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HEADLINE: POWER TRIPS:ALTERNATIVE ENERGY SOURCES ARE LOSING STAYING POWER

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BODY:
Natural energy sources have a foothold in Japan, but their groundwork now seems to be crumbling.

Take solar power. A major factor behind the spread of solar-powered systems in Japan until now has been central government subsidies. Since the 1990s, 130 billion yen in subsidies has been distributed to promote the installation of solar-powered generating systems in homes.

However, the subsidy will be eliminated in fiscal 2005.

The Agency for Natural Resources and Energy said the sun had set on the subsidy because solar power had spread "sufficiently."

At least one solar power expert would disagree with that.

Yukinori Kuwano is president of Sanyo Electric Co., but he still cherishes his solar power dreams from the days when he was a leader in Sanyo's research department.

"If we installed solar batteries in all the deserts of the world, we would be able to supply the energy needs of the entire world," Kuwano told an international academic conference about 15 years ago.

He then took the first step in demonstrating the practicality of that vast dream. In 1992, Kuwano installed a solar-powered generating system using solar batteries on the roof and veranda of his home in Katano, Osaka Prefecture. That was the first such installment in Japan at a private home.

Kuwano also set up a system of selling surplus electric power generated by the solar-powered generating system to electric power companies.

From those humble beginnings, residential solar-powered systems have spread in Japan and now reach about 160,000 homes. Japan now ranks as the leading nation in terms of

solar-power generation, with a total of 860,000 kilowatts from all sources, including homes.

Other companies have jumped on the solar bandwagon. Sharp Corp., which holds the top market share in the world for solar batteries, began an ad campaign this year with the slogan, "Placing solar power generators on all the roofs of Japan."

According to calculations made by the Advisory Committee for Natural Resources and Energy, an advisory panel to the minister of economy, trade and industry, if solar power generators were placed on the roofs of all residences in Japan, the estimated power output would be 72.7 million kilowatts.

Even taking into consideration the fact that the homes would have low usage ratios because of sunlight conditions, the total output from solar power would be huge. It would likely reach the equivalent of 18 nuclear power reactors, each with an output capacity of 1 million kilowatts.

While the potential output is enormous, solar-power-generating systems are now installed in only 1 percent of all Japanese homes.

And with the end to central government subsidies for residential setups, solar power might hit a standstill.

There are also signs that the system of having electric power companies pay high prices for surplus electricity generated by solar power will also come to an end.

Electric power companies now pay about 20 yen for each kilowatt of surplus electricity. However, facing stiffer competition, these companies are looking to cut costs. The high prices paid for surplus electricity may not last long.

While there are voices in Japan calling for policy measures to promote natural energy sources, the Agency for Natural Resources and Energy has not pushed for strong action because of an emphasis on market competition in the electric power field.

The current basis of electric power policy is to encourage price competition through liberalization in an attempt to bring down electricity rates, which are still high in international terms.

Asking electric power firms to buy electricity at artificially high prices as a means of promoting natural energy sources runs counter to basic policy.

While no one opposes an increase in clean natural energy sources, the spread of such sources is difficult if left entirely up to the market. Some form of government intervention is needed to bring out the potential for such sources.

Tetsunari Iida, a senior researcher at Japan Research Institute Ltd., said, "In order to expand such sources, Japan should introduce a system of fixed-price purchasing

arrangements."

However, in countries that do have fixed-price systems, such as Germany, business executives are complaining about the higher electricity rates they have to pay in comparison with their European competitors.

Under the 2003 law in Japan designed to promote the use of new energy sources, electric power firms were obligated to use new energy sources, such as wind power, to supply certain percentages of their total power-generating output.

However, because the percentages were set so low-0.39 percent in fiscal 2003 but set to increase to 1.35 percent in fiscal 2010-electric power companies have had no problem reaching their targets by buying electricity from new energy sources.

That situation has led to increasing downward pressure on companies in the new energy field.

Four electric power companies sought out a total of 380,000 kilowatts of electricity from wind-power generating companies in 2003 and 2004. The total volume of electricity that wind-power companies applied to supply the electric power companies reached about 2 million kilowatts.

In this buyers' market, the price for selling the electricity has fallen to below-profit levels for the wind-power firms.

In 2003, Eurus Energy, an affiliate of Tokyo Electric Power Co. and a major wind-power generator, signed a contract with Tohoku Electric Power Co. to sell electricity at about 7 yen per kilowatt-hour.

With the cost of wind-powered generation estimated at between 9 and 14 yen per kilowatt-hour, other wind power companies are complaining that if the Eurus Energy deal became a precedent, it would lead to major losses for other wind-powered generators.

Meanwhile, Sanyo Electric Co.'s president still holds onto his solar-power vision.

He still proudly displays a sign at his home in Katano that commemorates his installation there of solar power in 1992. The signs says: "Kuwano solar-powered generating plant."

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