

Energy & Infrastructure Practice

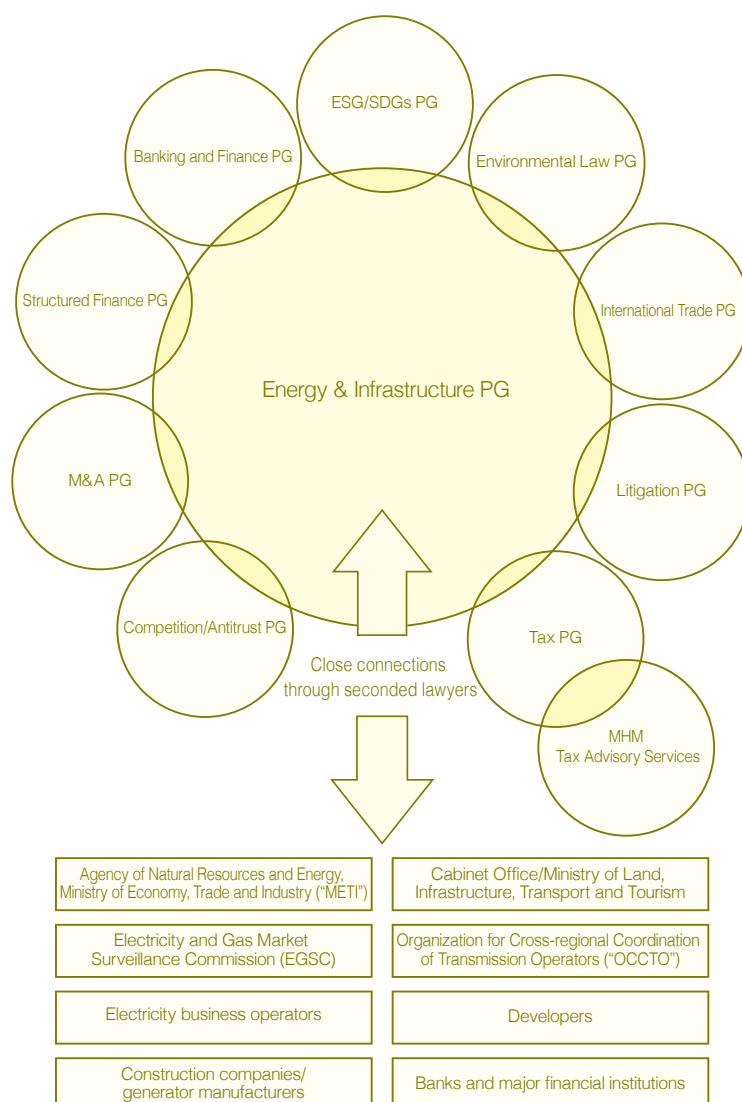
Energy and Infrastructure Practice

The energy industry is going through a period of dramatic change as measures are undertaken toward achieving energy security and a carbon-neutral society. Public-private partnerships (PPPs) and Private Finance Initiatives (PFIs) are expected to provide solutions for various social issues. Our outstanding Practice Group has a broad range of expertise to assist our clients in the cross-border energy and infrastructure field, including advising on cross-border investment projects and exporting of infrastructure systems by Japanese companies. Our Practice Group's close relationships with regulatory authorities, quasi-governmental agencies, industrial associations and major players in the industry enable us to help our clients navigate the most recent regulatory reforms and draw upon the most current trends in the industry.

Energy-Related and Infrastructure-Related Services

In assisting clients in a wide array of energy-related and infrastructure-related businesses, the firm's Energy and Infrastructure Practice Group works with MHM lawyers who have expertise in other relevant practice areas, such as finance, mergers and acquisitions, competition, tax, and litigation, depending on the specific nature of each matter. We are therefore able to tailor our legal services to the specific needs of our clients and provide them with a "one-stop" solution. Our various practice groups continually meet to share recent information, knowledge, and experience in a variety of matters in order to position us to deal effectively with any matter that we are called upon to handle for our clients.

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One-stop Law Firm

In order to navigate today's highly complex business world, lawyers need highly specialized knowledge and a depth of experience. However, a combination of knowledge and expertise in a number of specialized areas is required when working on projects, and this is especially true in the area of energy and infrastructure.

