SkippingStone™
We Know Energy.

Survey Report

METI Mid-to-Long Term Market & Retail Supply Obligations Initiatives Opinion Survey

Survey Conducted: Nov 10 – Dec 12, 2025
Report Issued January 2026

Introduction

At Japan Energy Week in October 2025 with over 700 attendees, the hot topics were about METI's planned initiatives 1. Mid to Long Term Market & 2. Retail Supply Obligations.

Link to Information on both initiatives

At the various Energy Week events it became clear most people had strong opinions about these initiatives, so we decided to do a survey on both topics, the results are published here.

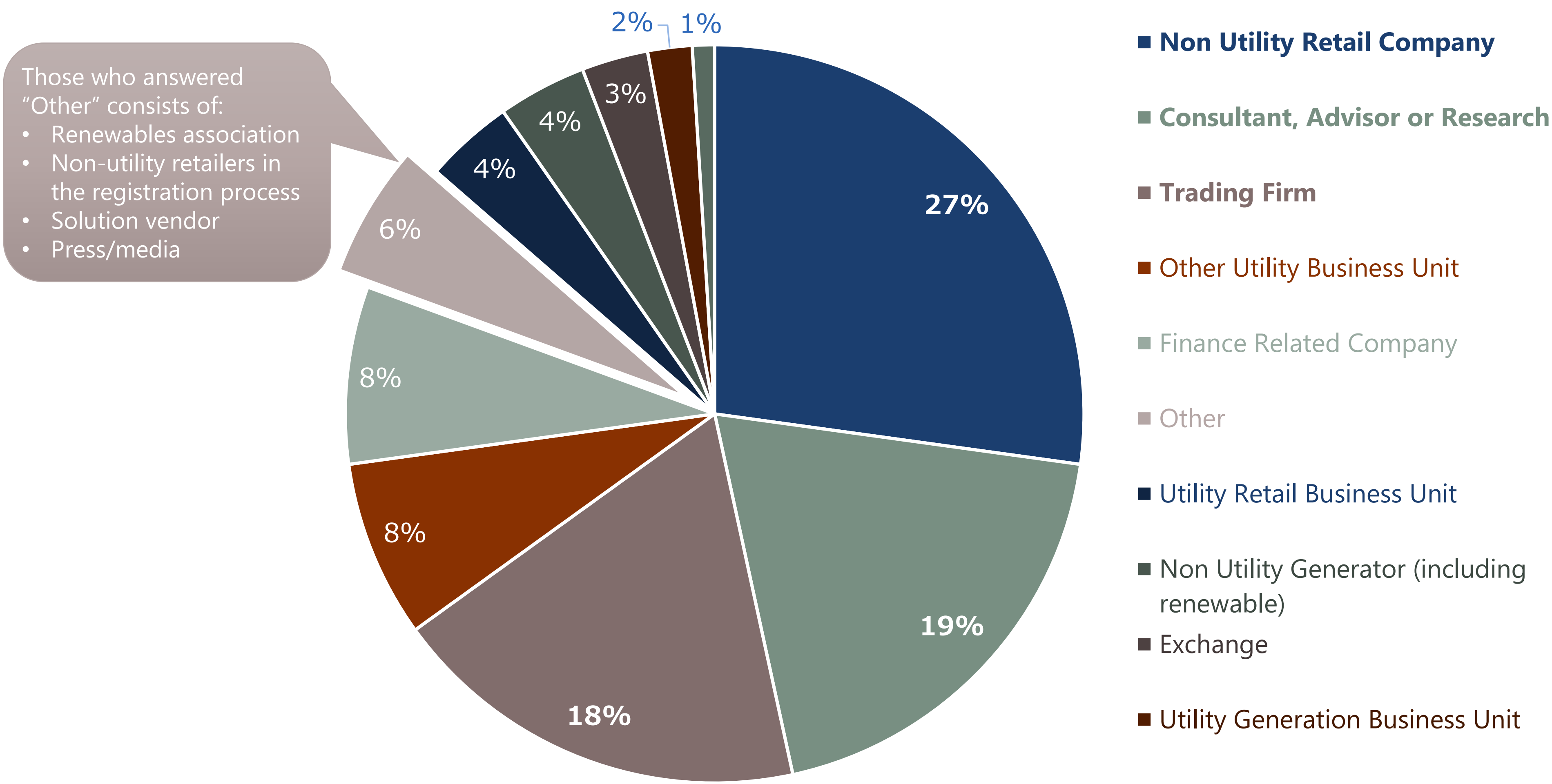
We used an online survey method so that responses would not be compromised as they can be using a verbal/phone style survey. The survey was promoted via email campaigns by us and several of our partners as well as the use of social media.

Unlike prior Skipping Stone surveys where we insert our opinions on the results, for this survey we are not doing that, rather we think the voices of those who participated are more important. In the following results, the final 4 individual slides provide written commentary that may help clarify the results from the charts that precede the comments.

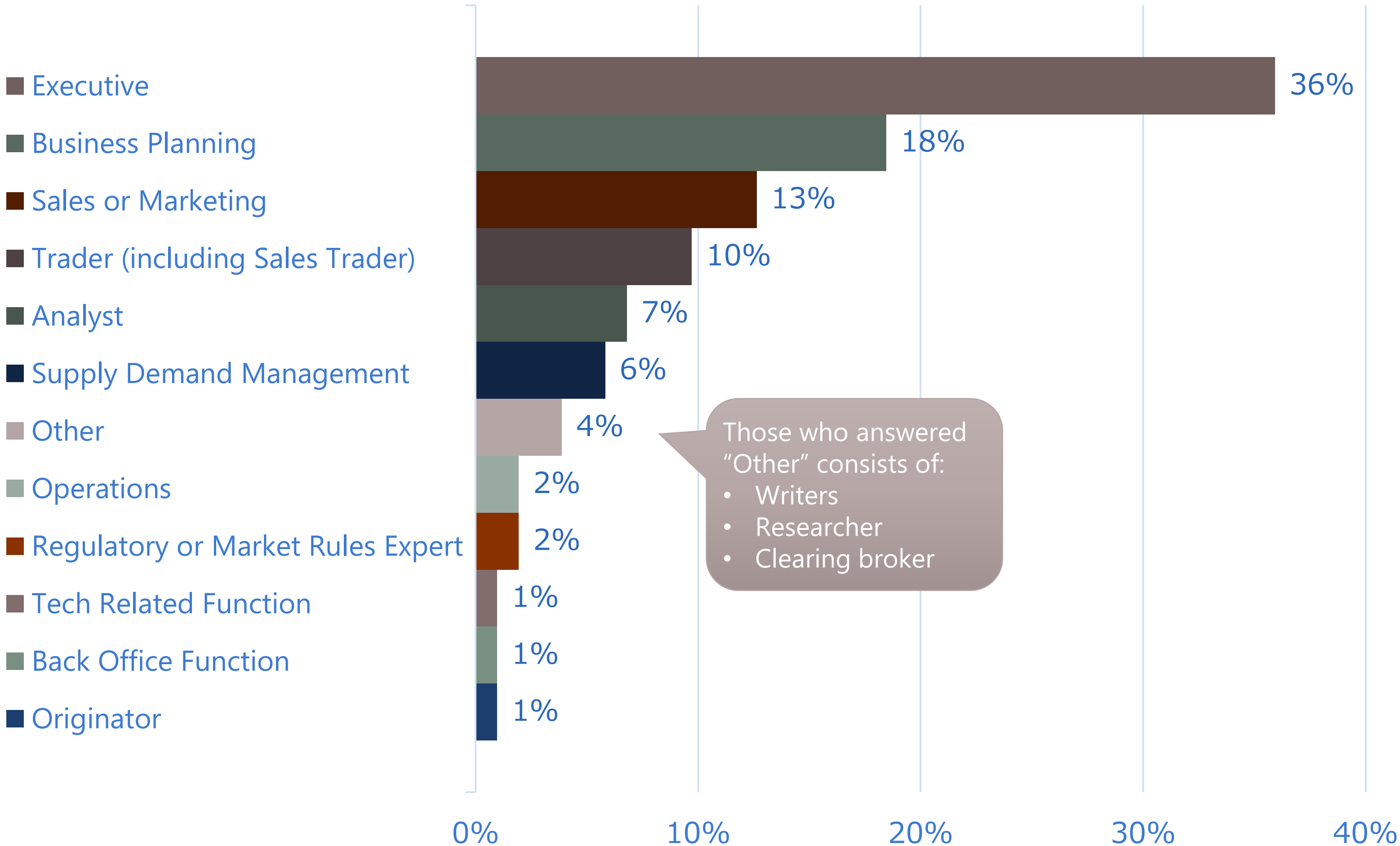
As both initiatives represent major shifts in the power market design, our goal with this survey was to provide feedback and insights from market participants.

