

## Hydrogen Society Promotion Act and Relevant Orders and Regulations



Kei Shirakawa  
Partner

[kei.shirakawa@morihamada.com](mailto:kei.shirakawa@morihamada.com)



Hiroyuki Tachiiri  
Senior Associate

[hiroyuki.tachiiri@morihamada.com](mailto:hiroyuki.tachiiri@morihamada.com)

### I . Introduction

On October 23, 2024, the Hydrogen Society Promotion Act (the Act on Promotion of Supply and Utilization of Low-Carbon Hydrogen and its Derivatives for Smooth Transition to a Decarbonized, Growth-Oriented Economic Structure; the “**Act**”) went into effect. The Act is based on the Interim Summary Report (*chuukan torimatome*) published in January, 2024. For further details on the Interim Summary Report, please see our previous newsletter [“Interim Summary Report” \(chuukan torimatome\) to introduce Hydrogen and Ammonia](#).

On the same day, related orders and regulations also took effect, and the results of the public comment process were announced. Additionally, the subsidy guidelines and the Q&A for the price-difference support mechanism (the Contract for Difference (CfD) program) were published, and the application period for these subsidies has begun, running from November 22, 2024 through March 31, 2025. This newsletter provides an overview of these key updates.

**Relevant Laws and Regulations Enacted and Announced on October 23**

Cabinet Order	
1	<a href="#">Order for Enforcement of the Act on Promotion of Supply and Utilization of Low-Carbon Hydrogen and its Derivatives for Smooth Transition to a Decarbonized, Growth-Oriented Economic Structure</a>
2	<a href="#">Order on Fees in relation to the Act on Promotion of Supply and Utilization of Low-Carbon Hydrogen and its Derivatives for Smooth Transition to a Decarbonized, Growth-Oriented Economic Structure</a>
Ministerial Order	
3	<a href="#">Regulation for Enforcement of the Act on Promotion of Supply and Utilization of Low-Carbon Hydrogen and its Derivatives for Smooth Transition to a Decarbonized, Growth-Oriented Economic Structure</a> (“Ministerial Enforcement Regulation”)
4	<a href="#">Ministerial Order for Approval, etc. of Low-Carbon Hydrogen, etc. Supply, etc. Business Plans based on the Act on Promotion of Supply and Utilization of Low-Carbon Hydrogen and its Derivatives for Smooth Transition to a Decarbonized, Growth-Oriented Economic Structure</a> (the “Ministerial Order for Approval”)
Public Notice	
5	<a href="#">Fiscal year (<i>nendo</i>) determined by the Minister of Economy, Trade and Industry, taking into consideration the targets for promoting the supply and utilization of Low-Carbon Hydrogen and its Derivatives pursuant to the provision of Article 7, paragraph (5), item (v)(b) of the Act on Promotion of Supply and Utilization of Low-Carbon Hydrogen and its Derivatives for Smooth Transition to a Decarbonized, Growth-Oriented Economic Structure</a>
6	<a href="#">Basic Policy on the Promotion of Supply and Utilization of Low-Carbon Hydrogen, etc.</a> (“Basic Policy” or “Basic Policies”)
7	<a href="#">Matters proposed to comprise the conduct standards to promote the supply of Low-Carbon Hydrogen, etc. by Hydrogen, etc. Supply business operators</a> (“Conduct Standards”)
8	<a href="#">Fees that may be paid by stamps in relation to the Act on Promotion of Supply and Utilization of Low-Carbon Hydrogen and its Derivatives for Smooth Transition to a Decarbonized, Growth-Oriented Economic Structure under the proviso of Article 1 of the Act on Revenue Payment by Stamps.</a>
9	<a href="#">Areas specified by the Minister of Economy, Trade and Industry pursuant to paragraph (2) of the Order for Enforcement of the Act on Promotion of Supply and Utilization of Low-Carbon Hydrogen and its Derivatives for Smooth Transition to a Decarbonized, Growth-Oriented Economic Structure</a>

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Other	
10	<a href="#">Subsidy Guideline for Support Projects for the Establishment of a Hydrogen, etc. Supply Chain (Support Project for Establishment of Low-Carbon Hydrogen, etc. Supply Chain)</a>
11	<a href="#">Q&amp;As on applying for support focusing on price difference ("Q&amp;As")</a>

## II. The Act

The Act is composed of the following chapters:

