

Solar FIT decommissioning fee

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**Voluntary requirement to reserve decommissioning funds
Discretion remains with business operators under current regime
Moving forward**

Voluntary requirement to reserve decommissioning funds

Since April 2018, the Ministry of Economy, Trade and Industry (METI) has required business operators involved in solar power generation to set aside a certain amount of funds in preparation for the decommissioning of solar power plants. METI's new legislative requirement targets projects receiving a guaranteed feed-in tariff (FIT) payment per kW of electricity generated by the solar power generation facilities certified by the government for a certain period – generally 20 years (FIT period) – but would lose most of its value by the end of the FIT period and would not, on its own, be sufficient to decommission such solar power generation facilities.

This rule was a response to the ineffective regime under the Waste Disposal and Cleaning Law, which requested business operators to voluntarily estimate the decommissioning costs that they foresaw at the end of a project and establish a fund to cover the cost of decommissioning the power plant. However, without strict repercussions for non-compliance, METI was unable to force business operators to reserve future decommissioning funds and by April 2018 it found that few business operators had done so.

Discretion remains with business operators under current regime

Despite the current rule purporting to fix the old regime, it has failed to incite change on the part of solar power business operators. According to METI, as of January 2019, less than 5% of solar power operators had set aside a reserve for decommissioning solar power plants. Even under the current rules, operators were not required to establish a decommissioning fund immediately. Instead, operators still have the discretion to set up such a fund any time prior to the decommissioning of a power plant.

Moving forward

Following the disappointing survey in January 2019, a renewables sub-committee of METI established the Working Group on Securing a Photovoltaic Power Plant Decommissioning Fee in order to tackle the problems with the discretionary decommissioning reserve regime. The working group insists that with the significant increase in the number of solar power plants, there is an urgent need to prepare and secure the funds needed to clean up and remediate the eventual overload of decommissioned solar power plants at the end of the FIT period.

According to the 10 December 2019 interim report issued by METI and its working group, the primary source of funding for decommissioning solar power plants should not be discretionarily obtained by business operators. Rather, an external source of funds must be secured by withholding a certain amount of the FIT payment paid to business operators by off-takers. However, if a project is deemed sufficiently capable of reliable, long-term generation and able to secure its own funding, it may be exempt from this new decommissioning fee regime.

The working group will provide a forum for expert discussion on this decommissioning fee and the relevant exemptions – particularly considering the contractual and other factual considerations of each project.

On 25 February 2020 the Cabinet approved a bill purporting to revise the current Renewable Energy Act to incorporate, among other things, the decommissioning fee regime encompassing the working group's suggestions. This bill has yet to be enacted and will be discussed at an upcoming National Diet legislative session.⁽¹⁾

For further information on this topic please contact [Ryoji Moroi](#) or [Rafael Sang-Kyun Bong](#) at

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Endnotes

(1) For further details on the Renewable Energy Act amendment bill, please see "[Cabinet approves Renewable Energy Act amendment bill](#)".

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