

Interview with Ken Isono, Founder of Shizen Energy Inc.

Young Nature-Loving Entrepreneur Promotes Renewable Projects

By Japan SPOTLIGHT

In October 2020, the new Japanese administration declared the aim of realizing a CO2-free society in Japan by 2050. To achieve this goal, the development of renewable energy sources will need to be one of the principal means. Economic growth and a sustainable environment are goals that need to be achieved simultaneously as they are both vital for our well-being. Renewable startups share this goal and see their work as indispensable to society.

In the following interview, *Japan SPOTLIGHT* introduces Ken Isono, a joint-founder of one such renewable energy startup, Shizen Energy.

(Interviewed on Nov. 4, 2020)

Introducing Shizen Energy

JS: Could you please introduce your company to us?

Isono: Kenji Kawado, Masaya Hasegawa and myself founded our company in June 2011. We are an Independent Power Producer (IPP) of renewable energy sources engaged in power generation projects all over Japan, from the northern island of Hokkaido to the southernmost Kyushu region, and overseas as well, such as in Southeast Asia, Africa and Latin America. We explore for power generation sites that can use solar, wind or any other renewable energy, and then construct power plants on those sites and manage them. In Japan, we are an electricity retail business provider as well, selling electricity produced in these plants to households and businesses.

JS: How did you become interested in the issue of the global environment?

Isono: I was born in Nagano, a snowy pastoral region where my mother comes from. I had been brought up there among greenery and beautiful nature since my kindergarten days. Thereafter, I moved to California where I enjoyed watching the beautiful sea just in front of my house. In my younger days, nature was crucial for my pleasure of life. In my college days, I went back to Japan and enjoyed winter sports in Nagano, but at the same time I sensed a gradual decrease of snow every year. Though I did not specialize in environmental studies, I began to research the reasons for this snow



Ken Isono

decline and found that it was human civilization causing this problem and harming the global environment. So I became interested in contributing to resolving global environment issues and after having worked for a wind power generation company, I started up Shizen Energy with two of my friends.

JS: You founded your company in 2011 when the Great East Japan Earthquake disaster occurred. Was that a trigger for your startup?

Isono: Yes, it was a big trigger. I was studying the issue of climate change and greenhouse gases among various environmental issues. In this context, I had started working on developing renewable energy sources, but before 2011 little attention was paid in Japan to the need for such energy sources. The nuclear power crisis in Fukushima turned attention to non-nuclear power sources and convinced me of the growing need for renewable energy sources. Three months after the disaster, we set up our company.

JS: Only nine years have passed since then, but you must have had lots of challenges to face. What has been your biggest challenge and how did you overcome it?

Isono: The most difficult part of our job is how to gain “trust” as this cannot be done by money. Trust is born of many years of business experience and human relations. The biggest challenge for a startup

company is probably the lack of credit. We have not overcome this challenge even now. I believe that fulfilling our commitments steadily is vital to gaining credit. Another solution is building partnerships with companies with long business experience in this area, as our shortage of credit could be complemented by the credit our partners have raised during their long business experience.

JS: Partnerships must be particularly important as your business of constructing power generation plants would need big finance.

Isono: Yes, that's true. But building up small finance step by step is more important, as we will not have much time to resolve the issue of global climate change. Even 100 years from now, we will be too late to fix it. The key questions are accelerating our efforts to mitigate climate change and promoting the introduction of renewable energy sources. To achieve this, adding steadily to our accumulated finances will be crucial.

JS: You must also need a variety of human resources for renewable energy development, as the know-how involved in solar, wind or geothermal power is different.

Isono: We certainly need technology know-how for each renewable source, but there are common technologies as well, such as those in civil engineering or machine engineering. What we need is combined technological know-how of these basic technologies and each specific renewable technology.

JS: Do the three founders of your company collaborate in management? Is your management based on friendship and mutual trust rather than on hierarchical relations?

Isono: We have no president but three representative directors. We adopted this corporate structure from our German partner, juwi AG, a renewable energy development company. They have two representative directors each holding 50% of the shares. The merit of our three-director system is that when our opinions are divided, we can always avoid a definitive confrontation by using majority rule, which cannot be applied in the case of two directors. Our working ambiance is extremely friendly and informal and relaxed. This corporate culture probably comes from the background of my young days in California where such a corporate culture is common.