Chapter 1	General Provisions
Chapter 2	Basic Policies, etc.
Chapter 3	Approval of Business Plans to supply Low-Carbon Hydrogen, etc.
Chapter 4	Support Measures for Approved Business Plans for Supply, etc.
Chapter 5	Matters proposed to comprise the Hydrogen, etc. Supply Business Conduct Standards
Chapter 6	Miscellaneous Provisions
Chapter 7	Penal Provisions

### 1. Purpose and Basic Policies

#### (1) Purpose

The purpose of this Act is to accelerate the early-stage supply and use of "**Hydrogen, etc.**," and in particular, "**Low-Carbon Hydrogen, etc.**," in order to realize a smooth transition to a decarbonized, growth-oriented economic structure in Japan.

The definition of "Hydrogen, etc." is as follows:<sup>1</sup>

**Hydrogen, etc.:** Hydrogen and its derivatives specified by the Order of the Ministry of Economy, Trade and Industry.

Under the Ministerial Order, "Hydrogen, etc." includes ammonia, synthetic methane, and synthetic fuels, all of which are hydrogen-based compounds, as indicated in the Interim Summary Report (*chuukan torimatome*).

The definition of "Low-Carbon Hydrogen, etc." is as follows:<sup>2</sup>

<sup>1</sup> Article 2 paragraph 1 of the Act.

<sup>2</sup> Article 2 paragraph 1 of the Act.

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**Low-Carbon Hydrogen, etc.:** Hydrogen, etc. that satisfies requirements specified by the Order of the Ministry of Economy, Trade and Industry, such as:

- (i) Having CO<sub>2</sub> emissions below a certain threshold during production; and
- (ii) Contributing to reductions in CO<sub>2</sub> emissions in Japan, in line with internationally agreed-upon methods of calculating CO<sub>2</sub> emissions, etc.

The details of these requirements are prescribed by the Ministerial Order, which refers to the relevant international standards with regard to calculating CO<sub>2</sub> emissions.

## (2) Basic Policies

Under the Act, the competent minister must formulate Basic Policies for the promotion of the supply and use of Low-Carbon Hydrogen, etc.<sup>3</sup> The national government, local governments, and business operators are each responsible for advancing the supply and use of Low-Carbon Hydrogen, etc., in accordance with these Basic Policies, which encompass the following:<sup>4</sup>

1	Matters related to the objectives and goals of promoting the supply and use of Low-Carbon Hydrogen, etc.
2	Matters concerning the promotion of the supply and use of Low-Carbon Hydrogen, etc.:
	(i) Particular business areas in which the use of Low-Carbon Hydrogen, etc. should be promoted
	(ii) <b>Matters and implementation measures of Low-Carbon Hydrogen, etc. Supply, etc. Businesses that should be prioritized</b> to achieve a smooth transition to a decarbonized, growth-oriented economic structure while ensuring a stable and affordable energy supply
	(iii) Initiatives that make use of insights gained from Low-Carbon Hydrogen, etc. Supply, etc. Businesses to contribute to a smooth transition to a decarbonized, growth-oriented economic structure
	(iv) Measures to promote the supply and use of Low-Carbon Hydrogen, etc.
3	Proper maintenance of facilities to be used for Low-Carbon Hydrogen, etc. Supply, etc. Businesses, along with other important matters to be considered when promoting the supply and use of Low-Carbon Hydrogen, etc.

Under this Act, “**Low-Carbon Hydrogen, etc. Supply, etc. Business**” refers to the following two types of

<sup>3</sup> Article 3 of the Act.

<sup>4</sup> Articles 4-6 of the Act.

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businesses:<sup>5</sup>

- (a) **Low-Carbon Hydrogen, etc. Supply Business:** A business that supplies Low-Carbon Hydrogen, etc. (including domestic production and/or imports), as well as stores or transports Low-Carbon Hydrogen, etc. for that purpose.
- (b) **Low-Carbon Hydrogen, etc. Utilization Business:** A business that uses Low-Carbon Hydrogen, etc. as fuel or raw materials, and may also store or transport Low-Carbon Hydrogen, etc. in connection with that use (including fueling automobiles or motorized bicycles).