Survey Respondents

Types of company survey participants



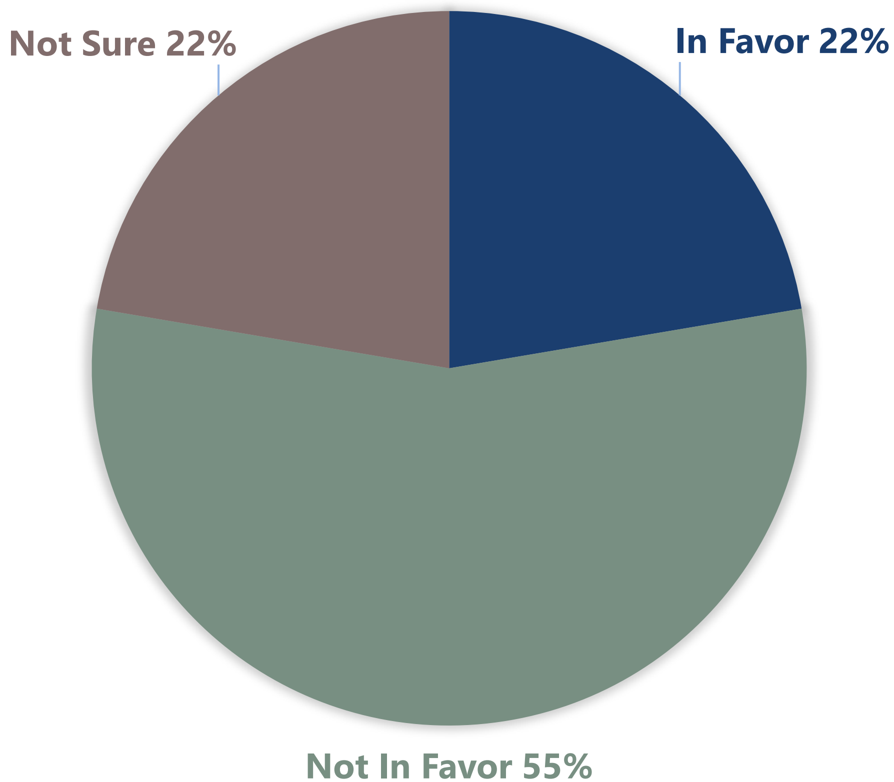
Respondents' roles in these companies



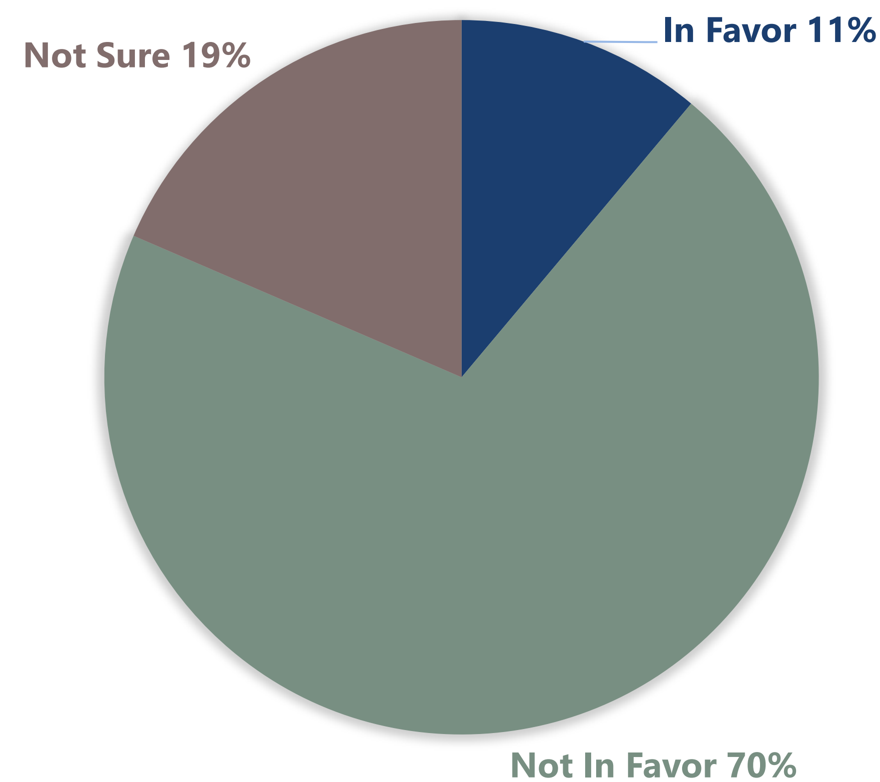
Opinions on Retail Supply Obligations

Q: In general, are you in favor or not in favor of requiring retailers to secure supply for 70% of next year's forecast demand, and 50% of the following two years' demand?

