

Japan

67% of senior executives say Japan's use of fossil fuels has left the country vulnerable to price shocks during geopolitical instability.

Clean electrification reduces dependency on fossil fuels, and is therefore associated by business during these volatile times with energy security and price stability.

What Business Needs

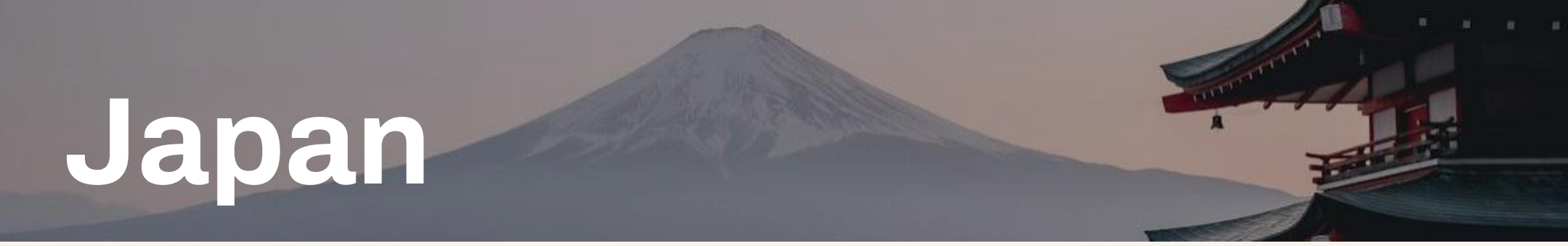
Business leaders want the government to increase public investment in the reach and efficiency of the grid so as to ensure wider and cheaper access to clean electricity.

Policy Context

Japan’s position on clean electrification is framed by its long-standing “S+3E” approach, which emphasises the three pillars of energy security, economic efficiency and environmental protection. Prime Minister Sanae Takaichi has been especially vocal on the first of these themes, previously calling for “100% self sufficiency” in energy. A similar emphasis is evident in Japan’s growing interest in “strategic indispensability”, whereby its technologies and industries become essential to global value chains. Since Prime Minister Sanae took office in October 2025, the world has witnessed considerable geopolitical instability, causing international energy markets to be severely disrupted. This has further increased the salience of energy security, for both the government and the private sector. Over two-thirds (67%) of executives, for example, now say that the country is vulnerable to price shocks during periods of geopolitical instability.

A similar proportion (68%) believe that Japan is now too dependent on fossil fuel imports. In line with these views, 63% of the senior executives believe transitioning to a renewables-based electricity system would improve energy security.

This perspective is also implicit in the majority view of business leaders (53%) that electrification would reduce the country’s reliance on fossil fuel imports. Positioning electrification as a buffer against shocks also explains why a similar number (65%) say that their business should prioritise electricity-powered equipment in the next decade. This contrasts with the short- and mid-term responses of the government to today’s energy shocks, which instead prioritise the diversification of fossil fuel supply. With the highest share of fossil-based power generation of any G7 country, the government’s reflexive instinct is to seek overseas energy alternatives rather than look to domestic clean alternatives.

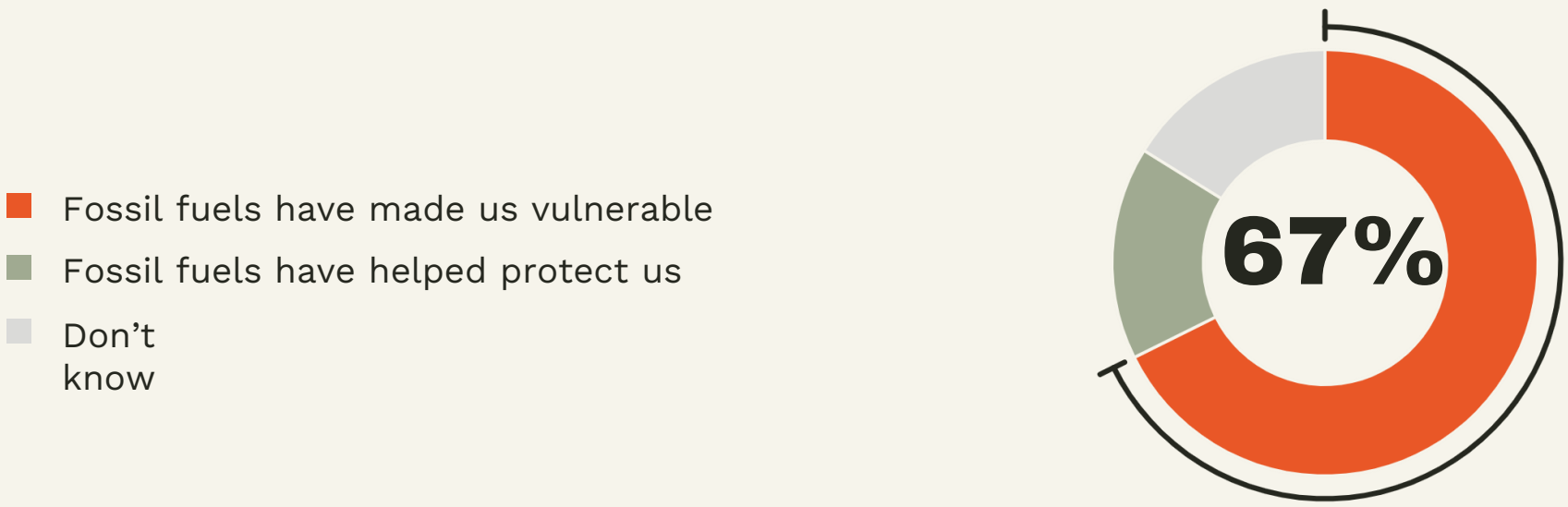


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Business Viewpoints

In addition to the upsides of energy sovereignty and security, energy price also comprises a major factor in how businesses conceive of electrification. At present, more than half (51%) of senior executives anticipate that long-term energy costs would decrease were Japan to invest more in electricity grid infrastructure. A slightly higher proportion (57%) also think that transitioning to a renewables-based electricity system would help stabilise prices during future external shocks. Even so, business leaders would like to see the government take steps to bring prices for electricity down further, with more (47%) selecting this specific measure than any other potential policy intervention. The majority of executives (59%) also say that electrifying their operations would gain a commercial edge. Yet sticking points exist. Among these is the difficulty that some companies face in sourcing enough reliable electricity. This shortfall is singled out by nearly one third (31%) of business leaders, 13 percentage points above the survey average. To an extent, the problem reflects supply constraints; renewable electricity only comprises 23.1% of total electricity generation, according to the government's latest figures.[1] But it also points to deliverability issues within the grid, which struggles with limited inter-regional transmission, uncertain connections and insufficient storage. Hence, many executives cite government investment in grid expansion and digitalisation (40%) as among the most impactful policies open to the government. Other possible policies include grants or subsidies for electrifying their operations (43%) and access to fiscal incentives (41%).

Nearly 70% of Japanese executives say fossil fuels leave them vulnerable to price shocks



Which of the following comes closest to your view?
Japan's use of fossil fuels has made us vulnerable to price shocks during geopolitical instability.
Japan's use of fossil fuels has helped protect us from price shocks during geopolitical instability.
Don't know

1 https://www.meti.go.jp/press/2026/04/20260414001/20260414001.html