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## ■ ENEOS Holdings (5020) CCS/CCUS Business Briefing Q&A

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1. Date & time: Wednesday, August 28, 2024 (14:00-15:10)
  2. Attendees: 109
  3. Principal questions: Please find below
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—This document contains forward-looking statements. A cautionary statement appears in the endnote.—

Q. You introduced support systems in developed countries. After having compared the advantages and disadvantages of each country's support systems, please tell us what kind of support you expect from the government and what the government is currently considering.

A. Of the overseas government support systems, the United Kingdom is an example of compensation being provided for the difference between the costs associated with CCS and carbon pricing. The key point of this system is that it is designed to guarantee a certain level of profit to carbon-emitting companies and carbon storage companies, and then compensate for the price difference. We hope that Japan, including the Ministry of Economy, Trade and Industry, will use examples from other countries such as this in designing their system.

Q. Is it correct to understand that, in the long term, you would like the cost of CCS to be as competitive as that of renewable energy and hydrogen? Or do you see a permanent need for incentives and government subsidies that go beyond normal carbon pricing?

A. In a world where CCS costs are reduced in the long run and carbon pricing is high, it can be a business without subsidies. Otherwise, costs will not fall and the burden on the public will increase. In view of the cost targets set by the CCS Long-Term Roadmap Study Group established by the Ministry of Economy, Trade and Industry two years ago and the level of carbon pricing envisaged by the IEA, it is quite possible to envisage a business model in which private companies will be able to operate on their own even without government support in the future.

Q. What are the hurdles for promoting CCS in Japan? I understand that other countries, especially oil-producing countries, have a cost advantage in being able to use depleted oil fields for CCS storage. To what extent does this translate into cost differences?

A. As you pointed out, it is common with overseas CCS for CO<sub>2</sub> to be injected into depleted oil fields. That said, there are few such depleted oil fields in Japan, and it is true that starting a new CSS project in Japan would entail investments in exploration and costs for monitoring once operations started.

However, considering that the separation and capture costs are relatively greater than the storage costs as a percentage of the total cost of CCS, and that those costs do not significantly differ between Japan and overseas, we believe that there will be no significant difference in competitiveness in terms of costs across the entire value chain.

This document contains forward-looking statements. Actual results may differ materially from those expressed or implied by forward-looking statements due to various factors, including but not limited to the following:

- (1) macroeconomic conditions and changes in the competitive environment in the energy, resources, or materials industries
- (2) revision of laws and tightening of regulations
- (3) risk of lawsuits and other legal risks