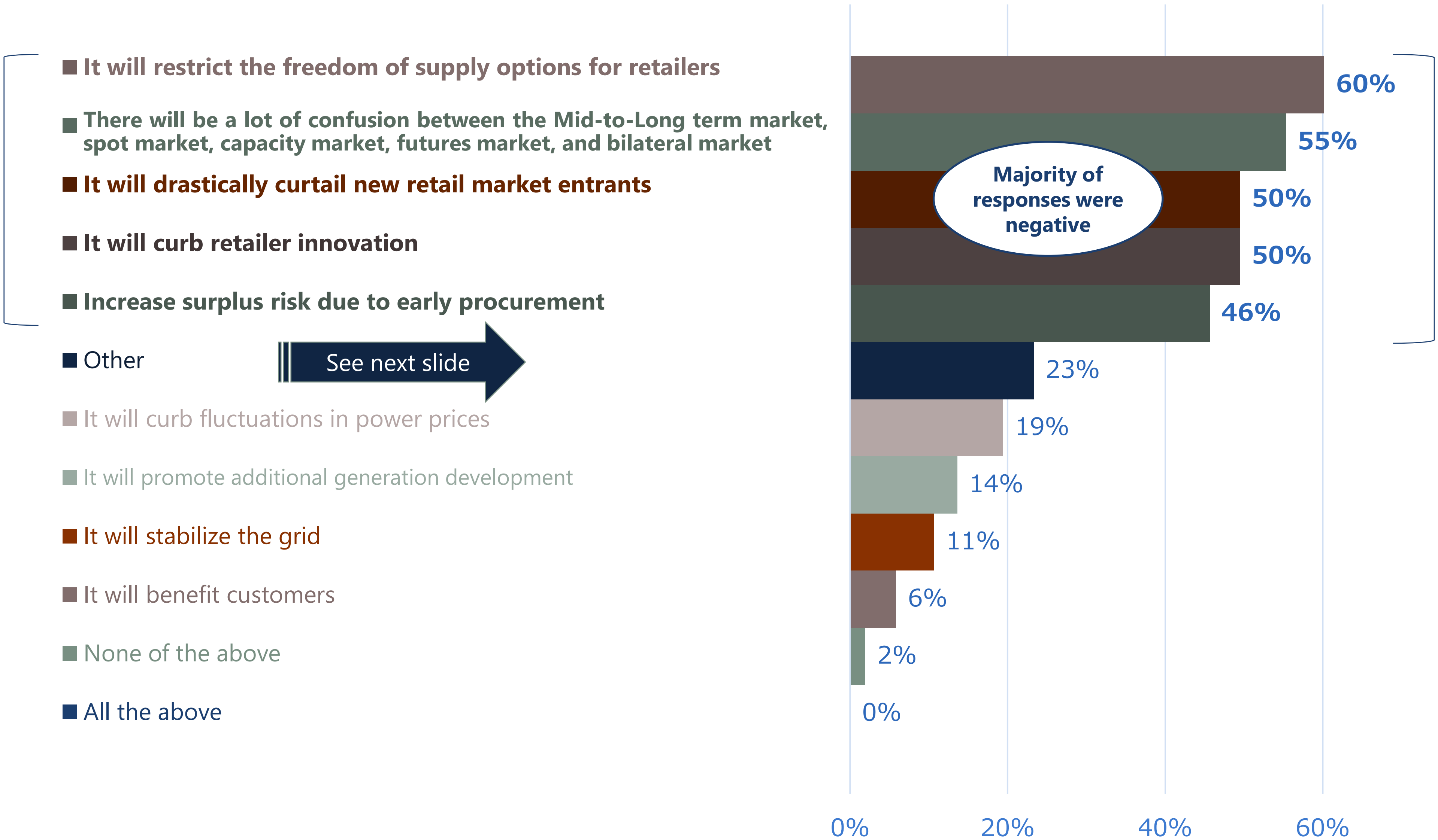
All Respondents



Non-Utility Retail Respondents



Q: What impact on the market do you anticipate if this retail supply obligation is implemented? (check all that apply)

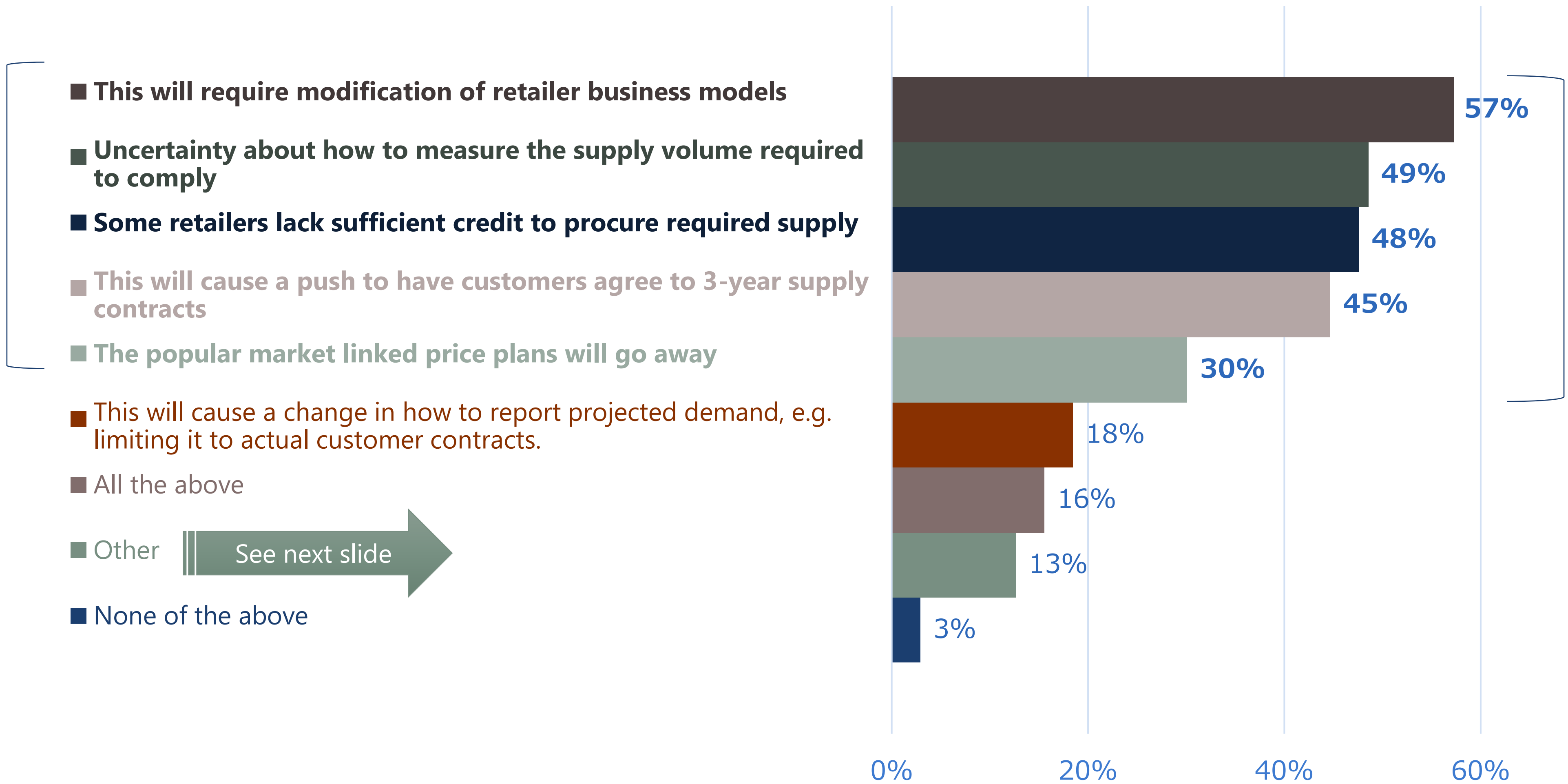


Opinions by those who answered "Other"

AI Summary of Comments ↓

- A fully distributed cost method would run counter to electricity market liberalization and risk undermining market functions by restricting procurement methods.
- Imposing hedging obligations only on generators would skew trading toward physical and bilateral contracts, reduce liquidity in markets such as JEPX, weaken price discovery, and destabilize prices.
- There is a high likelihood that wholesale and futures prices would rise, leading in turn to higher electricity bills for consumers.
- Higher funding and credit requirements to secure supply capacity would worsen the business conditions of financially weaker small and new retailers, potentially causing bankruptcies and furthering oligopoly by large utilities and major generators.
- As oligopoly deepens, dominant firms would find it easier to abuse their superior market position, reducing the price competitiveness of retail suppliers toward end users.
- Uncertainty in demand forecasting and credit risk would be significant, concentrating excessive price and credit risk on retailers with weak buying power.
- Tariff menus and contract options would shrink, narrowing the choices available to consumers.
- Regulators and authorities would find it harder to accurately assess complex bilateral trades and market power, making it difficult to achieve the original goals of stable supply, price stability, and risk reduction.
- With the share of renewables increasing, a stand-alone policy such as imposing hedging obligations only on generators is unlikely to stabilize market prices; a framework that allows transparent and diverse hedging tools, such as exchange-traded futures, is considered more desirable.

Q: What challenges do you think the retail supply obligations impose on retailers? (check all that apply)

