including five hearings), and the final draft was compiled at the 48th meeting, on August 4, 2021. Subsequently, after a public comment period of about a month, the plan received Cabinet approval on October 22 (Figure 4).

As mentioned above, deliberations on SEP are held not only by the Strategic Policy Committee but also by subcommittees and other consultative bodies both within and external to ACNRE, with the framework mainly concentrated in the Strategic Policy Committee. Understanding the policy making processes requires careful examination of the link between discussions both within and outside of the Strategic Policy Committee.

Figure 4 identifies the 15 main consultative bodies where deliberations were held related to the formulation of the 6th SEP. It shows the points at which those discussions connected up to the discussions of other consultative bodies and the

Strategic Policy Committee. In practice, other bodies not covered here may also be involved, but this figure focuses on the interconnectedness between deliberations that represent critical junctures for the 15 consultative bodies identified.

The consultative bodies within ACNRE are hierarchically organized, from committees to subcommittees, working groups and task forces. The structure is complex, with discussions percolating up from subordinate to higher bodies, based on the topic being discussed (as indicated by the six color codes in the figure).

For example, regarding the utilization of fuel ammonia, the “Public-Private Council on the Promotion of Fuel Ammonia” was established on October 27, 2020, consisting of vested-interest parties and government officials. It confirmed the importance of the utilization of fuel ammonia in coal-fired power generation, and its findings were incorporated into the secretariat documentation of the Strategic Policy Committee in December that year. In the end, the idea of 20% ammonia co-firing in coal-fired power generation by 2030, as stated in the interim report of that public-private council in February 2021, was reflected in the report of the Natural Resources and Fuel Committee, and then incorporated into SEP.

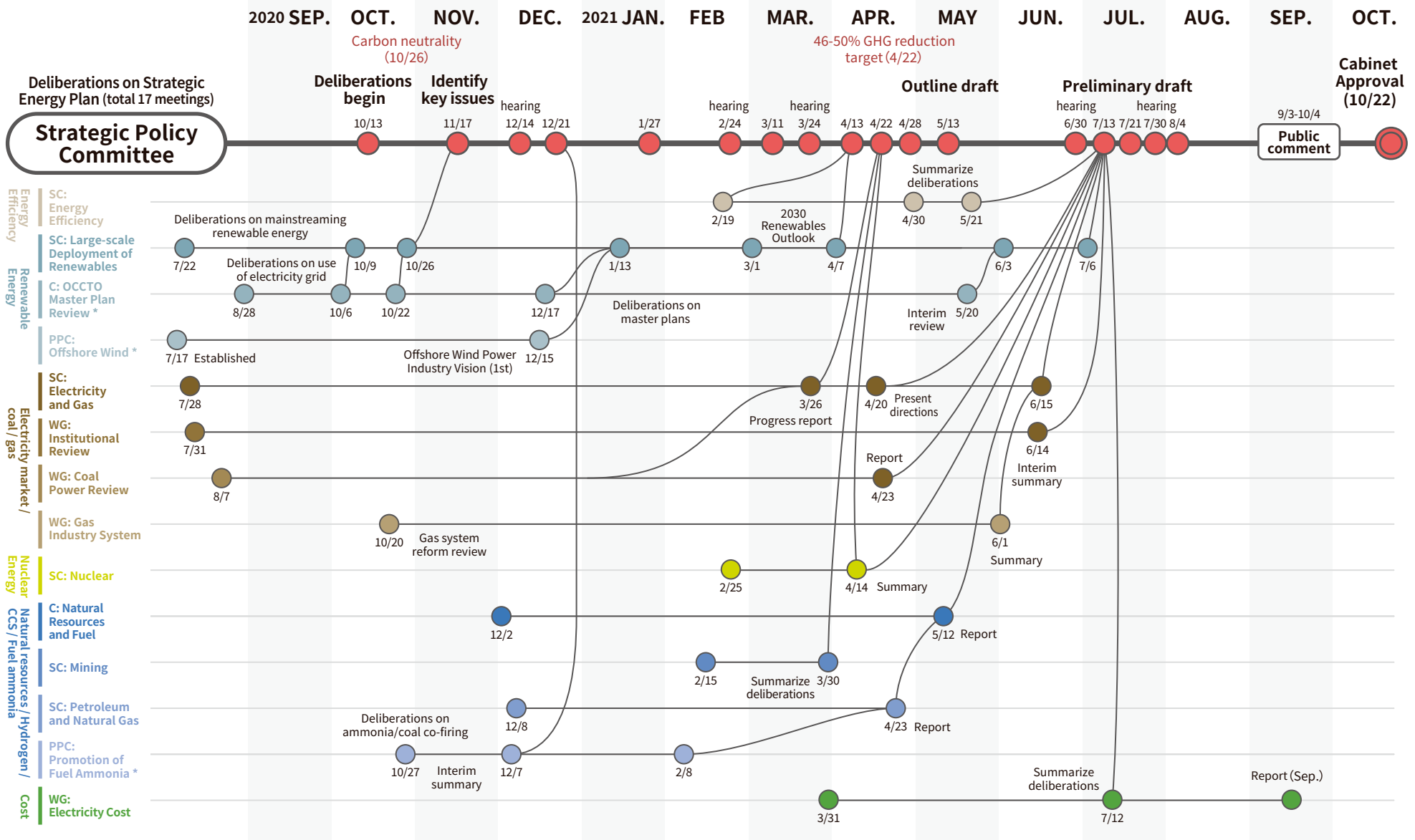
Regarding mainstreaming renewable energy as an electricity source, the Subcommittee on Large-Scale Deployment of Renewable Energy was launched in July 2020 to discuss the topic. But it was actually OCCTO’s Master Plan Review Committee that reviewed grid utilization rules and related matters, while the Public-Private Council on Offshore Wind Power discussed the strengthening of Japan’s competitiveness in offshore wind power. The two bodies then reported to the Subcommittee on Large-Scale Deployment of Renewable Energy in October 2020, and January 2021, respectively.