Mori Hamada & Matsumoto ("MHM") has a broad range of practice groups which allow us to draw on our collective strength as a firm. Within these practice groups, which consist of a number of lawyers sharing a common area of expertise, our lawyers are able to continually enhance their expertise by sharing and building on their knowledge and experience. By collaborating across multiple practice groups, and through joint study sessions and working together with other practice groups, our lawyers are able to share information on revisions to relevant laws and regulations, industry trends, and important issues concerning individual matters.

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When handling energy-related matters, the core members of our Energy and Infrastructure Practice Group regularly work together with members of the Structured Finance, the Mergers and Acquisitions, Competition/Antitrust and ESG/SDGs Practice Groups. Depending on the particular status of a project, members of the Tax, the International Trade, and the Environmental Law Practice Groups are also able to smoothly collaborate with the Energy and Infrastructure Practice Group when required. Recently there has been greater collaboration with members of the Litigation Practice Group due to an increase in the number of energy-related disputes.

Through these structures we are able to form teams with the most appropriate team members from among our various practice groups according to the specific nature and status of each matter, which enables us to provide optimal advice covering all areas of law that relate to a particular matter.

Relationship with Governmental Authorities

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By seconding our lawyers to a wide range of governmental agencies, including the Agency of Natural Resources and Energy, the Ministry of Economy, Trade and Industry ("METI"), and the Ministry of Justice, and other related organizations such as the Electricity and Gas Market Surveillance Commission, and the Organization for Cross-regional Coordination of Transmission Operators ("OCCTO"), and through the service of our lawyers as members of research committees at the Ministry of Environment, METI, the Ministry of Land, Infrastructure, Transport and Tourism, and the Cabinet Office, the firm has been deeply involved in discussions on the system design of various legal structures, legislation and development of regulations, and the development of practical operations concerning the energy and infrastructure industries. Through these relationships, we have acquired a wealth of knowledge in areas such as the background of legal systems and practical operations, and have the latest information concerning discussions on those matters. In addition, exchanges of personnel through secondment arrangements with various companies have allowed us to connect and cooperate closely with leading players at the forefront of the energy and infrastructure industries.

Through these relationships MHM is well positioned to provide our clients with the most reliable legal services based on the most up-to-date information and knowledge.

Energy-Related Services

A period of major change in the energy industry

Against the backdrop of global issues such as climate change caused by global warming, and uncertainties concerning stable energy supplies, the energy industry is undergoing a period of major change as measures are undertaken toward achieving a carbon-neutral society and ensuring energy security.

Renewable energy sources, which have experienced continued rapid growth following the introduction of the feed-in tariff (FIT) mechanism, are expected to become the main sources of power and to be introduced to the maximum extent possible in response to the government's FY2030 target of reducing greenhouse gases by 46%, and its 2050 carbon neutral declaration. At the same time, however, there are questions on how to appropriately introduce and manage the systems in order to minimize the burden on the public and ensure coexistence with local communities and the environment. This will require regulatory and institutional reforms to promote disciplined and appropriate development, as well as the strengthening and improvement of power transmission and distribution systems. Furthermore, with the rapid progress of decarbonization initiatives at the private-sector level and a growing awareness of environmental values, there has been a rapid increase in corporate PPAs and trading of electricity derived from renewable energy and environmental values through non-fossil value trading markets, etc., as well as development of renewable energy power plants, establishment of listed funds and secondary market transactions of existing operating power plants. The introduction of storage batteries and distributed energy resources with demand response and the development of aggregators are also progressing following the introduction of the feed-in premium (FIP) mechanism in 2022.

In addition to renewable energy initiatives, other initiatives for decarbonization include specific support and legislative development aimed at creating demand for hydrogen and ammonia, and the establishment of

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large-scale supply chains, as well as the examination of legal systems for the commercialization of CCS. The implementation of emissions trading and introduction of a carbon tax are also being discussed.

