The Effects of One Sweltering Summer

Paralleling the recovery of the domestic economy, the demand for energy is also on the upswing.

Industrial energy consumption in fiscal 1994 is expected to come in markedly higher than fiscal 1993 consumption. The increase comes from increased production in industries, such as automobile, electric and electronic equipment and steel as well as increased production of foodstuffs and air conditioning equipment in response to the heat wave of 1994. In the private sector, there was also a major increase in energy consumption due to air conditioner use in homes and offices during the record-breaking summer heat. Furthermore, the year-by-year increase in energy consumption is expected to be particularly large because of comparatively low energy consumption during the cool summer of 1993.

There should also be a large increase in energy consumption in the transport sector. More trucks were put on the road due to stepped-up enforcement of overloading regulations, and the volume of goods being distributed rose with the economic recovery.

Overall energy consumption for fiscal 1994 should be about 3% higher than the fiscal 1993 figure, the first time in two years for the figure to exceed 1%, a reaction to the period of low growth and the impact of the hot summer.

As for overall energy consumption trends in fiscal 1995, consumption in the industrial and transport sectors should improve steadily as the economy slowly improves. However, the high consumption in the private sector during the summer of 1994 will be hard to match. Consequently, the overall rate of increase over fiscal 1994 will probably be low.

The year-on-year increase in oil demand for fiscal 1994 is predicted at an imposing 4.6% and so no substantial further growth is expected in fiscal 1995. The price of crude oil is predicted to settle around $18.00 per barrel in fiscal 1995.

Domestic Trends in Final Energy Consumption

(Unit: Million kl of crude oil conversion)

FY	1989	1990	1991	1992	1993
Final energy consumption	3.5 336	3.8 349	2.6 358	0.5 360	0.7 362
Industrial use	2.8 178	3.2 183	0.7 185	-2.0 181	0.4 181
Private sector use	2.2 82	4.6 85	4.9 89	4.0 93	1.1 94
Transport sector use	6.8 77	4.5 80	4.5 84	2.3 86	0.9 87

Note: Figures for FY 1993 are preliminary (Upper figures as compared to the previous year)

The petroleum industry is moving drastically in the direction of deregulation. The Provisional Measures Law on the Importation of Specific Kinds of Petroleum Refined Products, which regulates imports of gasoline, kerosene and light oil, is to be scrapped at the end of March 1996.

A gradual elimination of regulations concerning the construction of gas stations has been scheduled and a debate over the introduction of self-service gas stations has begun. In this environment, the gasoline market, until recently a relatively firm market, has been in a downward trend since the early summer of 1994, a trend that will most certainly leave the oil industry's settlement of accounts for fiscal 1994 deep in the red. Real measures to stabilize market conditions are needed as we turn toward fiscal 1995.

Demand for electricity in fiscal 1994 is expected to show a huge increase over the previous year due to the record-breaking heat of the summer. On the supply side, the water shortage in the first and second terms should translate into a large decrease in hydroelectric power output and a large increase in thermal power output, which compensated for the lack of hydroelectric power.

With the summer heat wave, peak power usage hit 166.15 million kilowatts, a 15.7% increase over the 1993 peak. As a result, although the balance of income and expenditures—with the continuing fall in electricity costs and the continuing rise in fixed costs—is as tough as ever, the increase in kilowatt/hours of electricity sold should give all nine power companies increased income and increased profits.

With a business recovery underway, industrial demand for electricity should be firm in fiscal 1995 and should pull total demand along. Nonetheless, due to the over-reaching impact of the 1994 heat wave, electricity use is only expected to record a slight increase in kerosene and power. Thus, with the continuing severe conditions surrounding profit-making, the income-expenditure balance for fiscal 1995 is expected to show a slight increase in income but a loss in profits.

The electrical power industry looked into a revision of the Electrical Enterprise Act in fiscal 1994. Creation of a new system that can reduce costs of providing electrical power—such as liberalization surrounding electric power providers and revision of the electricity rate system—were examined. Revision of the law is planned for this spring, with implementation to take effect in the spring of 1996. Every power company is ready to devote efforts and energy to further reducing costs.

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