Our review could not identify a single case in which the Strategic Policy Committee discussed matters from a holistic perspective and made any significant changes, after specific topics had been split up and addressed by subordinate or external bodies. Meanwhile, the public comment stage occurred only at the end of the process, after the draft SEP had been made public. Even though 6,392 comments were submitted, the plan later approved by the Cabinet was nearly identical to the draft version. As the secretariat, METI controlled the entire process, preparing materials and organizing meetings.





Figure 4. Flow of discussions for 6th SEP (2020-2021)



■ SEP: Strategic Energy Plan ■ Asterisks indicate bodies outside the Advisory Committee on Natural Resources and Energy

## IV. Strategic Energy Plan (SEP): Analysis of the policy making process

### 04 Analysis of committee membership

Below are the results of analysis of the members\* of the 15 consultative bodies, by sector, age, gender, and stance.

\* For consultative bodies that have convened in January 2024 or later, we used the most recently available member list as of March 31, 2024. For those that had not yet convened in 2024 as of April, we used the member list from October 2020, when deliberations began on the 6th SEP. Observers who are allowed to comment on deliberations are also included.

#### 1) By sector

We classified the sectors as shown on the right to understand the composition of members.

Member composition differs depending on the consultative body, but overall, there is a greater tendency for members to come from academia, think tanks, and consulting. Among companies, the majority of members are in energy-intensive “materials, resources/energy supply, transportation” industries, while some members are from the financial sector. In consultative bodies that are lower in the hierarchy and/or involved in natural resources and fuels, the

majority of members tend to be representing industry groups, materials companies, and plant builders. In some cases, the companies or industry groups are direct stakeholders, which raises concerns about conflicts of interest. In particular, the public-private councils are composed mainly of vested interest parties and government officials. Some members with academic affiliations are actually former company and government officials. In some cases, members appointed from think tanks, industry groups, and government-related organizations are originally from METI. On the other hand, companies on the energy demand side, many of which are proactive in the energy transition, are severely under-represented, and there are very few members from non-profit organizations and other sectors. Many members participate in multiple consultative bodies. Our analysis of member lists of the 15 bodies mentioned above revealed that in the most extreme case, one person participated in eight bodies, while 13 members participated in three or more (see table on page 12).

