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Japan's Richest Man Challenges Nuclear Future　日本第一の億万長者、核の将来を問題視

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Introduction by Andrew DeWit

Read this fascinating and timely piece by Bloomberg for a succinct, "you are here" perspective on Japan's power politics. Bloomberg nicely captures the essence of what Softbank's CEO Son Masayoshi is doing in Japan. We have heard for years from LDP regimes that Japan was head of the pack when it came to the industrialized states' comparative environmental awareness, energy efficiency and expansion of renewable energy. Certainly it is true that many Japanese companies have highly efficient manufacturing processes and a strong presence in the production of geothermal, solar and other sustainable energy technologies. But we all learned in the wake of the Fukushima incident that Japan's domestic energy market is dominated by the nuclear village people. Their schemes included reprocessing waste on top of fault lines and ramping up nuclear energy to secure no less than 60% of all of Japan's energy needs by 2100. Fortunately, those plans are melting into air. Moreover, it has also become clear that Japan's nuclear policy relied on massive state aid and collusion to defray the immense costs through public budgets and other means. As Softbank's Son declares in his frequent public events, nuclear power is at least three time more expensive than the roughly YEN 6/kWh routinely asserted by its advocates and their cheerleaders. That financial cost (not to mention the essentially incalculable health and other risks) is the door that Son points to in describing his plan to open up new frontiers with increasingly cheap renewable power production.

The article explains that Son has been extraordinarily activist in organizing local governments and other actors, to establish a broad front of support for a sustainable energy transition within Japan. On June 15, subsequent to the article's publication, he and Prime Minister Kan both attended an important event that included hundreds of Diet members, and focused on the feed in tariff policy for incentivizing this energy transition. Kan himself was until very recently a strong supporter of the nuclear village. He based his administration's economic and energy policy on the designs of the nuclear village, committing the government to the recklessly ambitious nuclear-centered energy plan as well as assisting in sales to such dangerous overseas destinations as Vietnam, Saudi Arabia and Azerbaijan. As the June 9 Reuters pointed out in a lengthy study of likely post-Fukushima problem zones, these countries are far more risky than Japan and other industrialized countries because they lack the human resources, the know-how, the experience, and the independent state agencies that are held to be key to safe nuclear power. Kan is now seeking to find a new base of support in an strengthening popular commitment to sustainable energy. Softbank's Son is leading the expanding corporate community that helps make this idea credible, and gives it a recognizable and realistic public face.

The article also indicates that the interests defending the status quo point are keen to legitimate keeping TEPCO and the other utilities' functional and regional monopolies. The rickety compensation scheme for Fukushima indeed relies on continued monopoly, allowing TEPCO to ramp up power prices and pass Fukushima's costs onto consumers. The old guard that dominates the business peak association Keidanren is also in favour, fervently so, of the monopoly. Their ranks include actors who simply cannot read the writing on the nuclear wall and its membership already enjoys a deregulated market in power production. The big firms' in-house power production capacity is immense, and they also get to choose their own power suppliers. That means they are reasonably content with the status quo. This sufficing of the industrial crowd's interests had long taken momentum out of the deregulation that threatened in the late 1990s.

Son is wrapping smart deregulation together with the feed-in tariff. This approach might bolster reform incentives enough to build a movement broad enough to overcome the inertia favoring the status quo as well as the fervent rear-guard efforts of the vested interests. The latter are small in number but big in clout, as the include METI, and trumpet a coherent message of getting nukes back on-line to power for the summer and economic recovery. Behind the spear-point of Softbank, the reformist camp is riven by disparate interests and ideas, but among their weapons for the policy war they have the Fukushima meltdowns, public antipathy towards TEPCO and its allies, and the reality of the status quo's rising human, pecuniary and other costs.

In behind Kan, the rest of the political leadership is focused on scheming to get a workable and stable majority as well as find a credible replacement for Kan. They need to be pressed by popular interests to restructure the power sector, face up to the clearly inadequate compensation scheme, and spread the opportunities of green growth as widely as possible. The nuclear village encompasses much of the Japanese political and business establishment, and they are engaged in a massive collective exercise of covering their behinds and protecting the toxic old order at the expense of the country's fiscal, economy and sociopolitical sustainability. Energy is the linchpin and largest sector of the political economy, so what happens during Japan's long hot summer matters to us all.

Japan's Richest Man Challenges Nuclear Future with Nationwide Solar Plans

By Mariko Yasu

Original available here.

Billionaire Masayoshi Son has a track record in taking on monopolies after building a business that opened up the nation's telecommunications industry. Now he aims to shake up Japan's power utilities after the worst nuclear crisis in 25 years.

Son, the 53-year-old chief executive officer of Softbank Corp. (9984), plans to build solar farms to generate electricity with support from at least 33 of Japan's 47 prefectures. In return, he's asking for access to transmission networks owned by the 10 regional utilities and an agreement they buy his electricity.

Radiation has spread across at least 600 square kilometers (230 square miles) in northeastern Japan after the March 11 earthquake and tsunami caused reactor meltdowns at the Fukushima nuclear plant. Prime Minister Naoto Kan said in May he will rethink a plan to increase atomic power to 50 percent of the nation's total from 30 percent. Renewable energy accounts for 10 percent, according to Japan's Agency for Natural Resources and Energy, and Son wants that ratio to be

tripled by 2020.