## 2. Business Plan Approval Scheme

An approval scheme for **Low-Carbon Hydrogen, etc. Supply, etc. Business Plans** (each a “**Business Plan**”) has been established under the Act for Low-Carbon Hydrogen, etc. Supply, etc. Businesses.<sup>6</sup> This scheme reflects the “price difference support” and “hub development support” measures outlined in the Interim Summary Report (*chuukan-torimatome*). Specifically, if an operator of a Low-Carbon Hydrogen, etc. Supply Business or a Low-Carbon Hydrogen, etc. Utilization Business formulates a business plan, which is later approved, the operator will become eligible for subsidies and be subject to special regulatory measures.

### (1) Items to be Included in the Business Plan

A Business Plan must include the following items:

Required Items	
(i)	<b>Targets</b> for the Low-Carbon Hydrogen, etc. Supply, etc. Business
(ii)	<b>Details and implementation period</b> of the Low-Carbon Hydrogen, etc. Supply, etc. Business
(iii)	<b>Implementation Structure</b> of the Low-Carbon Hydrogen, etc. Supply, etc. Business
(iv)	<b>Necessary Funding and Method of Procurement</b> for the Low-Carbon Hydrogen, etc. Supply, etc. Business
(v)	<b>Intention to Receive Subsidies from Japan Organization for Metals and Energy Security (JOGMEC)</b> (if applicable)

<sup>5</sup> Article 2, paragraphs 2-4 of the Act .

<sup>6</sup> Article 7 of the Act.

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	<b>Note:</b> Support programs identified in the Interim Summary Report ( <i>chuukan-torimatome</i> ), such as price-difference support and hub development support, will be listed under this item (v) as subsidies provided by JOGMEC.
(vi)	<b>Scale, Location, and Other Details</b> of the facilities used for the Low-Carbon Hydrogen, etc. Supply, etc. Business, as specified by a Ministerial Order of the competent ministry
(vii)	Any <b>Other Matters</b> necessary for implementing the Low-Carbon Hydrogen, etc. Supply, etc. Business
<b>Optional Items</b> (applicable when storage, etc. is carried out by an entity other than the operator receiving approval) <sup>7</sup>	
(viii)	<b>Details and Implementation Period</b> of the storage, etc. of Low-Carbon Hydrogen, etc.
(ix)	<b>Implementation Structure</b> of the storage, etc. of Low-Carbon Hydrogen, etc.
(x)	<b>Necessary Funding</b> and <b>Method of Procurement</b> for the storage, etc. of Low-Carbon Hydrogen, etc.
(xi)	<b>Scale, Location, and Other Details</b> of the facilities used for storage, etc. of Low-Carbon Hydrogen, etc. by the relevant entity, as specified by a Ministerial Order of the competent ministry
(xii)	Any <b>Other Matters</b> necessary for the storage, etc. of Low-Carbon Hydrogen, etc. by the relevant entity

## (2) Approval Requirements

If the competent minister determines that a Low-Carbon Hydrogen, etc. Supply, etc. Business Plan meets the statutory requirements, the minister may approve the Business Plan.<sup>8</sup> As indicated in the Interim Summary Report (*chuukan-torimatome*), this process involves a comprehensive evaluation of multiple factors, rather than a mere price comparison.

## (3) Subsidies and Special Measures for Approved Business Plans

### (a) Subsidies by JOGMEC

JOGMEC is expected to offer support for approved business plans, focusing on (i) price difference and (ii) hub development.<sup>9</sup> This approach aligns with the price difference and hub development support schemes discussed in the Interim Summary Report (*chuukan-torimatome*).

<sup>7</sup> "Storage, etc." means storage, transportation, or sales (Article 7 paragraph 3 of the Act). It is assumed that a business model in which company, for example, owns the infrastructure for transportation (e.g., pipelines) and is responsible for part of the transportation to the user is envisioned.

<sup>8</sup> Article 7 paragraph 5 of the Act.

<sup>9</sup> Subsidies are supposed to be provided to fund the development of facilities, etc., to be used jointly by business operators and to be used for storage and transportation of Low-Carbon Hydrogen, etc.

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## (b) Special Regulatory Measures

Operators with approved Business Plans may also benefit from special regulatory arrangements:

### (i) Special Provisions under the Port and Harbour Act

Typically, obtaining permits from the port authority is required for certain construction and other activities in port areas (see Port and Harbour Act, Article 37, etc.). However, with an approved Business Plan, conducting such activities within the port area is deemed permitted as of the plan's approval date. Moreover, notification requirements for construction and related work<sup>10</sup> do not apply if carried out in accordance with an approved plan.<sup>11</sup>

### (ii) Special Provisions under the High Pressure Gas Safety Act

As a general rule, since hydrogen is classified as a "high pressure gas," a manufacturing license issued by prefectural governments under the High Pressure Gas Safety Act is required for its production. However, if a supply business operator produces high-pressure Low-Carbon Hydrogen, etc. in accordance with an approved Business Plan, the operator is deemed to have obtained a manufacturing license from the date of the approval of the Business Plan by the Minister of Economy, Trade and Industry. The operator also becomes eligible for various other regulatory accommodations.