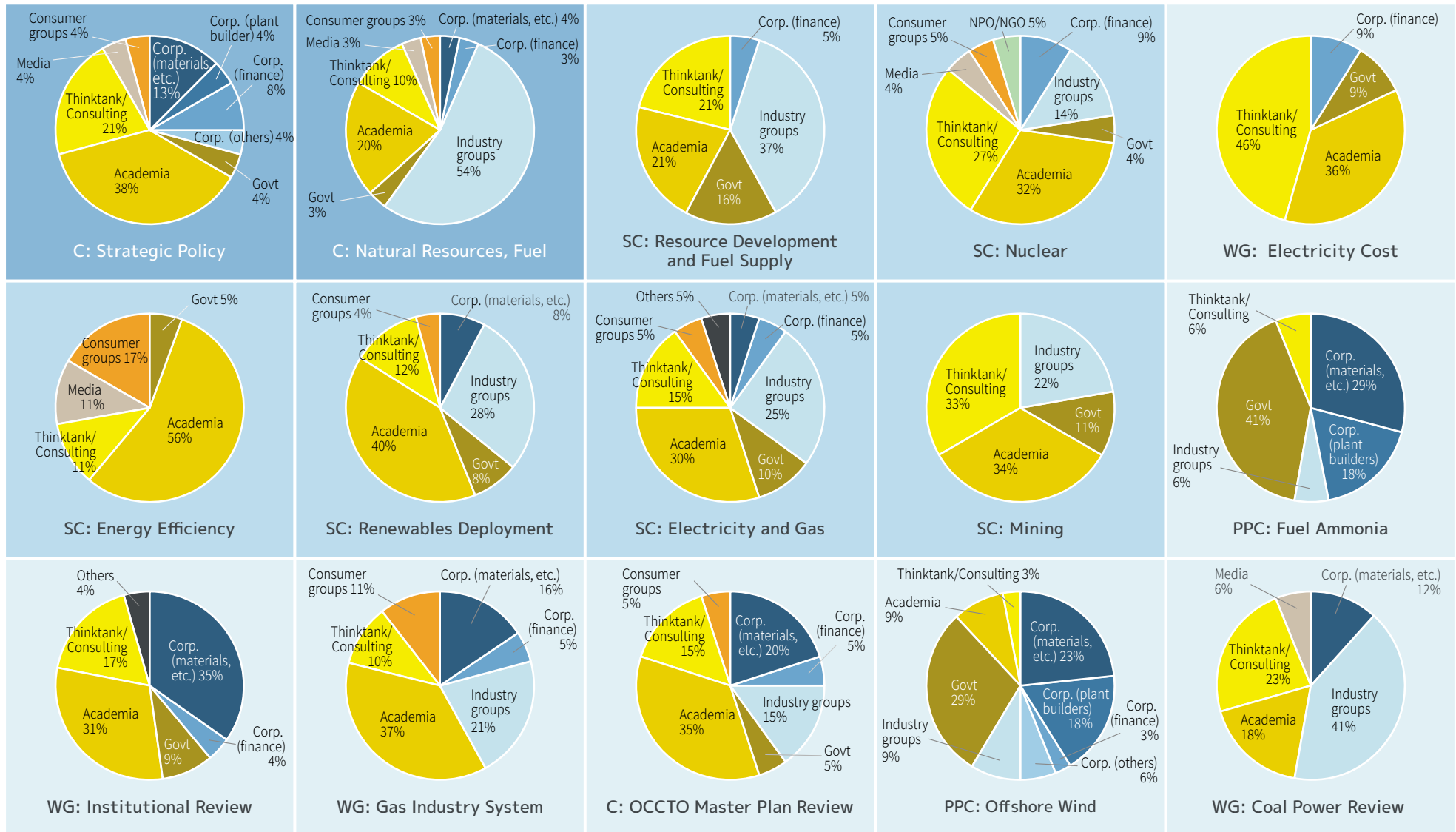
A comparison of these findings with the Guidelines described above reveals obvious discrepancies in terms of sectors, appointment of officials from government ministries, and duplication, and that fairness and balance is lacking.

#### Classification of committee membership

- Companies (materials, natural resources/energy supply, transportation): Includes four materials industries (steel, cement, chemicals, pulp and paper), power utilities, oil and gas, energy suppliers (including trading companies)
- Companies (plant builders)
- Companies (finance)
- Companies (others)
- Industry groups
- Government: Includes government-related organizations established by legislation (JOGMEC, JBIC, DBJ, etc.)
- Academia
- Thinktank/Consulting
- NPO/NGO
- Consumer groups
- Media
- Others



Figure 5. Composition of consultative bodies influencing the development of 6th & 7th SEP (by Sector)



■ SEP: Strategic Energy Plan, C: Committee, SC: Subcommittee, PPC: Public-Private Council ■ "Companies (Corp.) (materials, etc.)" refers to companies (materials, resources and energy supply, transportation). ■ The different background colors of the graphs indicate committee, subcommittee, or working group, etc.