Meanwhile, the energy industry has entered an era of unprecedented competition due to factors such as soaring energy prices, and has attracted many new business operators into the industry following liberalization of electricity and gas retail markets. Industry players have been actively forming business alliances and partnerships that transcend industry sectors, leading to further industry restructuring, including large-scale mergers and acquisitions. The capacity market system is also undergoing reviews in response to the urgent need to address the tight supply-demand crunch.

Power plant construction projects

We have extensive experience handling a variety of power plant construction projects, including those for renewable energy (solar power, wind power (onshore and offshore), geothermal power (flash and binary), biomass, and medium to small scale hydropower) and most-advanced coal and LNG thermal power generation, from a variety of perspectives, such as those of power plant businesses and sponsors, financial institutions, and related service providers.

The legal services that we provide for power plant construction projects include the following:

- Advice concerning transaction structure formulation (from legal and taxation perspectives), securing sites, authorizations and permits, and environmental regulations
- Legal due diligence
- Assistance in preparation and negotiation of project-related agreements (including PPA, EPC agreements, turbine supply agreements, O&M agreements, long-term service agreements, and fuel supply agreements)
- Assistance in preparation and negotiation of project financing agreements (including loan agreements, security agreements, sponsor support agreements, and direct agreements)

Secondary market transactions and establishment of (listed and privately offered) energy funds

In addition to possessing formidable experience in the establishment and listing of listed infrastructure funds, we are also well-versed in the sale and acquisition of power plants and the financing and establishment of private funds related to such projects. We assist our clients in establishing and managing new and innovative funds in the energy sector by also drawing upon our participation in the Tokyo Stock Exchange's "Study Group on the Listed Infrastructure Market." Our services include:

- Support for formulation of transaction structures (from legal and taxation perspectives)
- Legal due diligence
- Assistance in establishment and listing of funds
- Establishment of investment management companies and acquisition of licenses, permits, and approvals from authorities
- Support at various stages of investment management (assistance in preparation and negotiation of agreements related to acquisition of investment targets)

Corporate PPA and Non-Fossil Value Transactions

The trend towards decarbonization has resulted in a growing need for companies, as electricity consumers, to procure carbon-free electricity. There has been an increase in both onsite/offsite and physical/virtual corporate PPAs, under which electricity generated from renewable energy sources is supplied according to agreements between power producers and customers. Non-fossil value trading markets are also being developed in response to increasing needs for non-fossil value trading, which will allow direct purchases by some consumers and expand the scope of tracking, while improving convenience.

MHM continually keeps abreast of Japanese regulatory trends and has assisted with the establishment of trading mechanisms through corporate PPAs from an early stage, while also following developments overseas. Our lawyers, who are well versed in complex regulatory and power trading

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mechanisms, will continue to support our clients in examining increasingly diverse transactions.

Support for decarbonization initiatives

We have an active environmental law practice and were involved very early in the various measures taken to address climate change, such as emissions trading. We have handled a number of leading projects in this field, such as emissions trading, carbon offsetting and the creation of emission trading related financial instruments. We will make the most of our wealth of experience in handling these advanced initiatives to advise our clients and establish systems in response to deliberations on the introduction of emissions trading and carbon taxes to be implemented through various markets that are being considered and developed in Japan and overseas.

In addition, we actively provide support for legislative and institutional activities through secondment of our lawyers to government and public organizations, and through our participation as members of councils. Through these activities, we not only serve the public interest but also reflect opinions from private business in legislation and systems, providing legal services to our clients based on the most current legal information in the field. Recently, through secondment of our lawyers to the Agency for Natural Resources and Energy and through participation in councils we have accumulated a wealth of up-to-the minute and specialized knowledge in the areas of hydrogen, ammonia, and CCS.

M&A and alliances involving energy-related businesses

There has been a dramatic increase in partnerships and alliances between companies from within energy-related industries, as well as between those from within and outside those industries. The firm has been involved in the handling of numerous M&A and joint venture transactions within energy-related industries, and we offer advice using that extensive experience as well as knowledge regarding the latest trends in energy-related industries. Our services in this area include:

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- Support in developing transaction structures (from legal and taxation perspectives)
- Legal due diligence
- Advice concerning the Electricity Business Act and related industry laws
- Advice concerning antitrust laws and competition laws
- Support with inquiries, negotiations, preparation and filing of notification documents, etc. with respect to regulatory authorities
- Preparation and negotiation of share purchase agreements and other transaction documents
- Support for financing
- Support with closing procedures, etc.