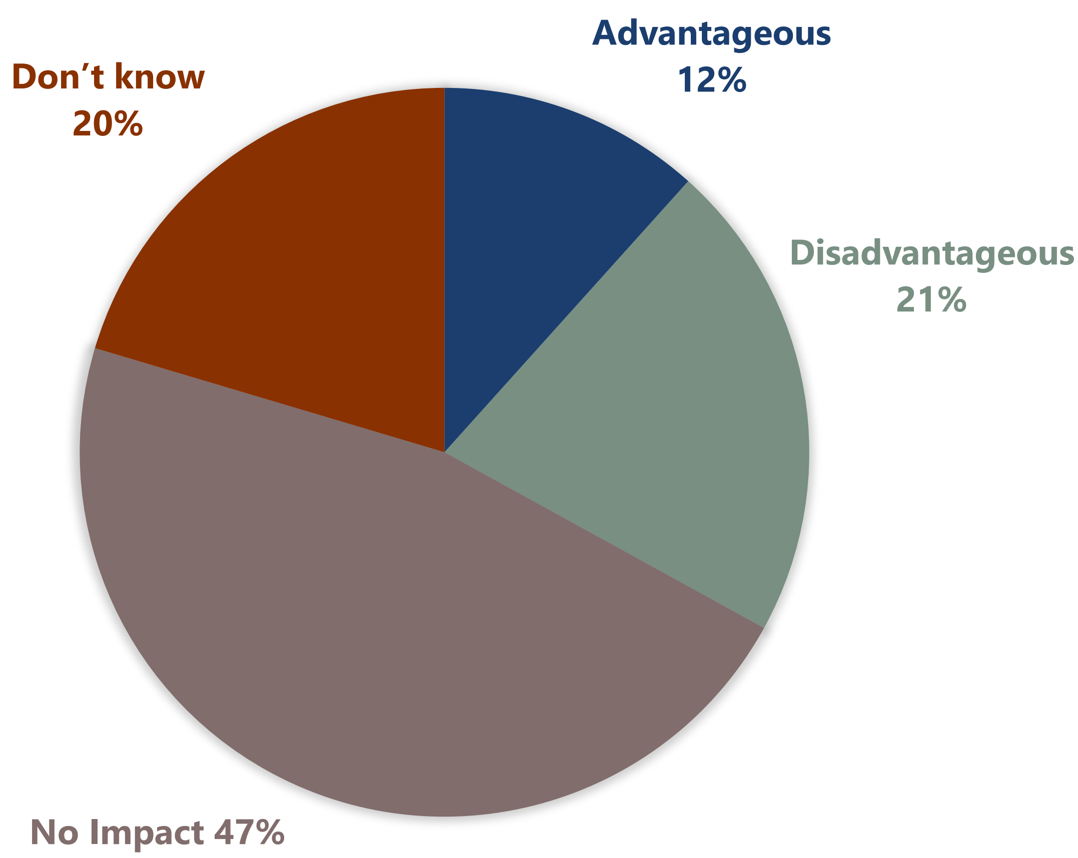


Opinions by those who answered "Other"

AI Summary of Comments ↓

- Retailers may be forced to buy high-priced, time-premium power, while generators lock in high future prices, eroding innovation and degrading Japan's energy infrastructure.
- Generators able to procure cheap fuel in a backwardated gas market gain further advantage, entrenching existing oligopoly and distorting the market.
- Because few consumers can commit to three years of usage, retailers must shoulder most price, volume, and funding risks.
- Independent retailers lose competitiveness as oligopoly deepens through vertically integrated firms and consolidation among parent groups.
- Even if LNG prices fall over the long term, retailers may remain locked into overpriced long-term contracts and exposed to downside price risk.
- Existing hedging tools like futures are underused, while retailers take on additional, costly, and hard-to-hedge fuel price volatility risk.
- Until supporting frameworks are in place, market and business disruptions occur, with negative impacts spilling over to consumers.
- Limiting hedging to generator contracts forces retailers into illiquid, opaque channels, raising costs, reducing flexibility, and hindering fair-value hedging.

Q: How do you think the retail supply obligation will impact Japan's competitiveness in international fuel procurement?



Only Generators voted advantageous

Q: Please explain the reason why you chose "Advantageous"

AI Summary of Comments ↓

- Obligating retailers to secure supply volumes would make it easier for generators to conclude long- and medium-term contracts for LNG and other fuels, improving the visibility of their fuel procurement.
- Because long-term contracts allow generators to secure buyers in advance, their buying power increases and they gain an advantage in fuel price negotiations.
- Stable demand backed by Japan's electricity needs becomes the basis for credit, enhancing generators' credibility and competitiveness in fuel procurement.
- An increase in bilateral and medium- to long-term transactions broadens (non-renewable) generators' procurement methods and negotiating options, making it easier to obtain more favorable terms than with short-term procurement.

Please explain the reason why you chose "Disadvantageous"

AI Summary of Comments ↓

- If Japan's mandatory demand volumes are fully visible, it risks being treated as a buyer that "will take LNG at almost any price," shifting the balance of power toward sellers and eroding its pricing leverage.
- Locking in fixed procurement volumes would cut flexibility and liquidity in the spot market, making it harder to adjust quickly to swings in fuel prices.
- Japan could end up over-contracted and forced to take unneeded fuel, increasing long-term exposure to take-or-pay and similar commitments.
- Heavier procurement costs, larger working-capital requirements, higher credit spreads, and added FX exposure would all drag down Japan's overall competitiveness in fuel sourcing.
- Once Japan's demand position is clearly exposed, counterparties can leverage that dependence and more easily push through structurally unfavorable terms.
- Effort and capital that should go into strengthening competitiveness are instead tied up in compliance and paying structurally high fuel costs, weakening both market flexibility and price competitiveness.
- Japan's competitiveness in international fuel procurement would weaken if retailers are forced into generator-only hedging, because opaque, non-market-based pricing reduces forward transparency and raises financing and risk-management costs, whereas a futures-based framework would strengthen Japan's credibility and efficiency in global fuel markets.
- LNG procurement would no longer be aligned with the mid-term market, making it harder to respond flexibly to changes in supply, demand, and prices and thereby weakening Japan's relative LNG procurement capability.

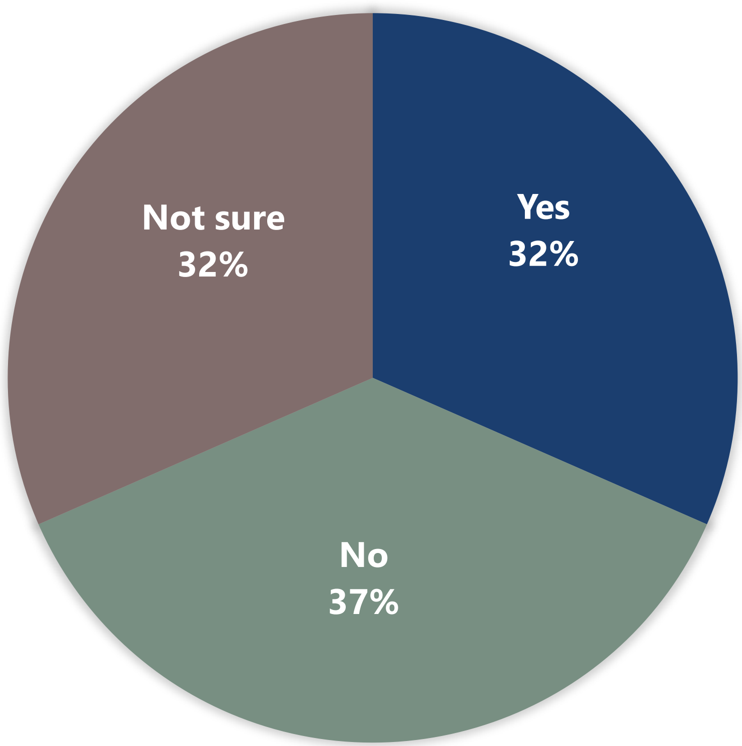
Please explain the reason why you chose “No impact”

