



EMBASSY | UPDATE

Energizing US–Japan Commerce: Separating Frack from Fission

By Andrew Wylegala

February 2014

The business of energy has been the dynamo of US–Japan commerce of late, prompting activities by Commercial Service Japan (CS–J) and other embassy sections in the following trio of energy-related fields.

Just five years ago, the United States was planning liquefied natural gas (LNG) import terminals; three years ago, Japan was generating a third of its electricity from nuclear power with plans to push that share higher.

Enter America’s “shale gas revolution,” along with the natural calamity of epic scale in northeastern Japan. The result is a new, complementary energy relationship.

The United States has plentiful natural gas at competitive prices, while Japan, the world’s largest LNG importer, seeks to diversify supply and lower prices on its galloping LNG *import* bill.

Japanese companies including Mitsui & Co., Ltd., Sumitomo Corporation, and Osaka Gas Co., Ltd. have been making long-term purchases from, and investments in, some of the four LNG projects recently granted conditional export permits to ship to countries including Japan, with which the United States lacks a free-trade agreement.

The upshot? Within five years the United States may be supplying as much as one-fifth of Japan's LNG.

Japanese companies such as Mitsubishi Corporation and Kuraray Co., Ltd. have been investing in mid- and downstream petrochemical plants and plastics manufacturing in the United States that thrive on shale's low-cost energy and feedstock.

Interest in US shale gas was reflected in a successful JETRO-organized seminar in Kobe last November at which CS-Osaka staff spoke.

On Japan's domestic energy scene, the story remains the decommissioning of the Fukushima Daiichi Nuclear Power Plant as well as remediation of the area. While US companies can offer world-class expertise in water treatment, waste management, and other areas, relatively few have gained significant work in Tohoku.

Initially, it was unclear how foreign companies could participate. From the US side, some companies sought to deal immediately and unilaterally, providing one-off supplies without a local partner.

Embassy agencies were instrumental in accelerating the learning curve; a June 2012 remediation trade mission brought 32 US companies to Tokyo and Fukushima, and the Embassy Science Fellows Program worked with the Ministry of the Environment to identify technologies and improve processes.

Japanese authorities have taken steps to invite new approaches to water decontamination.

Further, Japan announced in October its plans to seek to ratify the Convention on Supplementary Compensation for Nuclear Damage, which should enable greater participation in Fukushima decommissioning activities by US companies.

The table is finally set for US–Japanese company matchmaking—precisely what CS–J and our partners will foster at the embassy's Fukushima Recovery Forum (February 19).

Commerce within and between the two countries is steaming ahead, thanks to deployment of commercially competitive renewable energy technologies to improve security, create jobs, and protect the environment.

In Japan, promotion of renewables was accelerated by the loss of nuclear generation and adoption of generous feed-in tariffs. CS–J expects that Japan will install 11.5GW of solar power in the next two years, much of which will be utility scale—a strength of the United States.

Additional opportunities are being driven by Japan's Electricity Market Reform, which has helped US companies including Massachusetts' EnerNOC and Virginia's OPower market their smart-grid solutions.

CS–J supports a score of US renewables and energy-efficiency companies in their efforts to succeed in Japan, including by seeking clear, compatible standards that will allow wind, solar, geothermal, and biomass to be a part of a diverse energy mix.

In December, several dozen Japanese and US companies met in Livermore, California, at the second US–Japan Renewable Energy Policy Business Roundtable to discuss just that.

The flagship event for this sector is a mix of eight trade shows (World Smart Energy Week, February 26–28).

The U.S. Embassy will work closely with the 50-plus US exhibitors to drive yet more trade and investment in this key sub-sector.

So what is energizing US–Japan commerce in 2014? “It’s the [energy] economy, stupid!”