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## IV. Strategic Energy Plan (SEP): Analysis of the policy making process

**Table. Members participating in at least three of the 15 consultative bodies (2020–2021)**

No. of bodies	Name and affiliation
8	Toshihiro Matsumura (University of Tokyo)
7	Keigo Akimoto (Research Institute of Innovative Technology for the Earth, RITE)
4	Yukari Takamura (University of Tokyo)
3	Kenji Yamaji (RITE), Masakazu Toyoda (Institute of Energy Economics, Japan), Chisato Murakami (Nippon Association of Consumer Specialists), Yumiko Iwafune (University of Tokyo), Takao Kashiwagi (Tokyo Institute of Technology), Hiroshi Ohashi (University of Tokyo), Etsuo Sato (Electricity and Gas Market Surveillance Commission), Takeo Kikkawa (International University of Japan), Hirotaka Yamauchi (Hitotsubashi University), Yuka Matayoshi (Mizuho Securities)

### 2) By age

Figure 6 reveals a tendency for members to be more advanced in age the higher the consultative body is in the hierarchy. The majority are in their 50s to 70s, with fewer in their 40s, and almost none in their 30s or younger. The Guidelines stipulate that, in principle, older persons should not be appointed as advisory committee members. With WHO defining people aged 65 or above as older adults, it is less than ideal that several bodies have members in their 70s (e.g., 33% of members of the Strategic Policy Committee).

### 3) By gender

Figure 7 reveals that females account for less than half of committee members in all 15 bodies. The Guidelines state that an effort should be made to increase the female ratio to 30%, but it is below that in 11 of the 15 bodies.

### 4) By stance

Figure 8 shows an analysis of members' stance. The classification of an individual's stance is based on our own criteria\* at Climate Integrate regarding how positive a member's attitude is regarding transitioning away from existing systems centered

on fossil fuels, as follows:

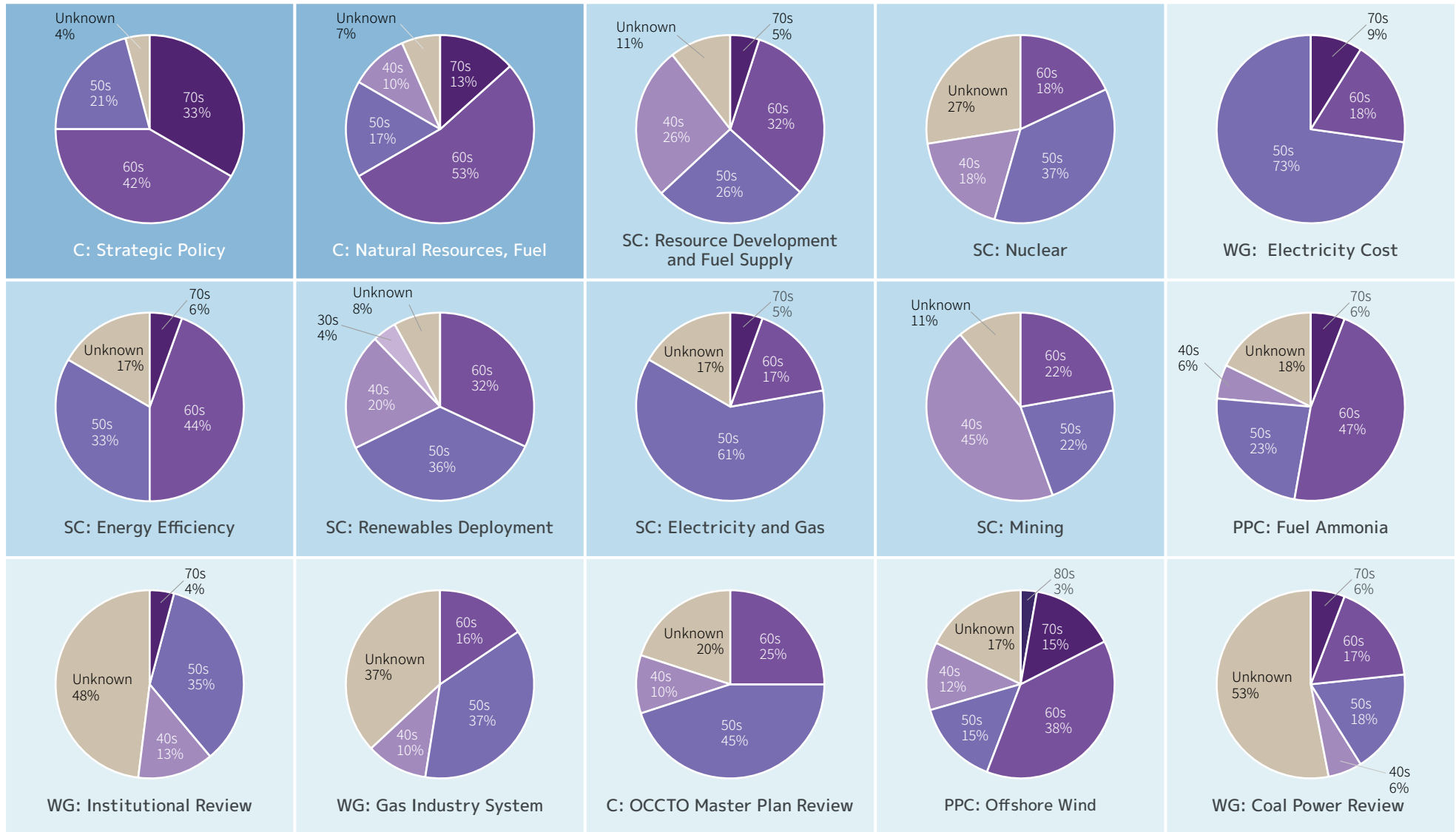
- Negative (supports fossil fuels and nuclear power, maintaining the status quo)
- Unclear
- Positive (supports a shift away from fossil fuels, supports renewable energy, promotes an energy transition)