Providing legal assistance for energy-related business

The liberalization of entry into energy-related businesses as a result of electricity and gas system reforms continues to progress, and players from a variety of industries are entering into energy-related businesses.

In the electricity business sector, reviews are undertaken from time to time of system designs for capacity markets, non-fossil value markets, and other new markets. Staying abreast of prevailing trends in the sector is essential for conducting the electric power retail business. Such electricity and other energy-related business sectors demand a high level of expertise, and business operators entering these fields from other industries face a variety of legal issues, including dealing with relevant legal regulations, the internal rules of regulatory authorities, and the internal regulations of electricity companies.

Our firm's lawyers use their experience and expertise to offer effective and relevant legal services at various phases, including the deliberative phase of new entry into energy-related businesses, and incorporating all of the following:

- Support in analyzing industry entry structures

- Advice concerning the Electricity Business Act of Japan and other related industry laws
- Assistance with inquiries and negotiations with relevant regulatory authorities
- Assistance in preparation and negotiation of agreements, corporate organizational documents, etc.

Infrastructure-Related Services

Diversifying Infrastructure Businesses

The maintenance and renovation of deteriorating infrastructure is a national issue of concern in Japan. While national and local governments face an increasingly severe fiscal situation, it is expected that the declining population will lead to a shrinking workforce. Against this background, the utilization of PPP/PFI, which draws upon the creativity and resourcefulness of the private sector for the maintenance, renovation, development and operation of infrastructure, based on appropriate division of public and private sector roles, will become even more vital in the future in order to solve a variety of social issues, such as ensuring both fiscal soundness and securing infrastructure, as well as appropriate responses to diverse policy needs.

The opening up of infrastructure development and operation to the private sector, including PPP/PFI, will expand business opportunities for the private sector with new employment and investment, and the development of profitable businesses by the private sector will lead to the creation of vibrant communities and the resolution of local issues. Furthermore, generating an abundant flow of private-sector funds through the promotion of PPP/PFI is expected to stimulate project financing by financial institutions, cultivate infrastructure funds as entities to provide funding, and promote the development of infrastructure investment markets to raise funds from investors.

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In addition, the PPP/PFI approach is expected to not only contribute to the realization of a positive cycle of growth and distribution as a new pillar of public-private partnerships that will be at the core of the government's plans for a new style of capitalism, but it is also expected to be effective in addressing new policy issues such as decarbonization and social implementation of digital technology to achieve carbon neutrality by 2050, and will also contribute to the achievement of SDGs.

Since the enforcement of the Act on Promotion of Private Finance Initiatives (PFI Act) in 1999, many PPP/PFI projects have been implemented in Japan. In addition, a concession system that grants private businesses the right to operate public facilities, which was introduced in 2010 by amendments to the Act on Promotion of Private Finance Initiatives of Japan, has been utilized in a variety of public works, such as airports, toll roads and transport terminals, waterworks (water supply facilities, sewage plants and industrial waterworks), educational facilities and MICE facilities. Taking into account these social trends, the "Action Plan for PPP/PFI Promotion," which is revised and published annually by the Cabinet Office's Council for the Promotion of Private Finance Initiatives (PFI Promotion Council), outlines initiatives such as active use of the concession method, promotion of PPP projects that make effective use of conventional PFI projects and public real estate, and new models for PPP/PFI utilization (fields and methods, etc.) and also sets the goal of achieving a business scale equivalent to 30 trillion yen over the 10 years from 2022 to 2031 in order to steadily promote PPP/PFI, improve business efficiency and public services, and create business opportunities for the private sector. In recent years there has been an increase in the use of pay for success (PFS) systems, in which governments delegate public works to the private sector and pay compensation based on the degree of success, and social impact bonds (SIB), and it is expected that there will be further acceleration in the trend towards using public-private partnerships, and that the forms of such partnerships will become more diversified.