AI Summary of Comments ↓

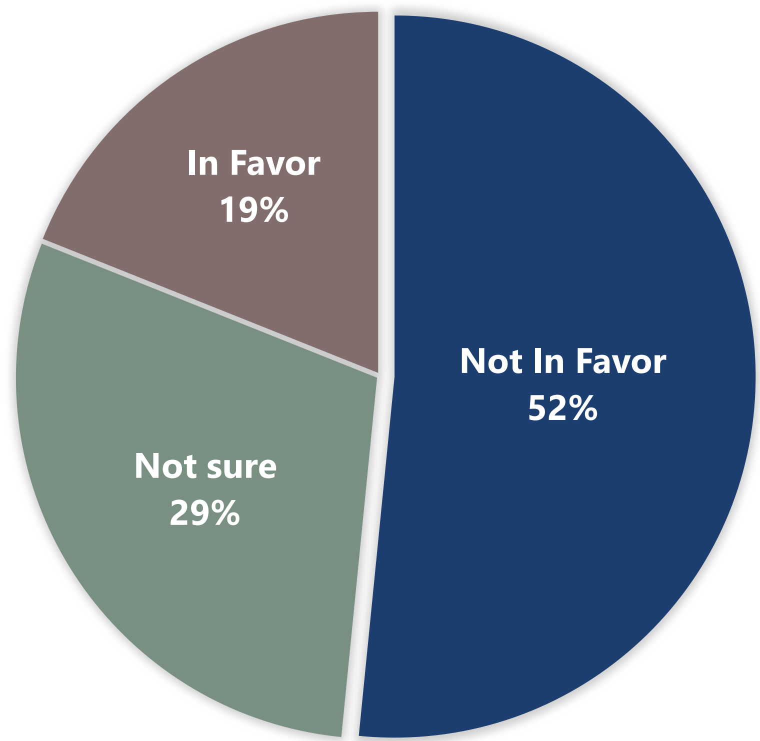
- The volume of fuel Japan buys from overseas is ultimately determined by domestic power demand and total energy needs, so the obligation to secure retail supply volumes should only have a limited impact.
- LNG and other fuels are typically sourced through long-term contracts of 10–20 years plus spot purchases, so a three-year supply-security obligation is out of sync with those horizons and has little bearing on long-term procurement competitiveness.
- Generators already build their fuel portfolios based on expected future demand, and many see their procurement behavior changing little even if such an obligation is introduced.
- Even if the obligation marginally improves demand forecasts, significant uncertainty remains from the fuel-supplier side, so the effect on credit assessments and long-term investment decisions is limited.
- Assuming that gas and other energy sources will remain ample and prices will trend lower over the long run, it is more rational to procure flexibly in line with the market than to buy extra volumes just to meet the obligation, and Japan’s competitiveness is unlikely to change much either way.
- Major players already rely on medium- and long-term contracts, fine-tuning with spot purchases, so their spot ratios and overall procurement strategies are not expected to shift dramatically under the obligation.
- Securing long-term LNG contracts ultimately depends on upstream investment such as participation in resource-development projects, and a three-year retail-supply commitment is not a strong enough incentive to alter Japan’s bargaining power.
- Strengthening competitiveness mainly requires Japanese generators to improve portfolio management and trading capability and to combine long- and short-term positions under market principles; from this perspective, the new obligation is seen as secondary.
- Since fuel prices are largely set in global commodity markets, a Japan-specific regulatory scheme alone is unlikely to make the country significantly more or less competitive.

Opinions on Mid-to-Long Term Market

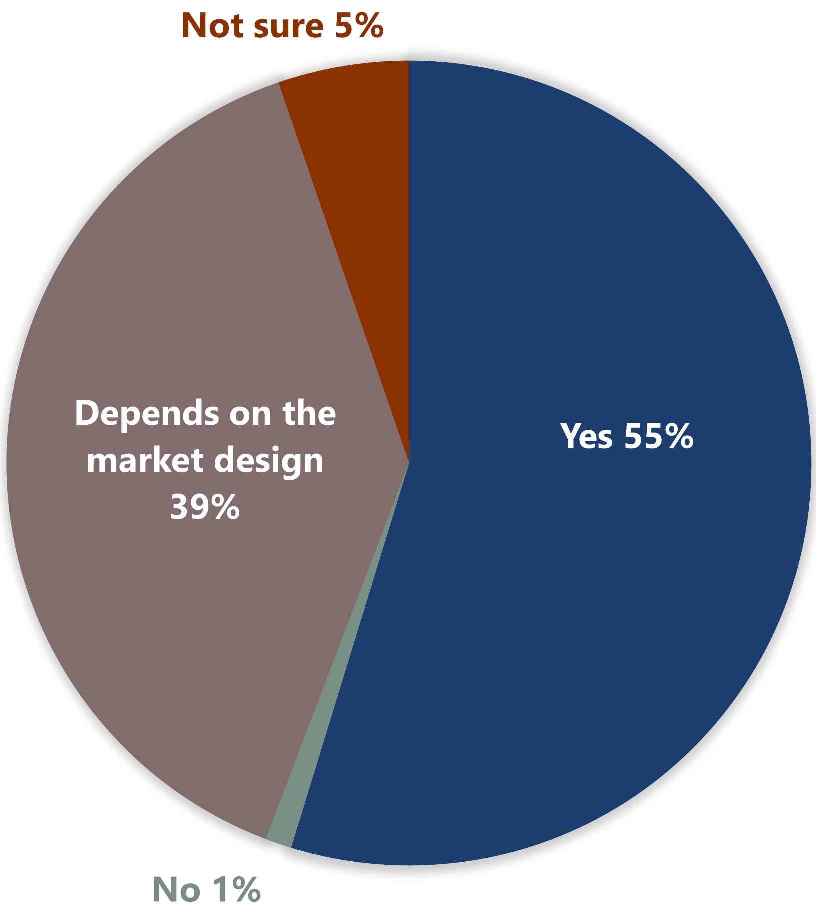
Q: Do you think retailers should be obliged to trade on the mid-to-long term market to fulfill the supply capacity obligation?



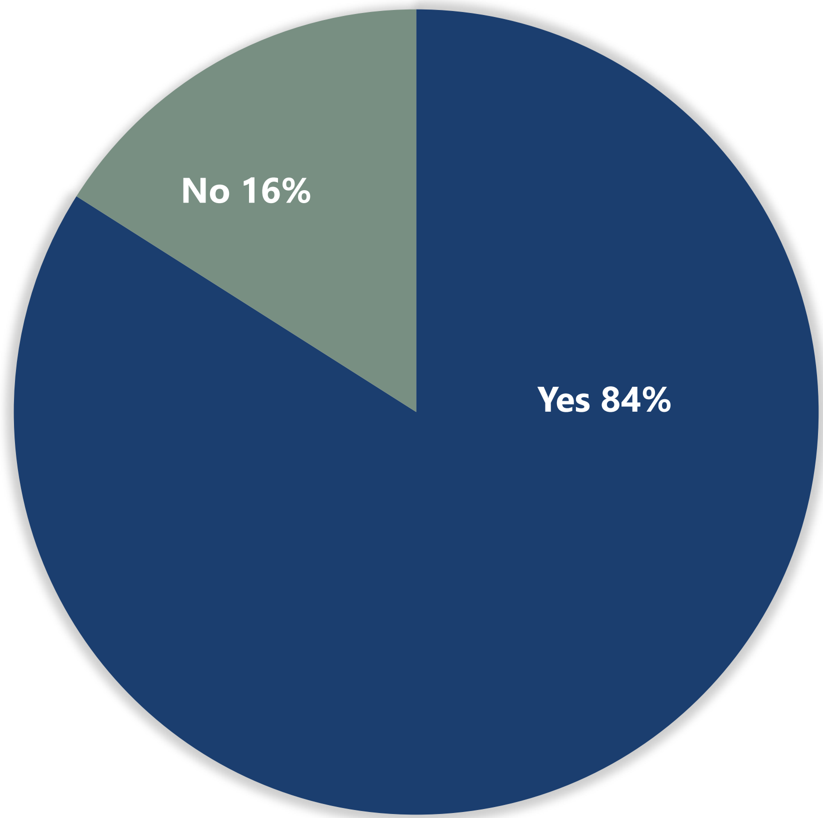
Q: In general, are you in favor or not in favor of a new mid-to-long term market?



