

Summary of the Experts' Meeting on Energy

This Experts' Meeting sought to explore approaches to cooperation and collaboration among countries on the demand side, given the progress of oil and gas projects in the country on the demand side (Russia), as well as seeking to make specific proposals with a view to building cooperative relationships between the demand and supply sides. The first session examined the possibilities of intra-regional cooperation relating to natural gas, with a particular focus on the issue of LNG trade, global demand for which is increasing rapidly at present. The second session was chiefly devoted to discussion of the potential for multilateral cooperation that could arise from the plan to build a crude oil pipeline from Eastern Siberia.

First Session: Prospects for Gas Cooperation

Yongduk Pak (Research Fellow, Korean Energy Economy Institute) addressed the necessity of creating a framework for the efficient promotion of energy cooperation in Northeast Asia, stating that there was potential for energy cooperation in the fields of oil distribution, the development of joint oil stockpiles by Japan, the ROK and China, natural gas pipeline projects, and the construction of a trans-national power distribution network. While pointing out that one obstacle at this point in time is the lack of a country that can provide leadership within the region and that there is a dearth of mutual trust among the countries of the region, he discussed the possibility that political confrontation within the region might be alleviated if momentum for energy cooperation can be built.

Shixian Gao (Director, Center for Energy Economics and Development Strategy, Energy Research Institute, National Committee on Development and Reform, China) informed participants that China's energy strategy has four aims: energy conservation; the rationalization and diversification of the energy structure through the introduction of natural gas; the increase of domestic supplies and supplies from within the region; and the diversification of supply sources. Moreover, he asserted that recognition of sovereignty over energy resources, the promotion of free and fair trade, the promotion and protection of resources, cooperation in times of emergency, and environmental conservation should be the fundamental principles of multilateral energy cooperation in Northeast Asia, and that efforts by the private sector, as well as governments are required.

Alexei Mastepanov (Advisor to the BOD Deputy Chairman, GAZPROM, Russia) stated that Russia is currently formulating a gas development plan for Eastern Siberia that takes the period to 2030 into consideration. Rather than focusing solely on the extraction of gas from gasfields and the transport of the product, this is an extremely comprehensive plan that includes the refining and processing of the gas.

With regard to the fact that LNG demand has hitherto been concentrated mainly in Asia, primarily Japan and the ROK, Koichiro Ebihara (Department Chief, Mitsui O.S.K. Lines) explained that recent growing demand for natural gas imports to the US will influence trends in LNG trading; in

addition, demand for LNG tankers is also on the rise due to increases in global LNG demand. Furthermore, talking about the background to the quantitative expansion in LNG trade and regional diversification, he noted that, while natural gas trading has hitherto been conducted by means of exceedingly long-term fixed contracts on a take-or-pay basis, the spot contract method is currently in the process of being introduced.

Nobuyuki Higashi (Chief Representative for Energy Resources (Paris), Japan Bank for International Cooperation) pointed out that, in an age when the various importing countries are linked to each other in the midst of a global increase in LNG demand, a situation is emerging in which the securing of investment in and loans for a single project will be difficult unless the circumstances of each country and the status of markets in each region is not adequately understood. In addition, he discussed how important it is for consumer countries in the form of Japan, the ROK and China to cooperate in areas where common benefits can be derived and to negotiate with supplier countries with regard to conditions. Furthermore, he stated that discussions regarding the introduction of an Energy Charter Treaty for Northeast Asia should be initiated.

Second Session: Prospects for Oil Cooperation

Andrey Zagumennov (Deputy Director, Far Eastern Center for Strategic Research on Fuel and Energy, Vladivostok) highlighted the prospects for the development of the abundant crude oil and natural gas resources of Russia's Far Eastern region (including the Sakha Republic), as well as the potential for intra-regional cooperation.

While warning that there is a total lack of any cooperative mechanisms for the development of crude oil in Northeast Asia and that the risks of competition are increasing at present, Jianping Zhang (Head of International Cooperation Division, Institute of International Economic Research, National Development and Reform Commission, China) stressed that it is the concept of multilateral cooperation rather than bilateral cooperation that will hold the key in the future. With regard to oil problems, he argued that, even if it will be difficult for the countries of the region to reach an agreement in the short term, it is vital for Northeast Asia as a whole to have long-term goals, and pointed out that the region requires a two-dimensional concept involving cooperative relations among the consumer countries (China, Japan, the ROK), as well as a consumer-plus-supplier country framework that also involves Russia. Furthermore, he suggested that we should think about the possibility of introducing an Asian IEA or something similar to the European Energy Charter Treaty.

Ganjuur Mungunkhuyag (Head, Contract & New Ventures Department, Minerals and Oil Authority of Mongolia) outlined the status of oil development in Mongolia, as well as the country's policy of diversifying its oil procurement sources.

After pointing out three common challenges faced by the countries of Northeast Asia, *viz.* contingency planning (such as an oil stockpiling system), improving energy efficiency, and environmental conservation by moving away from the use of oil and coal through the use of

renewable energy, Keizo Takewaka (Director, Economic Security, Economic Affairs Bureau, Ministry of Foreign Affairs) stressed the necessity of creating international rules through a multilateral framework. In addition, he emphasized that the countries of the region should not be divided into separate markets, but should think primarily in terms of building peace of mind, trust and a sense of community.

The majority of comments were in accord, agreeing that: i) more meaningful discussions should take place with regard to the issue of energy cooperation, with talks involving not only those at the government level, but also academics and representatives of the business world; ii) cooperation based on the concept of a win-win situation, rather than a zero-sum scramble or competition for resources should be promoted; and iii) cooperation between the demand-side countries alone should be pursued, while also placing great importance on dialogue between the supply-side country and the demand-side countries of Northeast Asia.

[Shoichi Ito, Researcher, Research Division, ERINA]