Looking overseas, the construction of infrastructure has become a pressing

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issue among other countries in Asia as well as developing countries in other regions, and the governments of these countries are progressing with the construction of infrastructure at an urgent pace, bringing in capital and technology from foreign countries. The needs for the development and operation of such infrastructure have traditionally been met primarily through Official Development Assistance (ODA), but in recent years, the number of PPP projects have been increasing due to developing countries losing eligibility for ODA, and concerns about the increasing burden of external debt. In addition to government procurement projects, there has also been an increase in real estate development projects undertaken by local conglomerates and other leading companies. Meanwhile, cities in developed countries are also being redeveloped through urban development and industrial transformation by incorporating DX (Digital Transformation).

In response to these trends, the Japanese government is also actively backing the export of infrastructure systems by Japanese companies by formulating the "2025 Strategy for Promotion of Overseas Infrastructure Systems" and the "Action Plan for Promotion of Overseas Infrastructure Systems" as well as enacting the so-called "Overseas Infrastructure Development Act" in 2018.

PPP/PFI Projects

The firm has advised numerous entities, regardless of their size, including national and regional public bodies, business operators or sponsors, and financial institutions, with respect to various PPPs/PFIs, including airports, water supply businesses, and private for-profit facilities. Our lawyers serve as members of examination committees for various PPPs/PFIs and have extensive involvement in business operator selection procedures in PPPs/PFIs of national and regional public bodies.

Based on our wealth of experience in PPP/PFI projects, we offer the following legal services:

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Services for national and regional public bodies

- Formulation and examination of project structures
- Support for preparation and negotiation of basic agreements and project agreements or preparation of documents for solicitation
- Execution of and support for legal due diligence (concession projects)
- Assistance in competitive dialogue procedures and inquiries

Services for private business operators

- Examination of project structures and analysis of legal risks
- Support for preparation of proposals
- Execution of and support for legal due diligence (concession projects)
- Assistance in competitive dialogue procedures and inquiries
- Assistance in project finance, etc.
- Support for negotiation of basic agreements and project agreements
- Formation of SPC
- Support for preparation and negotiation of project-related agreements (service agreements and contracts)

Services for financial institutions

- Examination of project structures and analysis of legal risks
- Assistance in preparation and negotiation of project financing agreements (including loan agreements, security agreements, sponsor support agreements, and direct agreements)

Support for infrastructure businesses overseas

In addition to our principal office in Tokyo and other offices in Japan (Osaka, Nagoya, Fukuoka, Takamatsu, and Sapporo), we have overseas offices in Beijing (opened in 1998), Shanghai (opened in 2005), Singapore (opened in 2012), Yangon (opened in 2014, and renamed as Myanmar Legal MHM in 2020), Bangkok (opened in 2015, and renamed as Chandler MHM Limited after integrating our practices in Thailand with Chandler & Thong-ek Law Offices in 2017), Ho Chi Minh City (opened in 2018), Hanoi (opened in 2022), Jakarta (ATD Law in association with Mori Hamada & Matsumoto opened in 2023), and New York (opened in 2023). The firm has also created close alliances with other leading law firms in East, South East, and Southern Asia.

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We have also been directly and actively involved in project formation through participation in various public-private councils and close relationships with ECAs, public-private investment funds, and independent administrative agencies, etc.