### (iii) Special provisions for Road Occupancy

Road occupancy permits under the Road Act can be issued for pipelines and other conduits used for storing hydrogen, etc., provided they meet the required standards.<sup>12</sup>

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## 3. Conduct Standards for Hydrogen, etc. Supply Operators

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To facilitate the supply of Low-Carbon Hydrogen, etc., the Minister of Economy, Trade and Industry will set Conduct Standards for Hydrogen, etc. Supply Business operators.<sup>13</sup> These standards will prescribe the measures that operators should take to advance the supply of Low-Carbon Hydrogen, etc. They must align with the Basic Policies and consider factors such as:

- The status of Low-Carbon Hydrogen, etc. supply by Hydrogen, etc. Supply Business operators
- Technological developments related to the supply, storage, transport, and use of Low-Carbon Hydrogen, etc.

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<sup>10</sup> Paragraphs 1 and 4 of Article 38-2 of the Port and Harbour Act.

<sup>11</sup> Article 11 of the Act.

<sup>12</sup> Article 31 paragraph 2 of the Act.

<sup>13</sup> Article 32 paragraph 1 of the Act.

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- Economic efficiency of using Low-Carbon Hydrogen, etc.

The Conduct Standards will be updated as necessary to reflect changing circumstances in these areas.<sup>14</sup>

### III. Relevant Orders

#### 1. Cabinet Orders

Under the relevant orders, a Hydrogen, etc. Supply Business operator that supplies more than 1,000 tons of hydrogen per fiscal year (or 100,000 tons in the case of ammonia, a hydrogen compound)<sup>15</sup> is deemed a “Specified Hydrogen, etc. Supplier” and is subject to stricter regulations, including recommendations and orders under the Act.

It should be noted that this supply volume threshold differs from the one for Low-Carbon Hydrogen, etc. (i.e., at least 1,000 tons hydrogen-equivalent per fiscal year), which is required to qualify for (1) price difference support and (2) hub development support under the Act.<sup>16</sup>

#### 2. Ministerial Orders

##### (1) Ministerial Enforcement Regulation

The Ministerial Enforcement Regulation prescribes the following:

Chapter 1	Specific requirements for Low-Carbon Hydrogen, etc.
Chapter 2	Supply Period for Low-Carbon Hydrogen, etc.
Chapter 3-6	Regulations on high pressure Low-Carbon Hydrogen, etc.
Chapter 7	Requirements for Specified Hydrogen, etc. Suppliers

##### (a) Specific Requirements for Low-Carbon Hydrogen, etc. (Chapter 1)

In accordance with the Act, the detailed definitions of “**Hydrogen, etc.**” and “**Low-Carbon Hydrogen, etc.**” are set out in ministerial orders as follows:

<sup>14</sup> Article 32 paragraph 2 of the Act.

<sup>15</sup> Synthetic fuel and synthetic methane are not defined for the time being due to the lack of sufficient supply at the present time (see “Public Comment on the Draft Order for Enforcement of the Act on Promotion of Supply and Utilization of Low-Carbon Hydrogen and its Derivatives for Smooth Transition to a Decarbonized, Growth-Oriented Economic Structure” (“Cabinet Order Public Comment”) No. 1.

<sup>16</sup> Cabinet Order Public Comment No. 4.