Prospect for Renewable Energy Sources

JS: Japanese Prime Minister Yoshihide Suga recently stated that he would commit to realizing a CO2-free society by 2050. Will that encourage renewable energy development?

Isono: Yes, certainly. I have been working on this for 15 years and find now an increasing interest in renewables. Exactly how much action we can take is the next question.

JS: However, utilization of renewable energy sources development is bound by serious technical constraints, such as incapacity in storing the small amounts of energy generated by renewables. What do you think are the prospects for renewable energy, and what needs to be done to make it prevail?

Isono: The key concept to achieve more utilization of renewable energy sources must be "green and digital".

When we talk about Digital Transformation (DX), we must acknowledge that digital technology will encourage a decentralized economic society where individuals and communities play a key role. There are increasing opportunities where an individual or a small community could engage in independent business activities regardless of the venue of work by using the Internet or smartphones, such as starting up new businesses. I think thus there is now a certain percentage of working people changing their lifestyle so that they could work without living in big cities (due to the Covid-19 impact). This could increase cases where each small community with its unique power source would work better even in terms of economic efficiency, rather than accessing large-scale power sources by power transmission lines. The energy base for such a decentralized digital community must not be fossil fuel, a massive and centralized production-friendly energy source, but renewable energy sources that can be provided in small quantities that meet an individual's or a community's needs for energy. I believe DX and green economy must be understood as an integrated concept. We should promote this understanding of "green and digital". Our economy is now truly on a trend toward this concept. The pandemic we are experiencing now is accelerating this trend.

JS: With the pandemic spreading, we can clearly see the risk of infection increasing as the concentration of populations in big cities is higher. It is possible that an increasing number of people will engage in business in the near future by working remotely

using digital technology while living in the suburbs or regions far from the center of business activity. Will we increasingly need new energy supplies for such new lifestyles?

Isono: Yes, I believe such a big change in lifestyles is occurring all over the world. Urbanization has so far been the concentration of energy consumption into big cities, and efficient provision of energy has been achieved through this. But a decentralized economic system made possible by digital technology would enable a new efficiency using renewable energy sources. It is important to understand this basic picture of a digital and green economy, so that we can achieve this reality. There is certainly another idea for mitigation of climate change – namely thermal power generation with less CO2 emissions. But we do not think this is the right answer.

We think the essential point for mitigation of environmental concerns is a decentralized economy model, even though centralized ones still remain. We will need investment in technology to achieve a decentralized economy. In the case of renewable energy supply, we will need investment for transmission and distribution lines for electricity, and also technologies for storage of electricity. The cost of renewable energy developed and saved by storage batteries is now getting cheaper. We call it storage-parity and this is now becoming cheaper than the price of fossil fuel or nuclear power. We have many examples all over the world. Japan has not yet reached that level, but once you lower the price of renewable energy it will prevail explosively.

JS: In our aging society, there is a belief that care for elderly people will be much better done in a small community, and this could fit a community-based decentralized economic system.

Isono: Yes, I agree. Centralized and large-scale economies leave us dependent on the public authorities in any decisions on social economy. But in a decentralized small community, each individual would play a key role in any social economic decisions, including supply of infrastructure for the community. Raising children or caring for the elderly in a community would be social issues to be addressed as if they were an individual's personal concern. I believe it is an ideal in our age that community-wide care in these social concerns should be achieved.

Collaboration with Overseas Partners

JS: How did you come to start a joint-venture with the German renewable energy company juwi? Was it

because Europeans were keener to adopt renewable energy supply systems?

Isono: On the question of partnerships, the benefits we are expecting from our partners differ between Japanese partners and overseas ones. The Japanese electricity market is big, but renewable energy development is behind the global trend. So we are partnering with global companies in technological cooperation and introducing their far more advanced technology and know-how into the Japanese market. In our partnership with juwi, we introduced their engineering and parts and components procurement know-how, mainly on solar energy, in 2013. It was at that time that Japan had started renewable energy source development. We founded a joint-venture with them in 2013, the year after feed-in tariffs for renewable energy started.

We have just recently started partnering with Northland Power, a Canadian offshore wind power company. Considering that we are just about to see the beginning of an offshore wind power market in Japan, we are now working on promoting Japanese offshore wind power systems by introducing their technology, which realizes lower costs for offshore wind power energy supply. We are also partnering with Austrian water turbine maker Gugler and selling components and equipment for small hydropower stations in Japan. This is another example of introducing know-how unknown to Japan into the Japanese market.