"The question is how this nation is going to survive after cutting nuclear power," Son said at a government panel meeting June 12. "A framework should be designed in a way to make the power business open for anyone who has the will to start it."

Moving In

Son, who was born in Japan to Korean parents, became an advocate of renewable energy after the disaster forced the evacuation of more than 50,000 households and contaminated drinking water and food. Tokyo Electric Power Co., the nation's largest power company, is still struggling to gain control of the stricken reactors at its Fukushima Dai-Ichi plant more than three months after the earthquake.

Son is trying to get access to the power transmission network of Japan, said Amir Anvarzadeh, senior salesman of BGC Partners Inc.'s Asian equity sales team in Singapore.

"This is a very high cash-flow business, very similar to the telecom business 10 years ago, which is why he's moving in, he can sense deregulation is coming."

After meeting with Kan and attending government discussions, Son announced the plan on May 25. He asked for land regulations to be modified to make 540,000 hectares of unused farmland available for solar power stations.

He declined to comment on details of the solar project June 10, saying it's at an early stage.

The Entrepreneur

Son's entrepreneurial streak emerged at the University of California, Berkeley, where he invented a voice-operated multilingual translator that he sold to Sharp Corp. for 100 million yen in 1979, about $456,000 at the average exchange rate that year, or $1.2 million today. He also capitalized on a burgeoning appetite for video games, importing bestselling Space Invaders machines from Japan and leasing them to cafeterias.

In the late 1980s, he offered a system enabling fixed-line phone users to choose operators with the cheapest rates, threatening the dominance of Nippon Telegraph & Telephone Corp. (9432), which was privatized in 1985. When Son introduced Softbank's broadband Internet service in 2001, he grabbed customers from NTT with free modems and prices that undercut NTT's by as much as half.

By 2006, Son had transformed his Internet venture capital company into a full-fledged phone service firm similar to NTT via 2 trillion yen acquisitions of Japan Telecom Co. and the Japanese unit of Vodafone Group Plc. (VOD)

"Son broke through the telecom industry and has the financial power and connections to make things happen," said Satoshi Nagata, a former president of Mitsui High-Tec Inc. (6966) who now runs VPEC Inc., a power solutions venture.

Raising Capital

Tokyo-based Softbank plans to set up an affiliate that will use some of the company's 3 trillion yen annual revenue to build solar power stations, Son said at a May 26 conference.

One option would be to raise funds to invest about 80 billion yen into building 10 solar farms, each with about 20 megawatts of capacity, said Softbank spokeswoman Makiko Ariyama.

The combined 200 megawatts of power capacity will provide more than 10 times the 19 megawatts in total produced at eight photovoltaic power stations run in Japan by the regional utilities as of June 9. Japan produced 988 terawatt hours of electricity in the year ended March 31.

Prime Minister Kan pledged to generate 20 percent of the nation's electricity through renewable sources by the 2020s as the nation rewrites its energy policy.

Kan Speech

"We will do everything we can to make renewable energy our base form of power, overcoming hurdles of technology and cost," Kan said in a speech in Paris before the Group of Eight summit last month. Japan aims to cut the cost of solar power generation to one-third current levels by 2020 and one-sixth in 2030 and will install roof-top solar panels at 10 million homes, Kan said.

A revision of the energy plan means Japan will probably step up a campaign to encourage the use of solar cells at the expense of atomic power, Takashi Watanabe, a Tokyo-based analyst at Goldman Sachs Group Inc., wrote in an report in April.

"I have a very high expectations, especially for our thin- film solar cells which had been limited to overseas sales," said Mikio Katayama, president of Sharp,

Japan's biggest maker of solar cells. "Mega-solar plants have been nonexistent here and it could expand business opportunities."

Sunny Farms

Solar plants using 20 percent of unused agricultural land in Japan can have the generation capacity of about 50 gigawatts, almost matching that of Tokyo Electric, Son said.

"We can probably invite more companies to invest in our solar projects once a business model is set up," said Yukiko Kada, governor of Shiga prefecture, who is one of Son's partners.

The Japanese government may break up utilities' regional monopolies and separate their power-generation businesses from distribution operations, Kyodo News reported May 31, without saying where it obtained the information. A panel will begin discussing the issue from June as the government seeks to reform the power industry by 2020, Kyodo said.

Any move to separate power distribution from utilities "should have a national discussion after careful analysis on the merits and demerits as well as the impact on the stability of power supply and electricity fees," Hiromasa Yonekura, chairman of Keidanren, Japan's biggest business lobby, said on June 6.

"It's an extremely important issue that can impact the international competitiveness of Japanese industries," he said.

Salary Pledge

The 10 regional utilities handle generation, transmission and retail of electricity, maintaining virtual monopoly over the nation's power market.

The power business was partially liberalized in the late 1990s but few new companies entered the market partly because of difficulties in competing against the utilities, VPEC's Nagata said.

In April, Son pledged to donate 10 billion yen and his salary until retirement to help support disaster victims. Son earned 108 million yen and 1.3 billion yen in dividends in the fiscal year ended March 2010, Softbank said in June.

His 21 percent stake in the company is valued at more than 740 billion yen, according to data compiled by Bloomberg. Forbes magazine ranks him as Japan's richest man.

"Mr. Son has made quite a stir," Shiga Governor Kada said. "We expect the government to make a change."

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