

Osaka Gas and Japan Benex Sign a Contract for Electricity Purchase from FIP Power Plants

—Starting a New Effort to Contribute to Stabilizing the Profit of Renewable Energy Developers under the FIP System—

June 30, 2022

Osaka Gas Co., Ltd.

Japan Benex Corporation

Osaka Gas Co., Ltd. (President: Masataka Fujiwara, “Osaka Gas”) and Japan Benex Corporation (President: Yohei Kobayashi, “Japan Benex”) signed today a contract under which Osaka Gas would purchase over a long period through bilateral trading the electricity and environmental value derived from multiple solar power plants developed and owned by Japan Benex under the feed-in premium (FIP) system (the “FIP Power Plants”). The two companies will aim to continuously develop and use renewable energy sources, with a goal of 5,000 kW or more per year.

The FIP system is an alternative to the feed-in tariff (FIT) system, which Japan introduced in 2012 for the spread of renewable energy. The country introduced the FIP system in April 2022 for the purpose of making renewable energy sources self-sustaining. The FIP system requires power producers to not only conduct such tasks as imbalance^{*1} management and the sale and purchase of electricity and environmental value in the market but also deal with the risk of profit fluctuations associated with these tasks.

Osaka Gas has extensive know-how in the renewable energy business, ranging from a project, which started in 2020, involving the purchase of electricity from newly built non-FIT solar power plants and utilization of such electricity in the retail business to the prediction of the amount of power generation using its proprietary weather forecasting technology.^{*2} Utilizing this know-how, Osaka Gas will initiate an effort to reduce power producers’ work burden and profit fluctuation risk (the “Effort”).

As part of the Effort, Osaka Gas will enter a business partnership with Japan Benex, a power producer, on electricity purchase from the FIP Power Plants (the “Business Partnership”).

Under the Business Partnership, by making use of the company’s stable power business foundation, Osaka Gas will purchase over a long period at fixed unit prices the electricity and environmental value derived from the FIP Power Plants owned by Japan Benex (already-certified FIT power plants that will shift to FIP and FIP power plants that will newly receive certification in the future). Furthermore, by utilizing its renewable energy business know-how, Osaka Gas will conduct imbalance management and transactions in electricity and environmental value on behalf of Japan Benex, and it will bear the profit fluctuation risk associated with imbalance charges and electricity and environmental value.

The Business Partnership will enable Japan Benex to enhance the predictability of profits from the investment in renewable energy source development, thereby further expanding its business. Meanwhile, continuous purchase of renewable electricity from Japan Benex will lead to further expansion of Osaka Gas’s renewable energy business.

The Daigas Group aims to contribute to the spread of the use of renewable electricity sources worth 5 GW^{*3} in and outside Japan, including in-house development and ownership as well as procurement from other companies, by FY2030. At present, the Daigas Group’s contribution to this mission is worth about 1.42 GW, including in-house development and ownership as well as procurement from other companies.

Japan Benex has know-how in the renewable energy business, in which the company entered in 2012, including design and construction of solar power plants and mega-solar power generation on rented rooftops, such as those of distribution facilities. As of today, Japan Benex owns 28 power plants (about 26,900 kW).

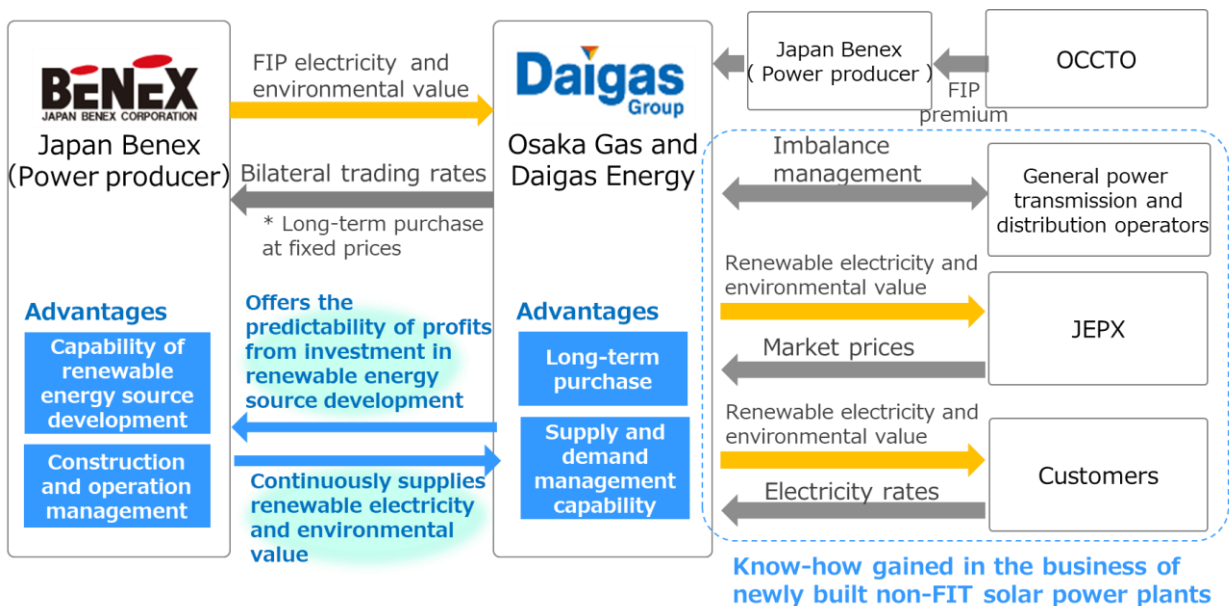
By combining Japan Benex's capability of developing renewable energy sources with Osaka Gas's business foundation and know-how, the two companies will continuously develop renewable energy and further expand the renewable energy business. Through the supply of renewable electricity, they will also strive to make renewable energy sources self-sustaining, thereby contributing to achieving a carbon-neutral society.

