

EBC Response to the MLIT Call for Public Comments

The EBC appreciates the opportunity to provide comments on this important matter and commends the MLIT for its ongoing efforts to refine the offshore wind tender process.

Japan is now entering its fourth round of offshore wind tenders. Over time, adjustments have been made to the rules, and the EBC views these changes as positive steps forward. However, the regulations governing vessel usage remain unchanged, despite repeated concerns raised by various organisations about the limitations imposed by Japan's cabotage rules.

Currently, foreign-registered vessels and foreign crew members cannot be utilised for offshore wind projects in Japanese territorial waters. This presents a significant challenge, as there is a clear shortage of both Japanese-registered vessels and qualified Japanese crew members with sufficient experience in offshore wind activities. Additionally, since offshore wind is still in its early stages in Japan, domestic maritime players including contractors lack the necessary experience to support large-scale and complex projects effectively.

The EBC welcomes the proposed changes by the MLIT and strongly supports the ability to apply for multiple exemptions, as this will help reduce the administrative burden on businesses. However, we would like to stress that the proposed changes are not sufficient for ensuring the predictability of business cases as well as development of offshore wind farms.

One of the crucial elements for offshore wind development is that players (e.g., developers, wind turbine generator manufactures, contractors, ship owners) need to have a clarity and guarantee that specialised work vessels which are quite limited globally (e.g., jack-up vessel, cable laying vessels, crew transfer vessel) are allowed to work in Japanese waters before auctions (typically 5-6 years before start of offshore works) because feasibility of projects rely heavily on availability and charter rate of such vessels. In other words, if such vessels become unavailable and no alternative vessel is available the project feasibility would be ruined.

In order to address the above-mentioned issue, the conditions and criteria for the Special Permits or 特許 (both the non-open port calls and the coastal transport) shall be amended or elaborated in a way which will not allow any ambiguity or multiple interpretations. Additionally, such conditions and criteria (including elaborations) shall be made public for transparency. The predictability which the government including MLIT is aiming for would not be achieved without the aforementioned transparency. In more specific;

- The MLIT website (<https://www.mlit.go.jp/onestop/031/images/031-015.pdf>) provides the criteria. However, the descriptions are ambiguous which leaves a lot of room for interpretation.

- The consequence of such ambiguity is, in most cases, that an applicant has to request MLIT officials for interpretations which are not in public thus not transparent. There is also a risk that the interpretations could be different , thus not consistent.

It is also very important that such conditions and criteria shall be ones which are reasonably achievable for international offshore wind industry players. For that purpose, MLIT is kindly requested to ask the players to review and comment any future amendments/elaborations before making ones effective.

We were also informed from industry players that “unwritten” criteria for the Special Permits exist such as;

- an applicant shall prove that no equivalent vessel is available in Japan during the period which the applicant intends to bring the vessel to Japan.
- Such an application cannot be made earlier than 1.5 year in advance otherwise MLIT asks applicant to reflag the vessel to Japan as 1.5 year is sufficient for reflagging.

These unwritten criteria shall be avoided because, first of all, it does not facilitate any transparency or predictability and also because;

- It is impossible to foresee the availability of equivalent vessel of distant future (5-6 years). For instance, vessels like JUVs and CLVs can be built typically in 3 years, 1 year for design and 2 years for shipbuilding.
- The rules substantially force foreign vessel owners to reflag their vessels to Japan or simply encourage them to go for other countries/economies which have less stringent cabotage. Vessel owners will not reflag their vessels to Japan unless they secure sufficient works (charter period of 3-4 years) because cost for reflagging is significant. As a consequence of this Japan would encounter shortage of specialised vessels and the country’s offshore wind development would be stalled.

While not within the direct scope of this public comment process, the EBC would also like to highlight the broader need for a comprehensive review of Japan’s cabotage regulations as explained above. Establishing a more flexible and efficient supply chain is crucial to fostering a robust offshore wind sector—both as an industry and as a key contributor to Japan’s energy mix.

We appreciate the MLIT’s consideration of our comments and look forward to further engagement on this issue.