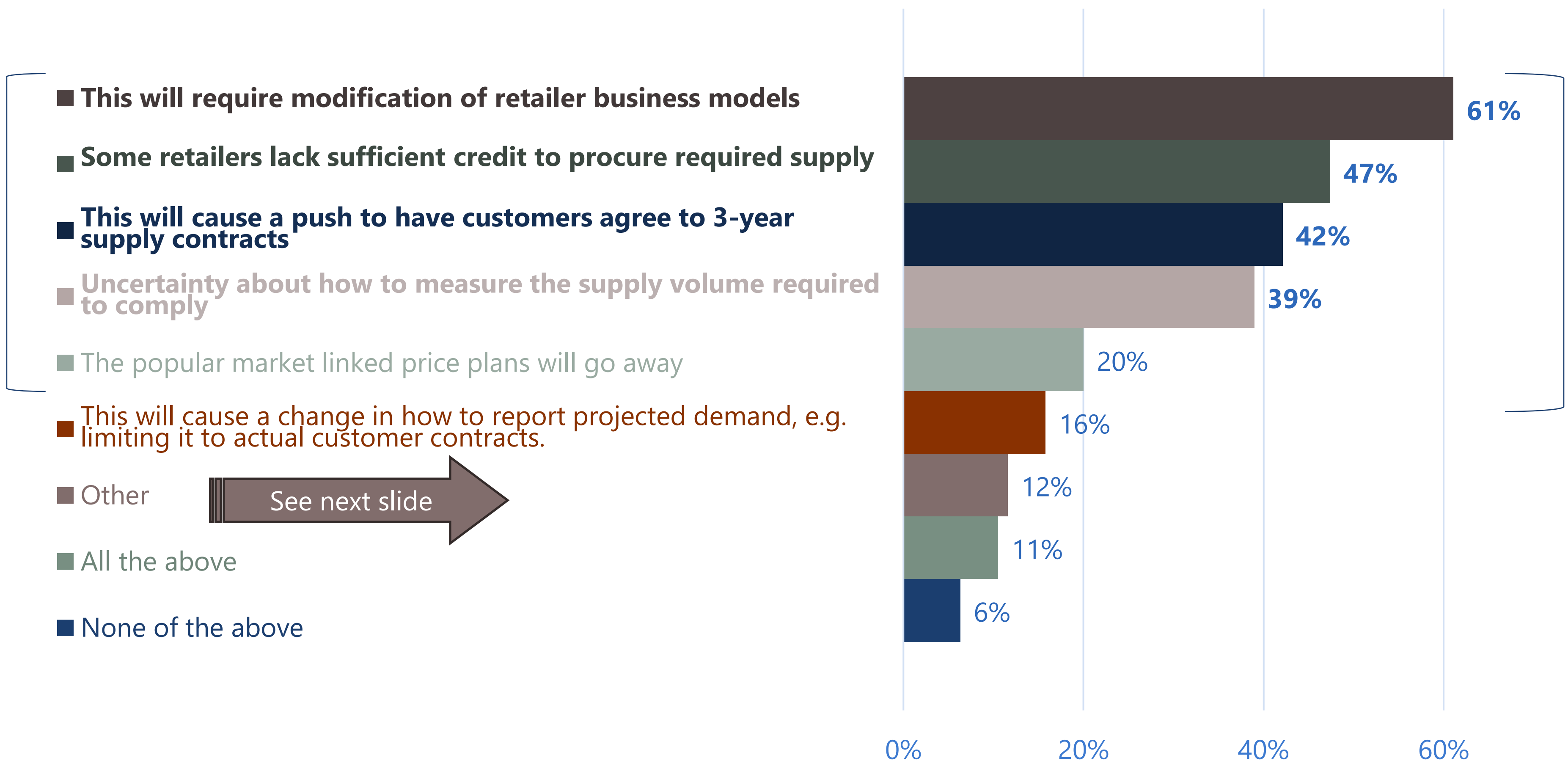
Q. Are you concerned about counterparty / credit risk associated with a new mid-to-long term market?



Q. Do you think using futures markets instead of a new mid-to-long term market would be effective?



Q: What challenges do you think a new mid-to-long term market imposes on retailers?

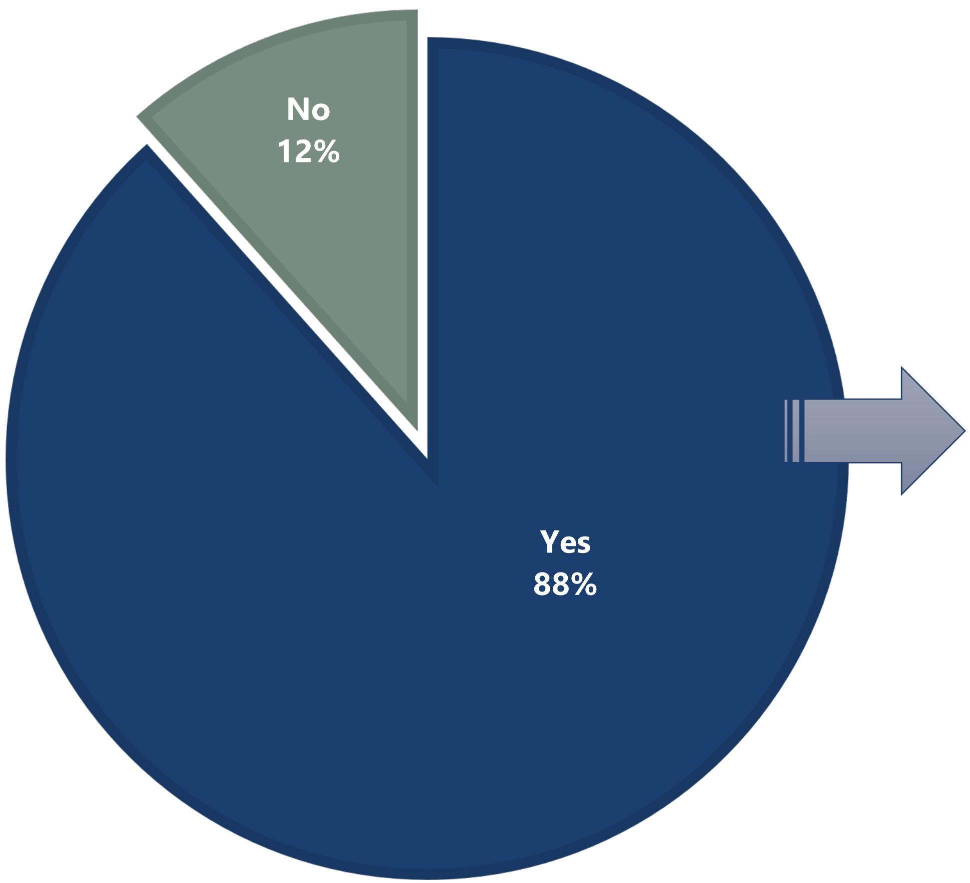


Opinions by those who answered “Other”

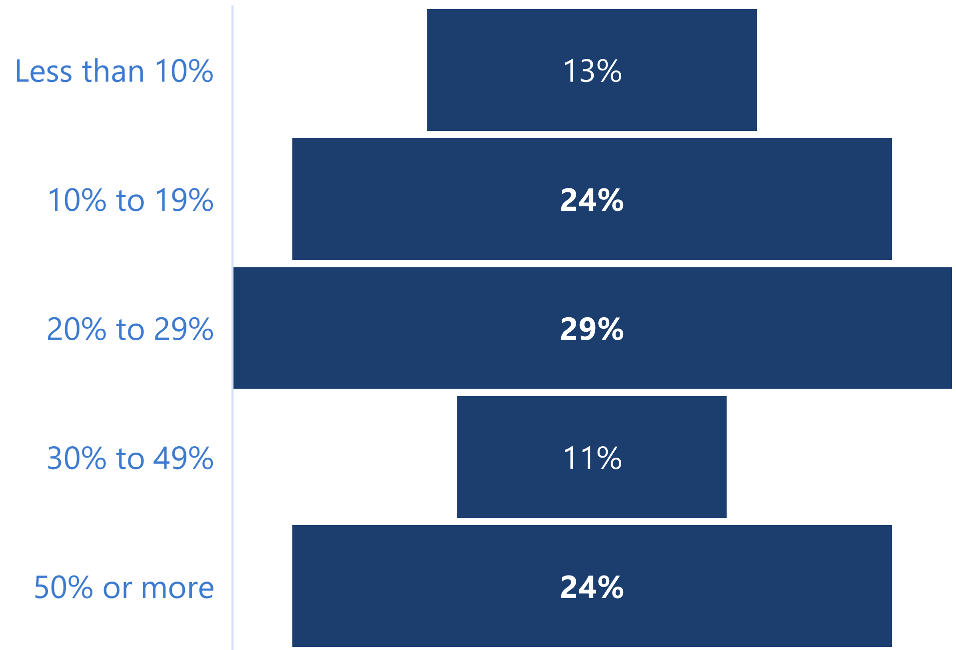
AI Summary of Comments ↓

- Because the market is unlikely to be very active, liquidity would be thin, bid timings might cluster, and retailers could prefer bilateral deals outside the market, leaving mainly lower-credit players in the new market.
- An obligation on buyers could turn the market into a seller’s market, driving prices higher and spilling over into bilateral contract prices, potentially creating de facto dual pricing and added counterparty and clearing-margin risks.
- These factors could destabilize the market and increase overall business risk for retailers.
- Retailers would need much deeper expertise in long-term fuel fundamentals, generation mix, and forward price formation, while also facing policy uncertainty around carbon taxes, GX-ETS and other yet-to-be-defined schemes.
- Some see little need for the market because it overlaps with existing baseload or mid- to long-term products, and they only welcome it as an optional hedging tool, not as a mandatory venue.
- If mark-to-market and position valuation are not designed properly, large losses could suddenly crystallize once delivery starts.
- Aggregator businesses, such as grid-scale storage aggregators, could face major impacts and potentially be driven out of the market.
- A new mid- to long-term market that effectively forces retailers into a limited, generator-only hedging channel with low liquidity and opaque pricing would raise costs, reduce flexibility, and make it harder to secure fair-value, risk-appropriate hedges compared with transparent futures markets.