*1: Imbalance refers to the difference between the projected output and the actual output. Under the FIP system, power producers are required to pay imbalance charges to general power transmission and distribution operators according to the difference between the pre-submitted, projected output and the actual output, as in the case of non-FIT power plants.

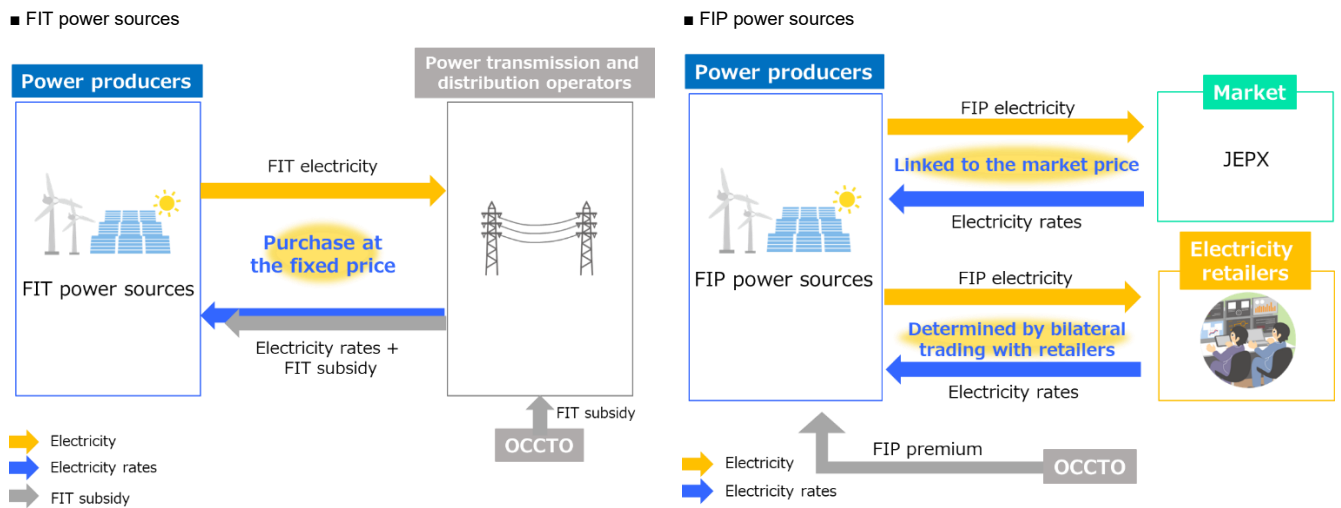
*2: This technology enables detailed forecasting that takes topographical effects into consideration by dividing the forecast area into small high-resolution meshes and performing data analysis. Machine learning based on observation data is combined for an even higher accuracy.

*3: The renewable energy mentioned here includes energy from power sources to which the FIT program applies, such as solar, wind and biomass power.

1. Business model of the Business Partnership



(Reference) Difference between the FIT and FIP systems



Under the FIP system, the Organization for Cross-regional Coordination of Transmission Operators, Japan (OCCTO) grants a FIP premium (the difference between the FIP strike price and the reference price), which power producers receive other than the profits they earn by buying and selling electricity and environmental value in the wholesale electricity market. The FIP strike price is determined for each power plant through a bidding system, in principle. (When a power plant already certified under the FIT system shifts to the FIP system, the strike price will be the same as the FIT procurement price, and the FIP premium will be granted over the remaining FIT procurement period.) The reference price is linked to the market price and is reviewed on a monthly basis.

2. Images of a solar power plant owned by Japan Benex



Solar power plant on rooftop



Power plant viewed from directly above

3. Company Profiles

<Osaka Gas>

Company name	Osaka Gas Co., Ltd.
Head Office	4-1-2 Hiranomachi, Chuo-ku, Osaka, Japan
Representative	Masataka Fujiwara, President and Representative Director
Capital	132.16666 billion yen
Established	April 10, 1897
Business description	Production and sale of gas; generation and sale of electricity, etc.

<Japan Benex>

Company name	Japan Benex Corporation
Head Office	99-48 Tsukubamachi, Isahaya City, Nagasaki, Japan
Representative	Yohei Kobayashi, President and Representative Director
Capital	95 million yen
Founded	October 1, 1957
Business description	Design and manufacture of industrial, electric and electronic equipment; design and construction of solar power generation systems; and operation of in-house power plants