Our analysis revealed that in many of the bodies, the vast majority of members support maintaining existing systems such as fossil fuels and nuclear power.

\* Criteria for determining stance: Generally, we classified members as "Negative" if they were affiliated with companies (materials, natural resources/energy supply, transportation), companies (plant builders), industry groups, and government-related agencies, because they support maintaining the existing energy system and are reluctant to make a bold shift toward renewable energy. In addition, the chair of a consultative body is generally selected to be in line with METI's preferences, and the government tends to adopt path-dependent policies, so we generally classified the chair as "Negative." For other members, we made our determinations based on the member's statements, having reviewed minutes of the consultative body, papers written, opinion pieces, and other sources. Members who were difficult to classify are indicated as "Unclear," but this does not necessarily mean that they are neutral.



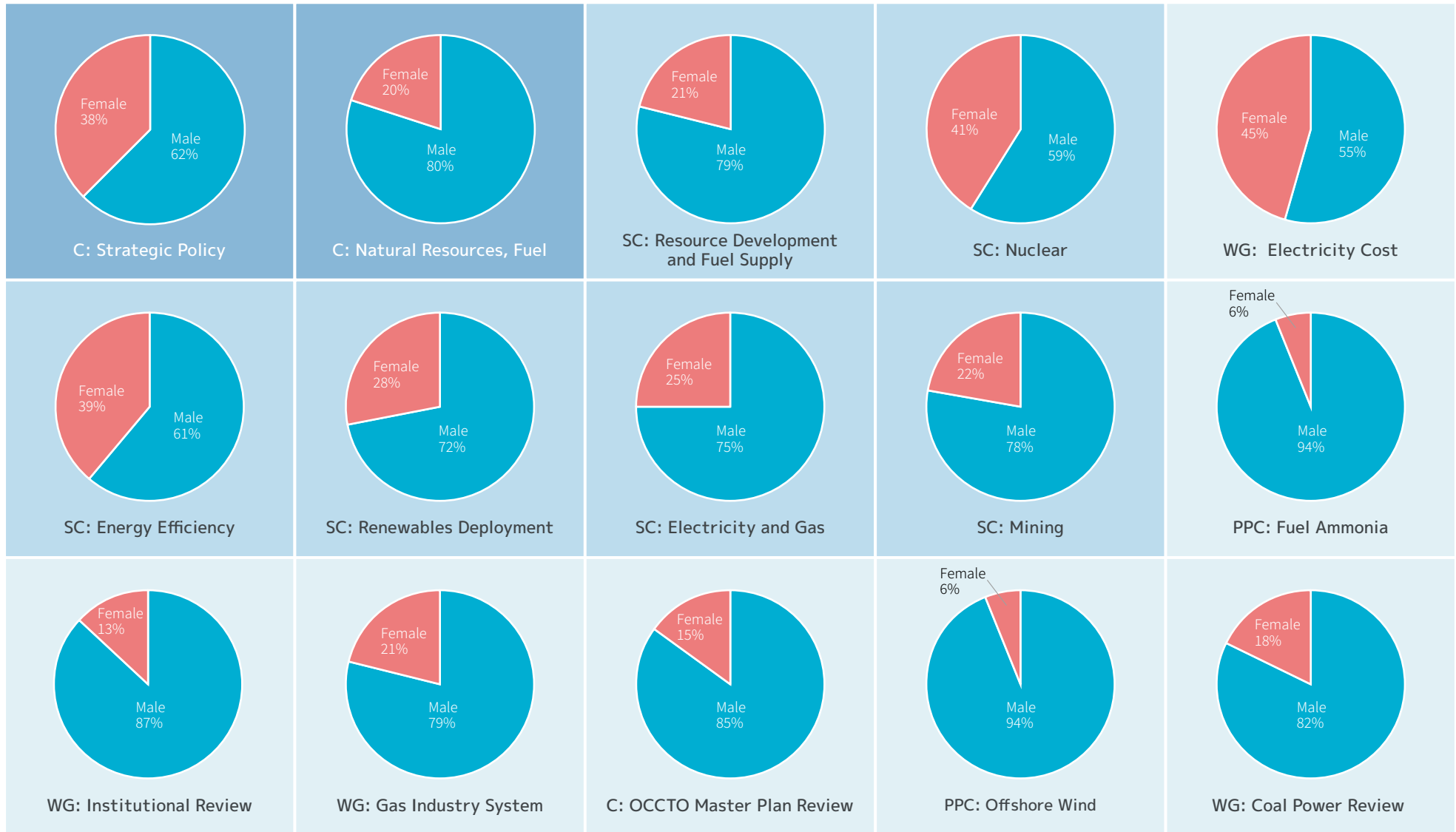
Figure 6. Composition of consultative bodies influencing the development of 6th & 7th SEP (by Age)



■ SEP: Strategic Energy Plan ■ The different background colors of the graphs indicate committee, subcommittee, or working group, etc.

