



Trends in Offshore Wind Power Generation in Japan

1. Resumption of Offshore Wind Power Auctions

On 28 December 2022, the Ministry of Economy, Trade and Industry (**METI**) and the Ministry of Land, Infrastructure, Transport and Tourism (**MLIT**) opened the second round of auction bids under the Marine Renewable Energy Facilities Act¹. This round invites bids for the operation of large-scale offshore wind power projects in four sea areas around the coast of Japan (Happo-Noshiro in Akita, Oga-Katagami-Akita city in Akita, Murakami-Tainai in Niigata, and Saikai in Nagasaki).

Bidding for offshore wind power projects is resuming after a hiatus of around one year, as bidding has been suspended since the selection of operators for the first auction round in December 2021.

2. Marine Renewable Energy Facilities Act and the System for Selecting Operators

The Marine Renewable Energy Facilities Act was enacted in 2018 in order to promote the development of offshore wind power generation facilities in Japan.

Under the bidding process, the Government designates "Promotion Areas", which are sea areas that are deemed appropriate for offshore wind power generation projects, based on the area's environmental condition and other factors. It then selects an operator to develop such promotion areas through an auction process. The winning bidder receives a permit to occupy the promotion area for a maximum of 30 years, and may then develop an offshore wind power generation project in the area (up to the limits stipulated in the auction conditions).

The first selection of operators under the Marine Renewable Energy Facilities Act took place in June 2021 for the floating wind farm off Goto city in Nagasaki (output: 16.8MW). Following this, operators for the three sea areas of Noshiro-Mitane-Oga in Akita (output: 478.8MW), Yurihonjo in Akita (output: 819MW), and Choshi in Chiba (output: 390.6MW) were selected on 24 December 2021 in what has become known as the "first round" of bidding.

In the first round, all three bids were won by consortiums led by Mitsubishi Corporation Energy Solutions Ltd., a subsidiary of Mitsubishi Corporation.

¹Officially "the Act on Promoting the Utilization of Sea Areas for the Development of Marine Renewable Energy Power Generation Facilities".

Although a number of evaluation points were established for the selection process during the first bidding round, the reality was that the successful bidders secured the projects by offering a significantly lower electricity selling price (11.99 yen - 16.49 yen/kWh) in all three sea areas compared to other bidders. This led to criticism that the evaluation process overemphasized the electricity selling price over other factors. In response, the Government announced in March 2022 that it would review the evaluation standards for operator selection and, after approximately half a year of deliberation, announced a set of revised evaluation standards in October 2022.

Under the revised standards:

- an operator will receive a higher score for submitting a project plan which proposes an earlier operational commencement date (as opposed to just a lower electricity selling price); and
- a maximum limit was introduced on the number of sea areas for which any given operator can bid and win. (Successful bids cannot exceed 1 GW of output between all successful sea areas awarded to a particular operator.)

The second round of auctions was originally scheduled to take place earlier in 2022, but was delayed due to consideration of these revised standards. Under the process for the second round of auctions, bids should be submitted between 28 December 2022 and 17:00 on 30 June 2023. The results of the second round auction are scheduled to be announced in March 2024. However, if the evaluation proceeds smoothly, the Government could feasibly announce the results in December 2023.

3. Japan's Progress in Offshore Wind Power

Japan's first large-scale offshore wind farm (a project which was launched prior to the enactment of the Marine Renewable Energy Facilities Act) began commercial operation off the port of Noshiro, Akita on 22 December 2022 with an output of 84MW. Another wind farm off the port of Akita began commercial operation on 31 January 2023, with an output of 55MW.

Further, additional areas are expected to be designated by the Government as "Promotion Areas" under the Marine Renewable Energy Facilities Act in the future.

As shown in the table below, five sea areas already have been designated as "Promising Areas" (areas which are expected to become the next "Promotion Areas"), and an additional 11 areas are currently under consideration by the Government for future designation.

Development of offshore wind power generation facilities remains a key priority for the Japanese Government's target to achieve carbon neutrality by 2050, and it is all but a certainty that offshore wind power projects will continue to build momentum through 2023 and beyond.

Table: Current status of area classification (as of January 2023)

Classification		Area
Promotion Area	1	Offshore Goto, Nagasaki (auction concluded)
	2	Offshore Noshiro-Mitane-Oga, Akita (auction concluded)
	3	Offshore Yurihonjo, Akita (auction concluded)
	4	Offshore Choshi, Chiba (auction concluded)
	5	Offshore Happo-Noshiro, Akita (currently accepting bids)
	6	Offshore Enoshima, Saikai, Nagasaki (currently accepting bids)
	7	Offshore Oga-Katagami-Akita, Akita (currently accepting bids)

	8	Offshore Murakami-Tainai, Niigata (currently accepting bids)
Promising Area	9	Sea of Japan offshore Aomori (North)
	10	Sea of Japan offshore Aomori (South)
	11	Offshore Yuza, Yamagata
	12	Offshore Isumi, Chiba
	13	Offshore Kujukuri, Chiba
Areas under consideration where limited preparation has occurred	14	Offshore Hiyama, Hokkaido
	15	Offshore Ganwu Minami Shiribeshi, Hokkaido
	16	Offshore Shimamaki, Hokkaido
	17	Offshore Matsumae, Hokkaido
	18	Offshore Ishikari, Hokkaido
	19	Mutsu Bay, Aomori
	20	Offshore Kuji, Iwate
	21	Offshore Awara, Fukui
	22	Offshore Hibiki-nada, Fukuoka
	23	Offshore Karatsu, Saga
	24	Offshore eastern Toyama Prefecture

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