

Green nuclear dollar bonds from Japanese utilities

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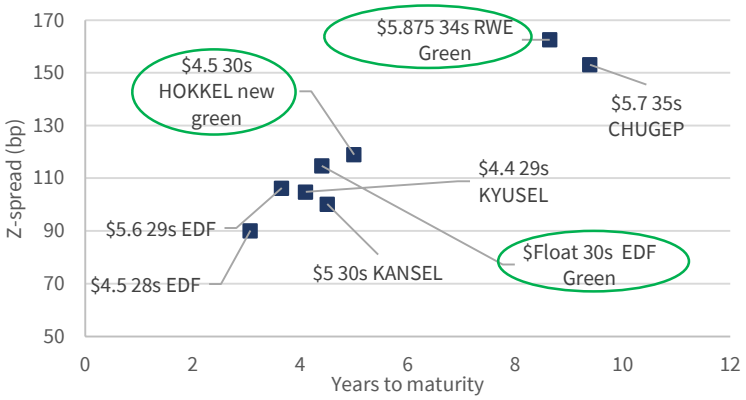
Japan is restarting idled nuclear generators as part of its strategy to achieve emissions targets under its GX transition plan. The Utility sector is key to the successful reincorporation of nuclear energy to the grid. In this context, the maiden 5yr US$ green bond issuance by Hokkaido Electric Power Company (HEPCO) with bond ticker "HOKKEL", rated BBB+ by S&P, is significant.

The HOKKEL 2030s is the first green issuance in the dollar market by a Japanese electric utility company. This may become a more common occurrence, however, as the sector looks to diversify away from a domestic investor base. **We would expect other electric utility issuers to follow HOKKEL's lead given the large capital requirements needed for the energy transition, making this particular issuance a test case for investor appetite in the post "ippan tanpo" regime.**[1]

Figure 1 shows HOKKEL's new issue (at pricing) relative to other Japanese electric utility bonds and JERA, a domestic power generation and energy value chain company. For reference, RWE green and EDF green and traditional debt in dollar are also shown. HOKKEL priced $500mn of 4.587% 2030 green bonds, at T+83 bps (z+119bps), 19bps wider than KANSEL 30s (A3-rated), 5-7 bps wider than KYUSEL 29s (A3-rated, adjusted for tenor), and also slightly wider than CHUGEP 35s (BBB+-rated, adjusted for tenor). This suggests some initial new issue premium, but likely no greenium. Books size was last indicated at $6 bn before pricing, indicating strong demand from international investors.

Figure 1. Comparables for HOKKEL (US$) in the Japan utility and electricity sector, and select EDF/RWE $ bonds. All Japan bonds except the JERA bond issued the last 12months. Source: Bloomberg Finance L.P., accessed 27 Aug 2025.

Description	Issue date	Issue size (MM)	Rating
KANSEL 5.037 02/26/30	Feb-25	500	A3
KYUSEL 4.447 10/02/29	Oct-24	500	A3
CHUGEP 5.742 01/14/35	Jan-25	500	BBB+
RWE 5 7/8 04/16/34	Apr-24	1,000	Baa2
EDF 5.65 04/22/29	Apr-24	650	Baa1/BBB
EDF 5.7 05/23/28	May-23	1,000	Baa1/BBB
EDF Float 01/20/30	Jan-25	500	Baa1/BBB
HOKKEL 4.587 9/4/30	Aug-25	500	BBB+



[1] See "Funding opportunities post ippan tanpo: Kansai Electric", AFII, 7 Mar 2025. "Ippan tanpo" refers to a removal of statutory privileges for certain bonds.

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The Japanese Utility-sector USD universe

HEPCO is in the power generation and retail electricity business in Hokkaido, and accounts for 81.4% of the region's electricity sales (FY2024).[2] The company has about 8.2GW of power generating capacity, of which 2.1GW is nuclear power and 1.6GW is hydropower. Proceeds from the green issuance are expected to be used to support nuclear power generation, via investments in safety measures for restarting idled equipment and enhancing existing nuclear plants. HOKKEL plans to restart all three reactors at the Tomari Nuclear Power station. Unit 3 is the priority, with a target 2027 completion date. This unit accounts for 912MW of the station's 2070MW capacity. **If Unit 3 is at full capacity, it will replace about 35% of HOKKEL's thermal power generation in FY24. Restarting all three units will replace about 79%, helping to potentially reduce fuel costs and lower the company's carbon footprint.**

In terms of emissions climate goals, HOKKEL is targeting a 46% reduction in emissions by 2031 and 60% by 2036, relative to 2014 levels.[3] Given these targets, together with the national plan on transition and the commonality of SLB usage in Japan[4], we believe the environment is ripe for further issuances by Japanese utilities using a performance-linked format.

Looking at the Japan electric Utility sector and its more frequent debt issuers, we anticipate that some of these could come to the US$ market to fund both their capital expenditures and energy transition plans. In Table 1, some issuers such as KANSEL (Kansai Electric) have been more active in issuing green and transition bonds in the domestic market. Investors should expect more Japanese issuers coming to the US$ bond market to diversify their funding channels in the months and years to come.

Table 1. Japan electric sector (and JERA) that could potentially look to the US$ market for funding opportunities. Source: AFII, issuers, Bloomberg Finance L.P. Accessed 27 Aug 2025.

Issuer	KANSEL	TOKELP (2)	KYUSEL	CHUGEP	HOKKEL	JERA
Issues in USD	✓		✓	✓	✓	✓
Issued Green bonds	✓	✓	✓		✓	
Issued Transition Bonds	✓		✓	✓	✓	✓
Ratings	A3 (Moody's)	A-/A (R&I/JCRA)	A3 (Moody's)	BBB+ (S&P)	BBB+ (S&P)	A- (S&P)
Green bonds outstanding (bn ¥)	204.8	130	55	40	29.5	49.2
Transition bonds outstanding (bn ¥)	154.8	0	85	199	74.5	0
FY 2024 Capex (Bn ¥) (3)	495	705	355	378	168	424
FY 2024 FCF (Bn ¥) (3)	80	-32	77	-192	-43	-19
Planned capital allocation (Amt and period) Bn ¥ (3)	1170 (2025-2030)	NA	NA	300 (2025)	1660 (2025-2030)	5000 (2025-2035)
Green & transition bonds/ Total public bonds	22.06%	3.7%	9.1%	19.6%	10.0% (1)	8.5%
Energy Mix (Thermal/Renewables/Nuclear)(3)	39/14/48	1/54/45	56/16/28	81/12/7	69/23/8	99/0/1

(1) % refers to green & transition bonds over all debt including loans and bonds.
(2) TOKELP had US$ bonds that matured since 2007.
(3) Source: Company filings.

[2] Preliminary Offering Memorandum Circular, dated 26 Aug 2025.
[3] See the second party opinion, "Hokkaido Electric Power Green/Transition Finance Framework", DNV, 20 Aug 2025.
[4] See "Sustainability-Linked Bond usage in Japan", AFII, 16 Sep 2024.

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