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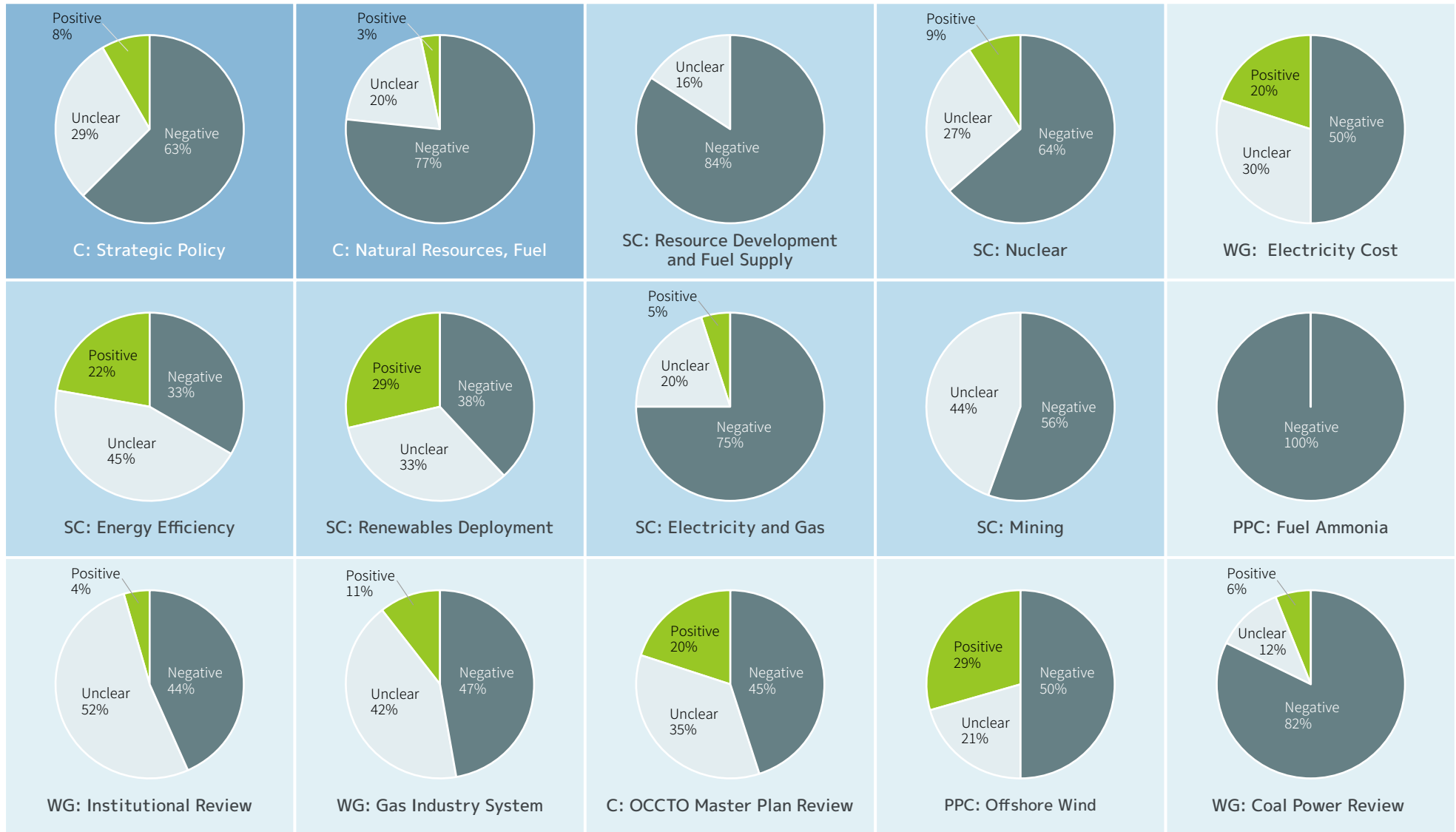
Figure 7. Composition of consultative bodies influencing the development of 6th & 7th SEP (by Gender)



■ SEP: Strategic Energy Plan ■ The different background colors of the graphs indicate committee, subcommittee, or working group, etc.

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**Figure 8. Composition of consultative bodies influencing the development of 6th and 7th SEP (by Stance)**



■ SEP: Strategic Energy Plan ■ Classification of stance is based on our own criteria regarding a member's attitude toward transitioning away from existing systems centered on fossil fuels. ■ The different background colors of the graphs indicate committee, subcommittee, or working group, etc.

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## V. Summary

Below are key observations from our review.

- Although the draft SEP is compiled by the Strategic Policy Committee of ACNRE, actual discussions and coordination are conducted prior to that by many consultative bodies established inside and outside ACNRE. Within the Strategic Policy Committee, there is scant opportunity for deliberation from a holistic perspective.
- Serving as the secretariat, METI is in a position to control the entire process.
- The composition of the 15 major consultative bodies is lacking fairness and balance as a result of discrepancies with the Guidelines for the Management of Advisory Bodies.
- Many committee members are from companies affiliated with energy-intensive industries, while some are former METI officials. The lower in the hierarchy, the greater the tendency for parties with vested interests to be involved.
- There is little participation from companies on the energy demand side, many of which are very proactive in the energy transition, as well as from NPOs, and other sectors.
- Many members overlap and participate in

three or more consultative bodies, with one person participating in as many as eight.

- The majority are in their 50s to 70s, and the average ratio of males in the consultative bodies exceeds 75%.
- The majority of members have a reluctant stance regarding shifting away from the existing fossil fuel-based system.

Climate and energy policies affect all socio-economic activities and have impacts on future generations. Considering this, a more democratic policy making process should be pursued in formulating SEP. Selection of committee members should not be biased toward any particular persons or organizations, while ensuring an expert level of deliberations and also taking into account diversity in terms of sector, age, gender, and opinion. In doing so, it is necessary to reconsider the very processes that are centered on government advisory bodies and consider adopting new methods for national debate, including citizens' climate conferences, which are increasingly being held around the country.

We hope that this report has helped untangle the policy making processes behind SEP and will provide opportunities to ensure fairness and balance in the processes that develop Japan's climate and energy policies.

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Climate Integrate is an independent climate policy think tank. We provide research and analysis on climate policy and support for decarbonization efforts by central and local governments, industry, and civil society.