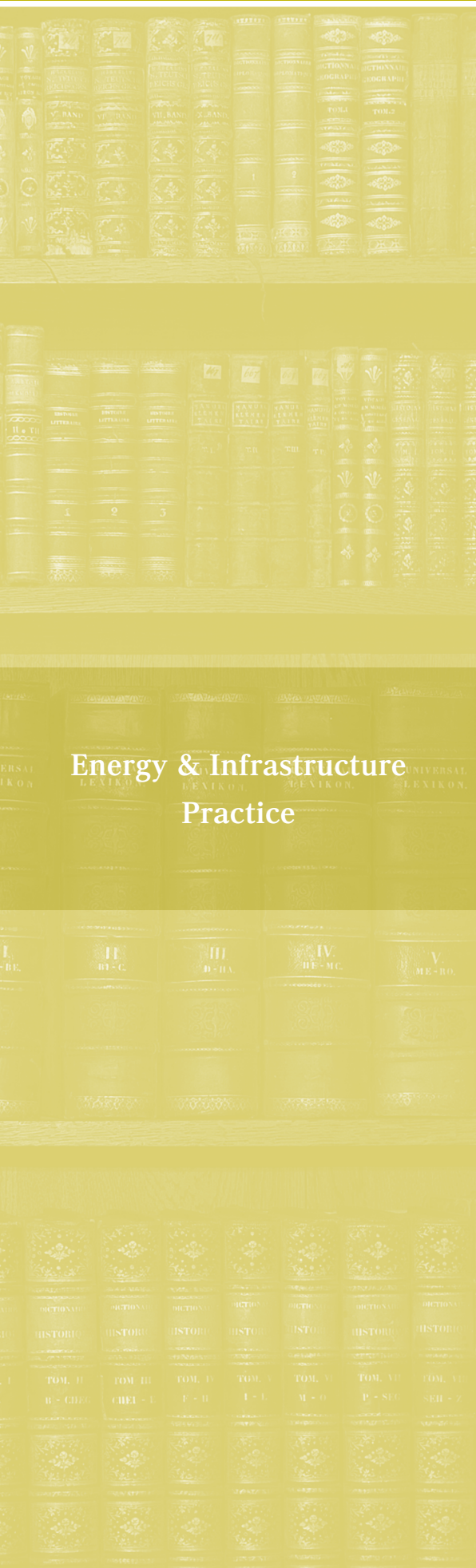
As described above, we provide legal services tailored to the needs of our clients both in Japan and other Asian regions and have the structures in place to support business expansion in Asia. Our services include:

- Support for establishment of local legal systems
- Advice on local legal systems and regulations
- Examination of project structures on the side of employers, preparation of tender documents, and agreement negotiations for local infrastructure projects
- Feasibility studies, bidding on the side of business operators, agreement negotiations, and assistance in legal due diligence for local infrastructure projects
- Assistance in project finance
- Advice on establishment of local corporations, and licenses, permits and approvals, etc.
- Support for amendment of agreements or handling of disputes during construction and operation of local infrastructure projects

Natural Resources

Natural resource businesses are booming across the globe, and in addition to research and development in the seas around Japan on resources such as methane hydrate and rare metals, there have also been moves toward development projects and establishment of supply chains related to blue hydrogen.

The firm has developed a framework through which we utilize our overseas offices and a robust, global network of allied local law firms to respond swiftly to issues related to legal systems in countries that are



major producers of resources, resource transactions, and legal systems related to such transactions. Our lawyers have extensive expertise in legal services for all facets of supply chains relating to general resources such as iron ore, coal, copper, nickel, rare metals, natural gas, and petroleum and for globally expanding hydrogen-related businesses, including exploration, development, production, liquefaction and vaporization, CCS, import and export, domestic transportation, and sale and are well-versed in legal work related to resource businesses.

Environment

Global warming and climate change are some of the most serious problems modern society faces, and developing measures to counter these issues is a pressing concern for the international community.

SDGs and ESG have become increasingly important to decision making in both the corporate and public sectors, as well as to investment and financing decisions by financial institutions and institutional investors. We work in close cooperation with the ESG/SDGs Practice Group and the Energy and Infrastructure Practice Group, among others, to provide legal support for initiatives undertaken by companies, investors, and local governments from the above perspective.

Moreover, led by the firm's Environmental Law Practice Group, we have been actively involved in risk management in the area of environmental laws. Specifically, we offer advice on the creation of internal compliance programs and provide a variety of research and advice on environmental laws. MHM's environmental law specialists are often actively involved in negotiations in real estate and M&A transactions. We also have extensive experience in dispute resolutions involving environmental issues, particularly environmental disputes involving real estate and M&A transactions.

Awards and Rankings

Featured here are just some of the many awards and industry-related rankings that have been received by the Energy and Infrastructure Practice Group and its individual members.



Chambers Asia-Pacific 2023

Mori Hamada & Matsumoto is ranked in the top tier of recommended law firms in 29 practice areas, including a Band 1 ranking in the "Projects & Energy" area for the seventh year in a row. The firm has 61 lawyers who are recommended in their practice areas, including those named below.