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“Hydrogen, etc.” includes: hydrogen, ammonia, synthetic fuel,<sup>17</sup> and synthetic methane.<sup>18</sup> For each of these categories, the main requirements for meeting the definition of “Low-Carbon Hydrogen, etc.”—and thereby qualifying for various forms of support—are summarized in Article 3 of the Ministerial Enforcement Regulation:

Subject	Main Requirements
Hydrogen	Carbon intensity of 3.4 kg-CO <sub>2</sub> /kg-H <sub>2</sub> or lower <sup>19</sup>
Ammonia	Carbon intensity of 0.87kg-CO <sub>2</sub> /kg-NH <sub>3</sub> or lower
Synthetic Fuel / Synthetic Methane <sup>20</sup>	(a) carbon intensity of 39.9g-CO <sub>2</sub> /MJ or lower for synthetic fuel and 49.3g-CO <sub>2</sub> /MJ or lower for synthetic methane  (b) Hydrogen used as a feedstock must meet the hydrogen requirement above

Carbon dioxide emissions must be calculated according to methods specified in standards issued by the International Organization for Standardization (ISO), including ISO 14067 and ISO/TS 19870.<sup>21</sup> The calculation boundary is “Well to Gate,”<sup>22</sup> and operators may offset emissions by using non-fossil certificates or equivalent certificates (i.e., those that verify the source of electricity) when performing these calculations.<sup>23</sup>

(b) Supply Period for Low-Carbon Hydrogen, etc. (Chapter 2)

When receiving (1) price difference support or (2) hub development support, the supply of Low-Carbon Hydrogen, etc. must continue for **10 years** after the end of the support period.<sup>24</sup> Note that:

- The term “supply” here does not solely mean “production”. It also includes actual domestic supply to Low-Carbon Hydrogen, etc. Utilization Businesses.
- If it becomes difficult to continue to supply, the operator must submit a change to the approved plan.<sup>25</sup> However, if the failure to continue to supply is deemed intentional despite it being feasible, the

<sup>17</sup> Liquid synthesized from hydrogen and carbon monoxide or hydrogen and carbon dioxide.  
<sup>18</sup> Methane synthesized from hydrogen and carbon monoxide or hydrogen and carbon dioxide.  
<sup>19</sup> If greenhouse gases other than carbon dioxide are emitted, the amount is the amount of carbon dioxide plus the amount of greenhouse gases other than carbon dioxide multiplied by the global warming potential of the greenhouse gases concerned (Article 2 paragraph 5 of the Act on Promotion of Global Warming Countermeasures).  
<sup>20</sup> For synthetic fuel and synthetic methane, special provisions are stipulated for cases in which they are produced in foreign countries, and it is subject to whether or not they contribute to reducing CO<sub>2</sub> emissions in Japan.  
<sup>21</sup> Article 3, Paragraph 5 of the Ministerial Enforcement Regulation and Public Comment on the Draft Regulation for Enforcement of the Act on Promotion of Supply and Utilization of Low-Carbon Hydrogen and its Derivatives for Smooth Transition to a Decarbonized, Growth-Oriented Economic Structure, etc. (“Ministerial Order Public Comment”) No. 5.  
<sup>22</sup> Ministerial Order Public Comment No. 14.  
<sup>23</sup> Ministerial Order Public Comment No. 2.  
<sup>24</sup> Article 4 of the Ministerial Enforcement Regulation.  
<sup>25</sup> Ministerial Order Public Comment No. 34 and No. 35.

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competent authority may refuse to approve the change of plan, revoke the approval of the business plan, or demand for the return of the subsidy—potentially creating significant business impacts.<sup>26</sup>

- In principle, the supply volume for the 10-year period after the support ends should be at least as large as the supply volume during the support period, though operators have some discretion in setting the post-support supply volume in their Business Plan.<sup>27</sup>

### (c) Other Provisions (Chapters 3-7)

Chapters 3 and 4 of the Ministerial Enforcement Regulation cover the approval process and related procedures for the production and storage of high-pressure Low-Carbon Hydrogen, etc. under the special provisions of the High Pressure Gas Safety Act. Chapters 5 and 6 set forth regulations on import inspections, notifications, and other procedural requirements.

Finally, Chapter 7 specifies that, for an entity to be considered a “Specified Hydrogen, etc. Supplier” with respect to hydrogen compounds, it must have supplied at least 100,000 tons of ammonia in the previous year.

### (2) Ministerial Order for Approval

The Ministerial Order for Approval prescribes the application forms and appendixes needed for the approval of a Business Plan. It also contains guidelines (including Form 1 and Appendix 1) regarding applications for price difference support.<sup>28</sup>

Applications for price difference support will be accepted starting November 22, 2024, with a final deadline of March 31, 2025. **However, plans submitted by January 31, 2025, will be “pre-reviewed”—meaning the approval process will begin in advance of the final deadline.**<sup>29</sup>

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## 3. Public Notice

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### (1) Fiscal Year Determined by the Minister of Economy, Trade and Industry

Low-Carbon Hydrogen, etc. Supply Businesses that are eligible for price difference support must be expected to begin supplying by Fiscal Year (FY) 2030. However, according to public comments, the government intends to maintain the originally planned supply volume, while allowing flexibility regarding

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<sup>26</sup> Ministerial Order Public Comment No. 35. It remains to be seen how flexible the approval of plan modification will be in situations other than the exceptional ones described in the said Public Comment.

