

Changing Times

The Japanese economy has continued to expand over the past two years since 1987 as a result of its structural shift to a domestic demand-led pattern. At the same time, the energy demand-supply structure is also undergoing a significant transformation.

Demand for energy in 1989 was running at a similar level to the previous year. In the industrial sector, production in the energy-intensive materials industry continued to increase, while demand for energy in the commercial sector has also risen impressively, reflecting the progress of urbanization. In the transportation sector, too, demand for energy remained brisk thanks to active physical distribution and the introduction of a system for forwarding small-lot cargoes.

In addition to the booming economy, lack of further progress in energy conservation efforts is also considered a factor contributing to the booming energy demand. A decline in energy prices over the past several years has weakened incentives to save energy. Again, the fact that conventional energy-saving techniques have reached their limit has made energy-saving difficult.

Demand for energy in 1990 is expected to remain firm, with a further upsurge in economic activity anticipated, though the growth rate of demand will slacken. Demand for oil in fiscal 1989 is projected to be up 5.9% and in fiscal 1990 by 5.1%. Demand for electric power is expected to rise 4.8% in fiscal 1989 and 3.6% in fiscal 1990.

An increase or decrease in dependence on oil as a primary energy is something to be reckoned with in energy supplies. Dependency on oil lessened sharply fol-

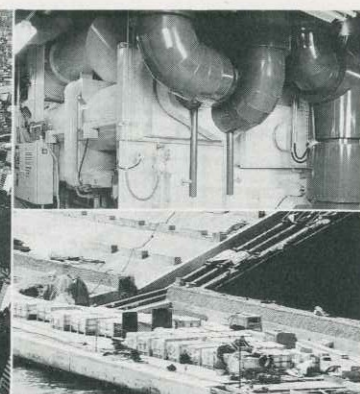


Photo: TEPCO

A community-wide air-conditioning system utilizing exhaust heat energy. Development of highly efficient methods of energy utilization is now seen as an urgent necessity in Japan.

lowing the two oil crises, but has resumed an upward trend slowly thanks to such factors as the softening of crude oil prices, an upturn in the economy and a drastic increase in the amount of oil-generated thermal power.

The energy industry is seen likely to earn more but enjoy less profits in fiscal 1989 and register increases both in sales and profits in fiscal 1990. The earnings position of the oil industry is likely to deteriorate in fiscal 1989, because it will take time before cost increases resulting from the yen's fall in value and a crude oil price upswing are reflected in the higher market prices of oil products. In fiscal 1990, profits are projected to recover almost to the fiscal 1988 level, with the higher market prices of products gradually taking hold.

The power industry, on the other hand, is expected to suffer about a 30% fall in profits in fiscal 1989 due to an upsurge in fuel costs and a reduction in power charges. In fiscal 1990, conversely, the in-

dustry is likely to see both sales and profits increase, because costs will rise little.

At present, there is an increasing need to restructure long-range plans concerning energy demand and supply in Japan, because problems requiring study from the supply standpoint have emerged despite the high growth of demand for energy. The Advisory Committee for Energy, an advisory body to the minister of international trade and industry, has set out to formulate these plans. How to increase energy efficiency in the household sector will be an important issue from the demand standpoint. This is because it will be more difficult, through the application of energy price policy alone, to save energy in the household sector than in the industrial sector.

Viewed from the supply standpoint, it will become no less important to study how to attain the best mix of energy supplies in Japan while coping with problems such as the global environment (the greenhouse effect) and the growing movement against nuclear power plants. The energy industry is being called on to develop and disseminate highly efficient methods of energy utilization, and also to carry out vigorous activities to obtain a stable supply of energy for many years to come. To this end, it will become necessary for the industries concerned to promote fair competition and secure flexible mutual coordination whenever necessary.

Changes in Final Energy Consumption

(million kl. in crude oil terms)

	FY 1985	FY 1986	FY 1987	FY 1988
Final energy consumption	293 (1.2)	294 (0.4)	308 (4.8)	325 (5.7)
Industrial use	158 (-0.4)	156 (-1.2)	163 (4.9)	173 (5.9)
Household use	71 (3.8)	72 (1.1)	76 (5.2)	80 (5.3)
Transportation use	64 (2.4)	66 (3.5)	69 (4.1)	72 (5.6)

Note: Figures in parentheses denote growth rate over the previous year.
Source: Ministry of International Trade and Industry

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