



## ENERGY AND INFRASTRUCTURE

The U.S.-Japan Business Council and the Japan-U.S. Business Council (hereafter “the Councils”) observe that COVID-19 has reduced world energy demand, and agree that the energy and infrastructure sector needs to recover from this impact and be modernized for sustainable future development of the world’s economy. Despite the impact of COVID-19, the Councils continue to tackle climate change through the energy transition, the application of digital transformation and innovation, and the building of modern, resilient energy infrastructure. Further, the Councils note that the relationship between the economy and national security is becoming increasingly interlinked and that COVID-19 has further accelerated this relationship. In such circumstances, the Councils emphasize that United States-Japan cooperation has never been more important for the stability and prosperity of the Indo-Pacific Region.

### **Recovery of the Energy and Infrastructure Sector from COVID-19**

The Councils agree that recovery of the energy and infrastructure sector from COVID-19 is essential to sustain the future development of the world economy. While world energy demand has been temporarily reduced by COVID-19, future energy demand is expected to increase as the world economy develops. In order to keep abreast of anticipated future economic development and growth, the global energy and infrastructure sector needs to recover from the impact of COVID-19. Thus, the Councils urge the two governments to consider the following measures to support this recovery:

- Continue the policy of economic reopening coupled with maximum consideration of safety, to promote recovery of energy demand;
- Ensure that economic measures do not decelerate energy transition but rather accelerate it, not only in the United States and Japan, but also in third countries;
- Provide incentives to stimulate investments in the energy and infrastructure sector and offset the impact of COVID-19, including in oil & gas, and power generation and grid, in order to facilitate energy transition over the coming 5-10 years; and,
- Continue to provide open markets and competitive opportunities to each other’s energy resources, equipment and services providers, and refrain from any new measures that would discriminate on the basis of national origin or local production.

### **Energy Mix in Response to Climate Change**

The Councils remain committed to tackling climate change and to realizing a low-carbon society through the development and implementation of diversified clean energy technologies, building on international cooperation, including with third countries, while considering the unique

circumstances of each country and advancing practical approaches. We urge the two governments to promote U.S.- Japan cooperation in the following ways:

- Establish a business environment that leads to further expansion of renewable energy in the United States and Japan by promoting the entire industry, including the supply chain, energy storage and carriers, on/offshore wind power generation, solar power generation, and further innovation, while enhancing the flexibility and resiliency of the grid and ensuring fair access to it;
- Promote stable cleaner power, such as highly efficient natural gas-based combined cycle as a baseload power supply to support growth in renewable energy;
- Continue efforts to promote and develop nuclear power, an important source of low-carbon baseload energy, such as advanced reactors which include small modular reactors, and to cooperate for decommissioning;
- Continue R&D and financial support for economical implementation of carbon capture and usage/recycle technologies such as CO<sub>2</sub>-EOR and methanation; and,
- Develop a safer and more affordable supply chain of both green and blue hydrogen to realize a ‘hydrogen society,’ with a policy framework which stimulates supply in the United States and Japan to balance demand for purposes of hydrogen gas turbines, fuel cells, transports and industries.

### **Digital Transformation and Innovation**

The Councils acknowledge the increasing needs of digital transformation and innovation in the energy and infrastructure sector, in order to enhance efficiency, resilience and value addition. We further note that ever-faster digitalization is required in order to meet the needs of post-COVID-19 society. The Councils also recognize growing concerns regarding the criticality of security associated with implementation of digital and innovative technologies. The Councils recommend the two governments adopt measures both individually and through United States-Japan cooperative initiatives to achieve the following important goals:

- Accelerate development of innovative technologies in the energy and infrastructure sector such as more cost-effective and efficient energy storage, including batteries and direct air capture solutions;
- Realize low-carbon smart cities that are economically and environmentally well-balanced;
- Interconnect energy and infrastructure projects by utilizing digital technologies that effectively control and operate multiple energy generation and storage facilities distributed across a region;
- Promote investments to advance the stability, resilience, safety, and modernization of the grid and other smart energy solutions;
- Develop and implement innovative digital technologies in the energy and infrastructure sector such as remote facility management and maintenance systems for post-COVID-19 society that limit physical contacts; and,
- Enhance cyber security readiness of critical infrastructure by multiplying strengths of both the United States and Japan.

### **Stability and Prosperity of the Indo-Pacific Region**

The Councils continue to support U.S.-Japan contributions to the realization of stability and prosperity in the international community, and especially in the Indo-Pacific region. The stability and prosperity of this region is also important for the national and energy security of the United

States and Japan, and should be promoted in tandem with other friends and like-minded countries. We urge the two governments to support the following:

- Promote U.S. liquefied natural gas (LNG) exports by cooperating to secure sea lanes and establishing a transparent LNG market in the Indo-Pacific region and an LNG supply chain in the region, including floating storage and regasification units and power generation related facilities with small LNG distribution networks;
- Further materialize and organize relationships of government-led programs and initiatives such as the Free and Open Indo-Pacific (FOIP) Strategy, Economic Prosperity Network, Blue Dot Network and Japan-United States Strategic Energy Partnership (JUSEP), and enhance public-private cooperation and engagement related to these programs and initiatives for promotion of quality infrastructure;
- Deepen U.S.-Japan cooperation on those economic security policies where the COVID-19 experience has revealed necessity of enhancement. Also, consider the potential impacts of these policies, such as the Executive Order on Securing the United States Bulk-Power System, on cooperation between the United States, Japan and like-minded countries; and,
- Expand the resources and authorities of U.S. and Japanese government financial institutions, such as the U.S. International Development Finance Corporation (DFC) and the Japan Bank for International Cooperation (JBIC), to promote private sector participation in government-led economic security programs and initiatives of the United States, Japan and like-minded countries in the region.