<sup>27</sup> Ministerial Order Public Comment No. 35.

<sup>28</sup> The guidelines for the description of support for hub development will be released in due course.

<sup>29</sup> Agency for Natural Resources and Energy, “On Applying for Support Focusing on Price Difference (Article 10, Item 1 (a) of the Act),” [https://www.enecho.meti.go.jp/category/saving\\_and\\_new/advanced\\_systems/hydrogen\\_society/carbon\\_neutral/index.html](https://www.enecho.meti.go.jp/category/saving_and_new/advanced_systems/hydrogen_society/carbon_neutral/index.html).

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the replacement of users and gradual increases in supply as various facilities begin operation.<sup>30</sup>

## (2) Basic Policies

Pursuant to Article 3(1) of the Act, the government must establish Basic Policies to promote the supply and utilization of Low-Carbon Hydrogen, etc. These Basic Policies:

- serve as a standard for national policy measures (Article 4(1) of the Act);
- must be observed by business operators (Article 6(1) of the Act); and
- are references for the approval of Business Plans (Article 7(5)(i) of the Act).

While the Basic Policies cover a range of topics, operators should pay particular attention to Section 2(ii), which outlines various requirements for the content and implementation of their businesses. Below are the principal elements, with especially critical requirements shown in **bold**.

<b>Support Focusing on Price Difference</b>
1. Content of the Business
(1) Energy Policy Perspectives <ul style="list-style-type: none"> <li>(i) <b>Safety: Business operators are expected to obtain all relevant licenses and approvals under applicable laws and regulations.</b></li> <li>(ii) Stable Supply               <ul style="list-style-type: none"> <li>a. <b>Supply volume must be at least 1,000 tons of hydrogen equivalent per year.</b></li> <li>b. Supply Low-Carbon Hydrogen, etc. produced domestically.</li> <li>c. Contribute to diversification of sources, production regions, technologies, and fuels.</li> <li>d. Achieve a high participation rate for Japanese companies in upstream concessions, with stable pricing.</li> </ul> </li> <li>(iii) Environmental Compatibility: Maintain a relatively low carbon intensity for Low-Carbon Hydrogen, etc.</li> <li>(iv) Economic Efficiency               <ul style="list-style-type: none"> <li>a. Achieve a cost level that enables self-sustaining supply after the support period ends.</li> <li>b. Use resources that further decarbonization in an economical and reasonable manner.</li> <li>c. Demonstrate supply cost and business efficiency superior to comparable</li> </ul> </li> </ul>

<sup>30</sup> Ministerial Order Public Comment No. 44.

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businesses.
(2) Perspectives from GX (Green Transformation) Policy
(i) Industrial Competitiveness: <b>Supply hydrogen, etc. to hard-to-abate sectors (e.g., steel, chemicals, transportation), among other requirements.</b>
(ii) Decarbonization: Contribute to the reduction of domestic CO <sub>2</sub> emissions.
2. Business Implementation Method
(1) Certainty and Adequacy of the Plan
(2) Risk Sharing Between the Government and the Business Operator: Risk sharing must be reasonable and appropriate.

<b>Support for Hub Development</b>
3. Content of the Business
(1) Energy Policy Perspectives
(i) <b>Safety: Business operators are expected to obtain all relevant licenses and approvals under applicable laws and regulations.</b>
(ii) <b>Stable Supply: Annual supply must be 10,000 tons or more of hydrogen equivalent.</b>
(iii) Environmental Compatibility: Maintain a relatively low carbon intensity for Low-Carbon Hydrogen, etc.
(iv) Economic Efficiency
a. Ability to continue supply on a self-sustaining basis after the support period.
b. Utilize resources that further decarbonization in an economical and reasonable manner.
c. Achieve high operational efficiency or require a relatively low level of total support.
(2) Perspectives from GX (Green Transformation) Policy
(i) Industrial Competitiveness: <b>Supply hydrogen, etc. to hard-to-abate sectors (e.g., steel, chemicals, transportation), contribute to local economies, and meet other requirements.</b>
(ii) Decarbonization: Contribute to reducing domestic CO <sub>2</sub> emissions.
4. Business Implementation Method
(1) <b>Include facilities (e.g., pipelines and storage) shared by multiple utilization businesses.</b>
(2) <b>Have a clear hub development plan and strong leadership.</b>
(3) <b>Possess organizational capability and a track record to ensure plan</b>