Q: Do you think this initiative will result in retailers exiting the market?



Q: If yes, what percentage do you think will exit the market?



Additional Comments/Thoughts

AI Summary of Comments ↓

SkippingStone
We Know Energy.

Concerns about rollback of liberalization & market principles

"A return to cost-plus regulation" "Government-run markets"
"Benefiting utilities" "Weakening investment incentives"

Doubts about the new market & suggested alternatives

"Existing baseload, forward, and futures markets are underused"
"Should prioritize strengthening existing futures/OTC markets or using designs such as a pool market plus bilateral hedging"

Call to use futures & central clearing for hedging

"Retailers should be allowed to use liquid, transparent exchange-traded futures and centrally cleared OTC products"
"Physically delivered products such as JJ-Link should count"

Questions about the 3-year obligation period

"3-year obligation will add little to long-term procurement or investment"
"It's fit with the capacity market is unclear"
"Fixing existing schemes like the JEPX marginal-cost rule should come first"

Additional Comments/Thoughts - *continued*

AI Summary of Comments ↓

Concerns about market depth, liquidity, and price signals

"The new market will stay inactive if it has only hedgers and no risk-takers"
"dual pricing and opaque price formation could raise hedging costs and overall business risk"

Demand-forecasting difficulty & heavy burdens on retailers

"The policy only inflicts harms by letting retailers win by their 'financial muscle to pre-buy volume' rather than risk-management skills"
"discouraging entry and survival of weaker retailers and start-ups"

Market design & oversight "as should be"

Commenters propose a market where players with adequate credit and risk-management capacity can procure flexibly, weaker firms exit naturally, and clear exit rules plus consumer safety nets are in place.

Distrust in policymaking & governance

"The authorities have not sufficiently reviewed overseas examples or past failures, and are layering new rules on a presumed return to cost-plus regulation" "call for a clear statement of the government's stance on liberalization"

Individual Comments - pt.1

- I think it's fine to require a certain minimum capacity, but I believe the required percentage is too high.
- The very premise of this discussion—that market dependence equals evil—should be questioned. It also conflicts with power procurement in the era of large-scale renewable energy deployment. Cross-institutional debate is essential, yet this is being neglected.
- The very idea of establishing a new market (a medium-to-long-term trading market) to promote mandatory retail supply capacity is fundamentally flawed. On the other hand, it is also undesirable for businesses to participate solely by relying on market procurement without owning generation assets, ultimately forcing them to sell at prices lower than the fuel costs procured by power generators. Considering this, it is crucial to secure a certain amount in advance one year prior; mandating it three years in advance would be meaningless.
- I cannot agree with Japan implementing policies that undermine market principles and deprive the market of innovation. If hedging via futures were possible, that might be one thing, but when even that is impossible, it seems nothing more than a measure that stifles trade without generating any benefits.
- Markets are typically driven by hedgers and risk-takers. However, it is difficult to imagine risk-takers existing in this market. Therefore, the likelihood of increased liquidity appears to be quite low.
- The more unique each retail company is, the more difficult it becomes to align its financial strength with this new system. If anyone thinks this is a good system, I want to know why.
- The government is likely considering a power supply plan centered on nuclear and thermal power. I fear that attempts to revert to the pre-deregulation state will diminish the appeal of this country's electricity market. This raises the possibility that it may become unattractive for investment.
- Given the intent of electricity liberalization, excessive restrictions should not be imposed on retailers. This case is perceived as a significant step backward from de facto liberalization. Ideally, the market should aim to be one where, as in financial markets, retailers with sufficient creditworthiness (including risk management capabilities) can procure the necessary quantities at any time through their own ingenuity. Retailers unable to do so should be forced out of the market by being abandoned by their trading partners, such as consumers. Furthermore, the market should be equipped with a supervisory system that minimizes such occurrences and a safety net for consumers should they happen. Alternatively, while transitional measures may be necessary, another approach could involve abolishing the registration system, raising entry barriers, and ensuring freedom for businesses. Opinions vary on the degree of electricity liberalization, so the policy itself appears to be a matter of judgment. However, if such a policy is introduced, the government's fundamental stance on liberalization should be clearly defined. Since this represents a significant policy shift, appropriate measures should be taken for businesses adversely affected by it—excluding those that have neglected their responsibilities. This fundamentally challenges the policy-making and implementation capabilities of the authorities.

Individual Comments - pt.2

- Establishing a medium-to-long-term market without settlement functions risks the market itself collapsing due to the materialization of credit risk. Rather than creating a new market, expanding the existing futures market is a more realistic approach.
- The coexistence of multiple trading timelines across different markets, coupled with thin liquidity, may be contributing to today's disruptions and impacting fuel procurement. To mitigate PL and CF risks from fuel procurement, we need to thicken the market and enhance its benchmarking function. Methods like those exemplified by PJM—where physical fuel is supplied to the market through a pool system while reducing risks from procured fuel via over-the-counter hedging—might be preferable.
- I had thought the obligation to secure retail supply capacity was intended to increase spot transactions and stabilize Japan's fuel supply, but I question whether the medium-to-long-term market can fulfill that role. Shouldn't promoting spot transactions be leveraged to facilitate long-term fuel contracts?
- This appears aimed at stabilizing the profits of the former regional power companies, which hold a large share of Japan's power generation capacity. However, it reverses the progress made toward electricity liberalization through the return to total cost pricing. It was likely advised that some former regional power companies could face problems securing stable LNG supplies in the future. Nevertheless, we must understand how to stabilize Japan's electricity supply using the power sources currently available.
- 1. When introducing this system, to ensure consistency with the capacity market, impose the same obligation on power generators (to sell 50% of their auctioned capacity within three years). Also, consider what to do if contract terms are incompatible. 2. Examine why the JEPX forward and BL markets introduced to date have not succeeded. Consider why futures and over-the-counter markets are functioning well.
- In the retail sector, responsible businesses capable of bearing long-term supply responsibilities will survive, leading to an increase in long-term fuel contracts. This will ultimately contribute to stable supply and the stabilization of wholesale electricity prices. Meanwhile, risk hedging through instruments like futures is expected to become key for both retailers and power generators.
- ・Difficulty/uncertainty in demand forecasting, ・(Buyer side) Can we even get it sold to us? / (Seller side) Can we sell it credit-wise? ・If this proposal is being considered to “achieve stable electricity supply at a stable price level,” then fixing prices in the futures market should also be permitted. ・If the medium-to-long-term market is a gas-linked price market, the aforementioned stable price level cannot be achieved. / If it is a fixed-price market, sellers likely cannot offer price quotes. ・I've also heard that “they only verify the existence of supply contracts and do not interfere with pricing terms.” If that is the case, then “achieving stable electricity supply at stable price levels” would still be unattainable.
- I believe the medium-to-long-term trading market will fail. There has been no reflection on why the BL market has not been successful. The Agency for Natural Resources and Energy should discuss new systems only after thoroughly reviewing each existing system (including overseas examples).
- The introduction of a government-controlled market is pointless, but since the system design has become a toy for bureaucrats, it can't be helped. For us, we'll just have to make profits under the system we're given.