In contrast, we are also providing developing nations without much experience of renewables with our know-how in renewable energy development by partnering with Japanese companies or local companies that have sales networks in those nations. So we are promoting these two-way partnerships with relevant companies.

JS: Do you have any business plans for a specific country?

Isono: I think it is important to show the world our success stories as quickly as possible to convince people of the utility of a carbon-neutral or carbon-free society, which seems to be emerging as a goal of economic and environmental policy in Japan as well as globally. Our corporate purpose is “We take action for the blue planet”. We must have a vision and take action at the same time. We would like to contribute to social well-being worldwide by taking action not only in Japan but in any other country.

JS: I think most Asian developing nations or middle-income nations are pursuing the high-growth development pattern that Japan saw in the 1960s. That is a centralized and large-scale economic development pattern that would not be compatible

with renewable energy supply systems. Would it be difficult to promote renewables in those countries?

Isono: No, introducing renewables in developing nations can be much more easily done, as energy-related infrastructure is not well deployed in those nations. We can convince them of the need for infrastructure rather easily and renewable energy sources could be smoothly introduced with such infrastructure. In addition, those nations are mostly closer to the equator and solar energy power plants could be introduced at cheaper cost there than in other places. Unless it is an oil-producing country, importing energy from somewhere else would be costly for a small nation. We believe that providing power generated by renewable energy sources at what we call grid parity – cheaper than any power generated by other energy sources – will encourage the prevailing use of renewable energy sources, consistent with economic rationality.

Entrepreneurship in Japan

JS: Your story reminds us of social entrepreneurship. In Japan today, there seems to be an increasing number of young people interested in social entrepreneurship and eager to be helpful for others rather than achieve their own personal success. Do you think such social entrepreneurs in Japan will increase?

Isono: I do not think it is necessary to make a distinction between entrepreneurs and social entrepreneurs. This is because I think it would not be valuable to think only about our own advantages or benefits. It is true that there must be some critical activities having no economic value, but most human activities have both social value and economic value and we must consider social value first. I am not an ethnological expert, but I believe that anything of social value for a human community must have been developing since the foundation of civilization. Eiichi Shibusawa, a distinguished Japanese business leader early in the 20th century, mentioned it in his book *The Analects and the Abacus* (1916), advocating for integration of human morality and capitalistic thinking. When Konosuke Matsushita, another distinguished Japanese business leader in the post-World War II period and founder of Panasonic, started his business in 1918, he put high priority on social value, aiming to light all Japanese homes with his invented light bulbs. His passion for social value would eventually result in his great business success.

In our modern day, young people cannot find visible social value very easily, but they want to find work in which social value is tangible. I think the motivation for human beings to start up

businesses is the same now as in the past.

JS: Our working style is now becoming based on an individual's competency rather than on working time, and loyalty to the company is not necessarily crucial anymore in evaluating job performance. In addition, the pandemic has encouraged working remotely. Do you think this will make people more individualistic and encourage entrepreneurship?

Isono: Digitalization progress has made it possible to create jobs without large capital. This is the biggest merit of digital technology. You can even start up a business using only YouTube now, and that means business startups can be done easily now.

JS: Hierarchy-based organizations are losing their advantages today, as they crush the individuality and creativity of each employee and thus harm their competitiveness, according to a business management expert. Do you think a more caring type of management will spread hereafter in this regard? Would a management system that allowed an individual employee to act like a venture's founder be a good one?

Isono: Yes, I think management will proceed in that direction. Each employee, if they act like a venture's CEO, would become more competent as an individual and would be expected to raise their capacity and behave more independently. Business life is not easy for any of us. Each individual must be able to find a goal in their working life or discover how determined they could be in decision-making, supported by their experience and knowledge. This would be difficult and success would depend on each individual's capacity, so we may see social and economic inequalities expand.

But we cannot stop this trend and we have to think about our own company's future. We consider our company a network, as there are many tasks that cannot be achieved by one individual. So it will be important to strengthen ties among colleagues in the network in order to produce social value. To achieve this, we will need common goals or missions. How to unite and fight for such goals or missions will be the most critical question for our company's management.

JS

Written with the cooperation of Naoko Sakai who is a freelance writer.