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**execution.**

- (4) Provide specifics regarding equipment and maintenance scheduling.
- (5) **Secure adequate coordination and agreements with the local community and relevant agencies.**
- (6) Coordinate with port managers on addressing climate change, including rising sea levels.

Regarding the requirement to begin supply by FY2030, the public comments clarify that, in the event of a delay, operators must follow the procedures under Article 8 of the Act to change the support period starting from the new supply start date.<sup>31</sup> Moreover:<sup>32</sup>

- If the delay is caused by force majeure or if the start of supply is still expected within FY2030 despite a non-force majeure delay, then changing the support period, calculated from the (delayed) start date, “shall, in principle, be permitted”.
- However, if the delay is not caused by force majeure and the start of supply occurs beyond FY2030, a change to the support period may not be approved.

(3) Conduct Standards regarding measures to be taken by business operators

Conduct Standards for business operators (Article 32(1) of the Act) have also been published. These are referenced when approving Business Plans (Article 7(5)(i) of the Act) and are considered when issuing guidance or advice to businesses (Article 33 of the Act).

Under these Conduct Standards, businesses are generally expected to:

1. Develop voluntary plans aligned with government targets,
2. Implement such plans,
3. Monitor implementation progress, and
4. Disclose the results.

<sup>31</sup> Public Comment on the Draft Basic Policy on the Promotion of Supply and Use of Low Carbon Hydrogen, etc. (“Public Notice Public Comment”) No. 64.

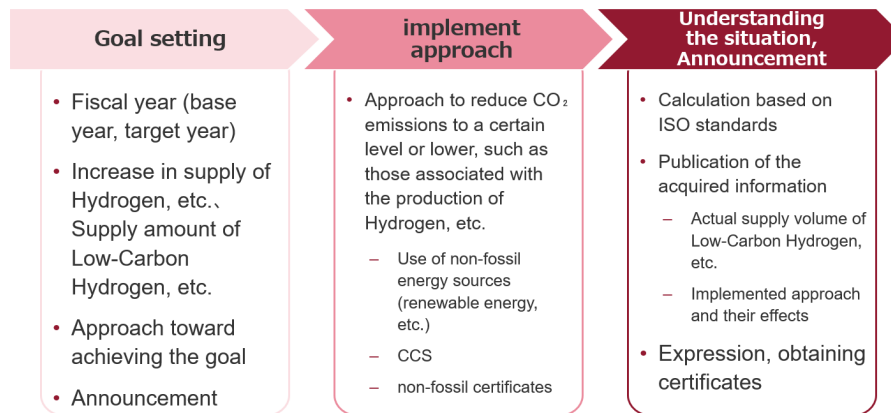
<sup>32</sup> Public Notice Public Comment No. 64.

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**Actions required to take by Business Operators (Sections 2 to 5)**



Additionally, while non-fossil certificates are mentioned in the Conduct Standards, plans relying on credit procurement, etc. are not eligible for price difference support.<sup>33</sup> It has also been clarified that the so-called “location swaps” may not be used to meet the requirements for Low-Carbon Hydrogen, etc. set forth in Article 3 of the Ministerial Enforcement Regulation.<sup>34</sup>

**IV. Guideline and Q&A**

**1. Guidelines for Subsidies**

The grant guidelines for the price difference support subsidy program have been published. In Appendix 1, the subsidy rate is defined in relation to the applicable subsidy project, while Appendix 2 explains in detail:

- How to calculate indirect costs eligible for subsidies
- How to determine the base price and the reference price

Of particular note, Appendix 2 sets forth both a maximum grant amount and a maximum quantity of Low-Carbon Hydrogen, etc. eligible for the subsidy, as follows:

**Maximum Grant Amount = A x B x 1.5**

A: The difference between the 12-month average of the base price and reference price for the last available 12-month period as of June of the previous year

<sup>33</sup> Public Notice Public Comment No. 53 and Q&A No. 3-16 on Application for Approval of Support Focusing on Price Difference.