Projects & Energy (Band 1)

Takahiro Kobayashi
Shigeki Okatani
Yusuke Suehiro
Yusuke Murakami

Banking & Finance (Band 1)

Masanori Sato
Takahiro Kobayashi
Hiroki Aoyama

Capital Markets: J-REITs

Yasuhiko Fujitsu
Taro Omoto



Chambers Global 2023

Mori Hamada & Matsumoto is ranked in the top tier of recommended law firms in 12 practice areas, including those listed below, and 32 of our lawyers are recommended in their practice areas, including those named below.

Banking & Finance (Band 1)

Masanori Sato
Takahiro Kobayashi
Hiroki Aoyama

Capital Markets: J-REITs

Yasuhiko Fujitsu
Taro Omoto



The Legal 500 Asia Pacific 2023

Mori Hamada & Matsumoto is ranked in the top tier of recommended law firms in 29 practice areas, with the "Projects and Energy" area being ranked in the top tier for the eighth year in a row. The lawyers named below are recommended in that area.

Projects and energy (Tier 1)

Leading Individual:

Takahiro Kobayashi
Naoki Ishikawa
Shigeki Okatani

Next Generation Partner:

Yusuke Suehiro
Yusuke Murakami

Rising Star:

Hironobu Noma



IFLR1000 2023

Mori Hamada & Matsumoto is ranked in the top tier of recommended law firms in the areas of "Project Finance" (10 years in a row) and "Project Development" (6 years in a row), and the lawyers named below are recommended in the guide.

Energy
Highly Regarded:

Takahiro Kobayashi
Takeshi Mukawa

Project Development (Tier 1)
Highly Regarded:

Takahiro Kobayashi
Shigeki Okatani

Project Finance (Tier 1)
Market Leader:

Hiroshi Maeda

Highly Regarded:
Takahiro Kobayashi
Takeshi Mukawa
Shigeki Okatani
Yusuke Murakami

Notable Practitioner:
Mihoko Shima

Rising Star Partner:
Yusuke Suehiro

Banking (Tier 1)
Market Leader:
Hiroshi Maeda
Masanori Sato

Highly Regarded:
Takahiro Kobayashi
Takeshi Mukawa
Hiroki Aoyama

Notable Practitioner:
Toshifumi Ueda

Banking and Finance
Rising Star Partner:
Kei Shirakawa
Yuki Matsuda

REIT
Highly Regarded:
Taro Omoto

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Mori Hamada & Matsumoto is featured as an "Outstanding" firm based on overall ratings, and is also evaluated very highly in 21 practice areas and 21 industry sectors, including the areas of "Energy" and "Construction." We have 48 lawyers who are recommended in their practice areas, including those named below.

Energy (Outstanding)

Distinguished Practitioner:

Takahiro Kobayashi

Infrastructure (Recommended)

Elite Practitioner:

Hiroshi Maeda

Banking and Finance (Outstanding)

Elite Practitioner:

Masanori Sato

Distinguished Practitioner:

Naoki Ishikawa and Hiroki Aoyama

Notable Practitioner:

Shigeki Okatani and Yusuke Suehiro

The 2024 edition of The Best Lawyers in Japan™

The firm has 152 lawyers selected as "The Best Lawyers" in a variety of areas, including the members of our Energy and Infrastructure Practice Group listed below.

Energy Law

**Takahiro Kobayashi, Hiroko Yotsumoto, Shigeki Okatani,
Mihoko Shima, Yusuke Suehiro and Hironobu Noma**

Project Finance and Development Practice

**Takahiro Kobayashi, Takeshi Mukawa, Naoki Ishikawa,
Shigeki Okatani, Yusuke Suehiro,
Yusuke Murakami and Hironobu Noma**

Banking and Finance Law

**Masanori Sato, Toshifumi Ueda, Takahiro Kobayashi,
Naoki Ishikawa, Hiroki Aoyama, Shigeki Okatani,
Mihoko Shima, Yoshihito Kuramochi, Yusuke Suehiro,
Yusuke Murakami and Kei Shirakawa**