Individual Comments - pt.3

- Let's properly implement liberalization. Two TSOs—one for the east and one for the west—should suffice. Let's ensure fair competition across all areas.
- The existing baseload market can cover slightly more than half of the supply volume for retail businesses, but it is not very active. There are significant questions about whether parties will actually participate in the newly created medium-to-long-term market and whether fair trading will increase after participation.
- This policy seems to be based on the premise that market-linked sales are inherently problematic, disregarding the preferences of consumers who opt for market-linked pricing despite having the option to choose a fixed-price plan (+fuel adjustment). If it were limited to low-voltage customers, it might be more understandable.
- From the perspective of properly managing market competition under the banner of liberalization, the medium-to-long-term trading market is clearly not a “market” but rather amounts to the introduction of a new system. Furthermore, with the introduction of market principles, we must discern what is feasible and what is not. We hope for policy management grounded in an understanding of what market principles truly entail.
- Given the current financial strength of electric utilities, I don't believe the futures market will ever fully replace them. However, it is also true that the role of the futures market is far superior to that under the current system. I hope the futures market will develop while maintaining the principle that the spot market is primary and the futures market is secondary, with financial markets converging on spot prices.
- I understand this system's primary purpose is to reduce excessive reliance on spot markets by retailers. However, I question whether enacting it under the banner of “consumer protection” is appropriate. Businesses unable to establish risk management systems should naturally be weeded out by spot market spikes. If utilization doesn't increase even after creating new medium-to-long-term markets, won't this lead to the same outcome as futures and forward contracts? This is my concern. I believe it would be more meaningful for “consumer protection” to establish regulations and a roadmap for market exit.
- If the rationale for introducing the new system is to promote power source investments that will meet anticipated future growth in electricity demand, the first step should be to review the JEPX marginal cost bidding rule. Doing so would improve the profitability of power generators and allow retailers to reduce their excessive reliance on JEPX procurement. It would also prevent price discrepancies from occurring with the futures market.
- Establishing a new medium-to-long-term market risks dispersing liquidity between it and existing futures markets, potentially further complicating the electricity market system. Furthermore, costs for systems, personnel, and other resources related to operating each market would be duplicated, making it difficult to consider this efficient from a resource allocation perspective. In contrast, adding and integrating medium- to long-term trading functions into the existing futures market while utilizing the clearing organization is expected to improve operational efficiency through economies of scale and enhance market reliability by reducing settlement risks.

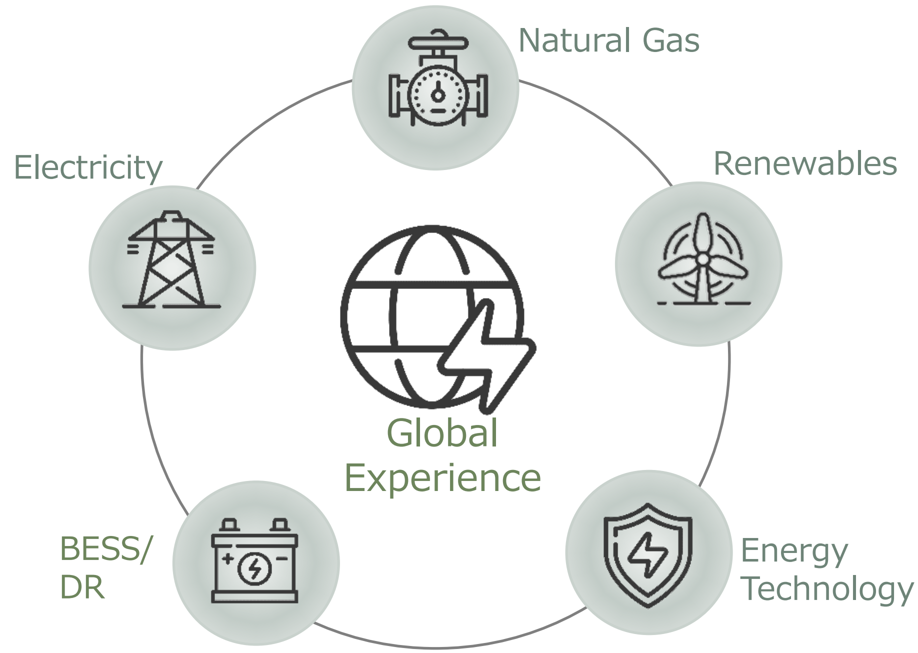
Individual Comments - pt.4

- Credit risk can be reduced, mark-to-market accounting is performed, and the already liquid futures market should be utilized to fulfill supply obligation requirements. Furthermore, regarding JJ-Link, it seems rather unnatural that it cannot be applied to supply obligations despite involving physical delivery.
- Policies hindering liberalization and the development of small and medium-sized enterprises and startups. They also infringe upon the freedom of business rights and management rights. By imposing procurement obligations on financially weak retailers, they seek to select companies capable of making excessive upfront investments. This represents a return to the old monopoly era and runs counter to liberalization.
- METI and the management planning departments of the former regional power companies generally wish to return to the total cost principle and rebuild the market based on marginal costs. However, the marketized wholesale and retail electricity markets have already become environments where decisions are made based on economic principles. The resulting confusion from this gap is inevitable, and there is significant concern that it will lead to the withdrawal of foreign and retail operators and a contraction of the electricity market, which has been expanding.
- ・Futures should be recognized as one means of securing supply capacity. ・Please remember the premise that demand for new power suppliers two or three years ahead is uncertain and completely unpredictable. ・Shouldn't the obligation to hedge medium- to long-term fuel procurement sales be placed on power generators rather than retailers? The very notion that this can be managed through regulation is fundamentally flawed.
- All we need to do is revise the marginal cost bidding system for the JEPX spot market. Why is it assumed that this is "impossible"? That assumption is creating patchwork solutions—foolish measures whose effectiveness is questionable, merely complex in design. I lament the government's lack of strategy.
- Establishing new medium- to long-term markets will reduce liquidity in futures and over-the-counter markets.
- The government's deregulation policy remains unclear, and I suspect it ultimately aims to steer the framework back toward entrusting all power generation operations to the so-called legacy power companies that existed before deregulation. Why can't we proceed like the ERCOT market in Texas, USA? This is half-hearted deregulation. The government may think it will lower electricity prices, but they won't. Instead, it should pursue policies that strengthen the yen.
- Japan's power market has made significant progress in developing transparent, exchange-based hedging instruments, and it is important that any new retail supply obligation strengthens—not fragments—this progress. Internationally, every successful liberalised electricity market relies on futures markets as the core mechanism for forward hedging. These markets provide transparent price discovery, deep liquidity, and robust credit protection through central clearing. By contrast, a generators-only mid-to-long-term market risks concentrating pricing power, reducing competitive tension, and creating an opaque parallel market that ultimately raises hedging costs for retailers. Smaller retailers, in particular, may struggle to secure fair-value hedges, increasing their financial vulnerability and accelerating consolidation or exit. This would run counter to METI's policy objective of promoting a resilient, competitive retail sector. If the intent of the retail supply obligation is to reduce systemic risk, the most effective path is to allow compliance through exchange-traded futures and cleared OTC products, in line with global best practice. This approach promotes liquidity, ensures transparent valuation, enables flexible risk management, and supports Japan's credibility in international fuel procurement markets. Japan has the opportunity to design a framework that enhances market stability without undermining competition. A futures-inclusive hedging obligation would achieve exactly that, while a generators-only scheme may unintentionally recreate concentration risks and increase costs for consumers.

About Skipping Stone

Skipping Stone is an award-winning global energy markets strategy consulting and implementation services firm launched by former energy CEOs.

We work with clients across the diverse, yet intersecting, industry segments within the electric and natural gas marketplaces to help clients navigate market changes, capitalize on opportunities, and manage business risks.



Strategy | Business Matching | Market Research

Services Focused On Client Success

Market Entry | Risk Management | Operations - BPO

Skipping Stone, GK – Established in Japan, August 2014