<sup>34</sup> Public Notice Public Comment No. 35.

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B: The estimated supply volume for that fiscal year, as stated in the single-year plan submitted to JOGMEC

## **Maximum Quantity of Low-Carbon Hydrogen, etc. Eligible for Subsidies**

The total supply volume over the entire subsidy period, as specified in the approved Business Plan<sup>35</sup>

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## **2. Q&A**

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In conjunction with the release of various regulations, a Q&A was published regarding the application process and requirements for price difference support.<sup>36</sup> Notably, it clarifies how to handle delays (time overruns), changes in users or suppliers, and what happens if carbon intensity standards are not met. Key policies are summarized below.

### (1) Delays in the Start of Supply (Time Overrun)

If the start of supply is delayed relative to the approved plan, a plan modification is required to adjust the support period. If the delay means the start of supply extends beyond FY2030, the modification may not be approved (Q&A 3-7). However, in cases of force majeure or similar events, a change to the support period may be permitted even if the start of supply goes beyond FY2030. The Q&A (2-6) lists specific examples:

- When the approved business for supply, etc. fails to proceed despite due diligence because of (1) unforeseeable changes to laws, regulations, or policies; actions or inactions of governments or relevant bodies; (2) natural disasters (e.g., lack of surrounding infrastructure); or (3) war or similar large-scale events.
- When, although not strictly force majeure, the delay is not the fault of the approved business for supply, etc., and allowing the extension would still serve policy objectives.

If “the total amount of support is expected to remain unchanged during the period of force majeure (i.e., no subsidy is paid for the period of delay),” the support period may be extended, provided JOGMEC and the Ministry of Economy, Trade and Industry approve.

### (2) Sales to Alternative Users and Procurement from Alternative Sources

The Q&A (1-10 to 1-12) provides examples of situations not eligible for price difference support, including:

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<sup>35</sup> In the event that the actual supply exceeds the planned annual supply (as specified in the approved supply business plan for supply, etc.), the subsidy will not be increased immediately, but rather the plan must be revised within the maximum amount (Q&A 3-6).

<sup>36</sup> It should be noted that the published Q&A is as of December 26, 2024, and may be subject to additions or revisions in the future.

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- Selling to users not listed in the approved plan
- Selling hydrogen, etc. procured elsewhere outside of the approved plan

In other words, if an operator needs to change users or suppliers during the support period, the operator must obtain approval for a plan modification, or else the support will be discontinued. As a business matter, operators should pay special attention to securing stable users and suppliers from the outset.

### (3) Failure to Meet Carbon Intensity Requirements (Standard Values)

In principle, support will be withdrawn if the carbon intensity requirement exceeds the standard value. However, the Q&A (3-16) indicates the possibility of exceptional measures if the noncompliance is temporary. Specifically, if the operator can bring carbon intensity back below the standard value by purchasing credits, etc. at its own expense (subject to future international discussions on credit requirements), the operator may remain eligible for support. Such decisions will be made on a case-by-case basis.

### (4) Prior Subsidized Costs

The guidelines also address how an operator may receive up to half of the CAPEX (capital expenditure) for building Low-Carbon Hydrogen, etc. production facilities before production begins, under certain conditions. This is explained in the Q&A (3-23 to 3-27):

- Only operators whose base price will be reduced by the amount of prior subsidy—thus gradually decreasing the total subsidy amount—may receive up to 50% of the estimated construction cost in advance.
- The operator must provide base price and cash flow data (with and without the prior subsidy) to demonstrate the price reduction effect and technology risks. The final decision depends on a comprehensive evaluation of these factors.

By understanding these guidelines and Q&A clarifications, operators can better navigate the application process for price difference support and address potential challenges—such as delays, user or supplier changes, and compliance with carbon intensity standards.

## V. Outlook

Although the details of the system have largely been established through the publication of the relevant laws and regulations, the specific framework for hub development support is yet to be announced. Stakeholders should therefore continue to monitor future developments.

In addition, the application period for price difference support has already begun. It is expected that

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operators will submit plans with a high degree of accuracy,<sup>37</sup> and that overall industry activity will increase in preparation for both the application process and the eventual commencement of support programs.

Mori Hamada & Matsumoto will continue to track legal and regulatory developments, contribute to system design in collaboration with the government, and provide clients with the latest information.

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<sup>37</sup> Public Notice Public Comment No. 24.

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