クラヴィス・エナジー・パートナーズ合同会社
CLAVIS ENERGY PARTNERS LLC

January 20th (Tue), 2026
CLAVIS
POINT OF VIEW (“POV”) Vol.15

Tel: +8150 (5578) 3660
Email: info@clavisenergy.com
Website: www.clavisenergy.com/home

“Photograph” – Not the Future

Why Latecomer Liberalization Collides with Energy Transition

Summary

Japan liberalized its electricity market by closely emulating overseas models - captured almost like a “*photograph*” - in the belief that competition would serve consumer interests.

Yet, as a latecomer, Japan discovered earlier than expected that marketization under an active energy transition is far more complex than those images - overseas models suggested.

The challenge ahead is not whether markets should exist, but whether institutional design can evolve fast enough to remain fair, transparent, and resilient in a rapidly changing energy landscape.

Disclaimer: *The views expressed in this column are solely those of the author, based on personal experience and professional observations in the energy industry. They do not represent the views of any organization with which the author has been affiliated.*

1. From Imitation to Realization: The Latecomer’s Dilemma

- Power market liberalization has long been portrayed as a natural progression—an almost inevitable evolution toward efficiency, competition, and consumer benefit. Across Europe and the United States, these reforms were framed as success stories, carefully documented and widely shared. Japan, observing these developments, followed suit with determination, seeking to replicate what appeared to be proven models. Yet a photograph captures only a moment in time. It preserves form, but not motion.
- As energy transition accelerates—through decarbonization, electrification, and structural demand shifts—the assumptions embedded in those early liberalization frameworks are increasingly being tested. Japan’s experience suggests that what once looked like a clear roadmap may, in fact, have been a snapshot of a very different era.

2. When Advanced Markets Blink First

- This realization has not emerged in isolation. Even one of the world’s most sophisticated wholesale power markets, ISO New England, has acknowledged the limits of long-term market-based resource adequacy mechanisms.
- ISO New England has proposed abandoning its traditional forward capacity market—where capacity

was procured several years in advance—and shifting toward a prompt-only procurement model. The rationale is telling: under accelerating decarbonization, rapidly growing electricity demand driven by data centers, and heightened uncertainty, long-dated price signals no longer provide reliable investment guidance.

- In effect, one of the most advanced market-based systems has conceded that predictability, rather than theoretical efficiency, has become the binding constraint.

3. Japan's Parallel Awakening

- Japan entered electricity liberalization after many overseas reforms had already been implemented—before large-scale renewable integration and before digital infrastructure began reshaping demand patterns. As a result, Japan encountered market stress not gradually, but abruptly.
- By 2025, this stress translated into a notable policy inflection point. Within the government's Next-Generation Electricity and Gas Business Infrastructure Subcommittee, discussions began to explicitly address vertical and horizontal coordination among electricity sector participants—an unexpected development given the post-2016 emphasis on separation, neutrality, and competition.
- These discussions were not framed as a rejection of liberalization. Rather, they reflected a growing recognition that fragmented market structures struggle to deliver investment predictability, system reliability, and cost stability under today's operating conditions.

4. Photographing the Past

- Japan's electricity reform was driven not only by policy necessity but also by aspiration. Deregulation, liberalization, and marketization abroad were observed almost photographically—carefully studied, faithfully replicated, and promoted as evidence of progress, often in the name of consumer benefit. The irony is unmistakable.
- Japan, as a latecomer, came to recognize—nearly simultaneously with, or even earlier than, the markets it sought to emulate—that marketization under an active energy transition is far more difficult than the photographs suggested.
- The overseas liberalization frameworks Japan admired were largely designed before renewable generation reached today's scale, before electrification accelerated demand growth, and before system volatility became a defining feature. By the time Japan implemented similar models, the underlying assumptions had already begun to erode.
- In that sense, Japan did not simply copy the picture—it exposed its limitations.

5. Energy Transition Changes the Rules Faster Than Markets Can Adapt

- Both developments—the retreat from long-term capacity markets in New England and Japan's renewed interest in coordinated structures—point to the same structural conclusion.

CLAVIS ENERGY PARTNERS LLC
Expert Office Shinagawa, Area Shinagawa 13F
Konan 1-Chome 9-36, Minato-Ku
Tokyo 108-0075, Japan
Tel +8150 (5578) 3660 Email info@clavisenergy.com

- Liberalized market frameworks were designed for an era dominated by dispatchable generation, moderate demand growth, and relatively stable system dynamics. Those conditions no longer prevail.
- Markets are now being asked to operate while the physical and economic foundations of the power system are shifting in real time. For latecomers like Japan, this mismatch becomes visible sooner—and more sharply.

6. What Matters Now: Institutional Fairness and Transparency

- In this environment, the critical question is no longer whether markets should exist.
- It is whether institutional design can ensure fairness and transparency for both electricity providers and end-users amid rising uncertainty. This includes clarity around risk allocation, infrastructure access, investment responsibility, and system accountability.
- Without such institutional anchors, neither competition nor coordination can function credibly. Seen in this light, Japan's reconsideration of vertical and horizontal coordination should be understood not as regression, but as an attempt to realign governance with physical and economic reality.

7. Looking Forward: Grid Independence as a Structural Trend

- Against this backdrop, CLAVIS ENERGY PARTNERS maintains a clear view.
- Energy transition—particularly electrification—will continue to advance. It will not reverse. At the same time, progress in energy storage technologies is enabling a growing segment of demand to reduce reliance on centralized grids.
- We see grid-independent and grid-resilient solutions emerging as a structural trend, especially in residential and data-center applications, where reliability, predictability, and autonomy increasingly outweigh marginal price optimization.
- This is not a rejection of markets or grids. It is a response to how both are evolving.

Conclusion

Japan's experience, viewed alongside developments in advanced overseas markets, highlights a broader global lesson: in the era of energy transition, institutional adaptability matters as much as market sophistication.

Markets, planning, and decentralization will need to coexist. The challenge is not choosing one model over another, but ensuring that governance frameworks evolve quickly enough to remain credible, fair, and resilient. *A photograph may capture the past; it cannot design the future.*

CLAVIS ENERGY PARTNERS LLC

CLAVIS ENERGY PARTNERS LLC
Expert Office Shinagawa, Area Shinagawa 13F
Konan 1-Chome 9-36, Minato-Ku
Tokyo 108-0075, Japan
Tel +8150 (5578) 3660 Email info@clavisenergy.com