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## Offshore wind bidding for round 1 areas in Japan

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#### Introduction

In 2020 the government commenced the tender process for the first round of offshore zones under Japan's new offshore wind law for:

- Goto (Nagasaki Prefecture);
- Choshi (Chiba Prefecture);
- Noshiro (Akita Prefecture);
- Yurihonjo North (Akita Prefecture); and
- Yurihonjo South (Akita Prefecture).

The bidding period for Goto closed on 24 December 2020 and the winning bidder was announced on 11 June 2021. The bidding period for the remaining first round zones closed on 27 May 2021. According to news reports, electricity utilities, trading companies and local and global wind developers participated in the first round bidding.

This article briefly summarises the tender process of these round 1 areas and provides an update on the tender process expected for additional sea areas.

## **Round 1 offshore wind promotion zones**

On 30 November 2018 the Diet passed the Act on Promotion of Use of Marine Areas for Development of Marine Renewable Energy Generation Facilities, which aims to promote the development of offshore wind projects. The Act came into effect on 1 April 2019.

The Act established a nationwide regime for the occupancy of "general waters" (ie, sea areas other than ports and harbours) for the development of offshore renewable projects, which includes:

- the designation of specific zones for the promotion of offshore renewable projects (promotion zones); and
- a public tender system to identify and appoint developers.

In July 2019 the Ministry of Economy, Trade and Industry (METI) and the Ministry of Land, Infrastructure, Transport and Tourism (MLIT) announced the selection of 11 potential promotion zones, including the four "promising" offshore areas of:

- Choshi (Chiba Prefecture);
- Goto (Nagasaki Prefecture);
- Noshiro (Akita Prefecture); and
- Yurihonjo (Akita Prefecture).

The four promising offshore areas were permitted to move to the next step in the promotion zone designation process, which includes a formal consultation with local representatives, academic experts and local stakeholders (eg, fishery associations) via the establishment of a council.

METI and MLIT formally announced Goto as the first promotion zone under the Act on 27 December 2019, and the remaining round 1 areas were selected as the promotion zones on 21 July 2020.

Among these four promising areas, Yurihonjo was split into two promotion zones (north and south). As a result, five promotion zones were designated from the sea areas nominated in 2019. These five promotion zones are often referred to as the "round 1" zones and the government is expected to designate additional rounds of offshore wind promotion zones on annual basis.

The bid submission period for Goto started on 24 June 2020 and closed on 24 December 2020. More recently, the bid submission period for the remaining round 1 zones, which started on 27 November 2020, closed on 27 May 2021.

### **Process after selection of winning bidder**

On 11 June 2021 METI and MLIT announced that a consortium composed of Toda, ENEOS, Osaka Gas, INPEX, Kansai Electric Power, Chubu Electric Power Co, was selected as the winning bidder for Goto. The results of the tender process for the remaining round 1 promotion zones are expected to be announced in October or November 2021. Shortly after the announcement of the winning bidder for each promotion zone (selected bidder), METI and MLIT will approve the occupancy plan submitted by the selected bidder, and the selected bidder will be permitted to occupy the sea area up to 30 years in accordance with the approved occupancy plan for the preparation, construction, operation and decommissioning of the wind farm. The selected bidder is also required to apply for feed-in tariff (FIT) certification within one year from notification of their selection and will be eligible for a 20-year offtake arrangement under Japan's FIT system.

### **Opportunities to participate in round 1 projects**

While the tender processes for the round 1 promotion zones have all closed, the selected bidder may invite additional investors, due to the large costs associated with wind farm construction. Any changes to the shareholder of the project company (transfers of shares in the project company or issuance of new shares to a third party) would require the permission of METI and MLIT as an amendment to the approved occupancy plan. As a rule, the agencies will permit such amendment if the new shareholder holds:

- not more than two-third of the total voting rights prior to the commercial operation date of the offshore wind project; and
- less than half of the total voting rights on or after the commercial operation date.

### **Additional rounds**

METI, MLIT and relevant municipalities continue to make progress toward opening the second round of "promising" development zones to tender for:

- Happo (Akita Prefecture);
- the sea of Japan coast of Aomori Prefecture (north and south);  
and
- Saikai (Nagasaki Prefecture).

These areas are expected to progress to the public tender process in 2021, following required councils and wind and geological surveys for each zone. Also, additional "promising" areas for the third round are expected to be announced around July 2021. METI and MLIT are expected to continue selecting promising areas and designating promotion zones on a yearly basis to achieve the government's target of 10GW of offshore wind farms in operation by 2030 and 30-45 GW by 2040.

### **Outlook**

Following Prime Minister Yoshihide Suga's declaration in October 2020 that Japan aims to achieve carbon neutrality by 2050, the National Diet passed a bill to amend the Act on Promotion of Measures to Cope with Global Warming, which expressly mentions the government's goal to achieve carbon neutrality by 2050. Promotion of offshore wind is one of the key elements to meet this ambitious goal. The government is preparing further support for large-scale and efficient introduction of offshore wind projects.

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