

## The Niigata Energy Forum 2004

Between 2001-2003, in cooperation with experts from the United States and Northeast Asia, ERINA has been working on a research and dialogue project entitled Energy Security and Sustainable Development in Northeast Asia: Prospects for Cooperative Policies. This project has proved to be a very successful exercise, thanks to our principal collaborator, the Northeast Asia Economic Forum (NEAEF), as well as the vital support provided by the Japan Foundation Center for Global Partnership (CGP).

The project was preceded by in-house research and a small international workshop held in Niigata City in December 1999. In 2000, ERINA began to formulate a plan for building on the outcomes of this workshop and received funding from CGP to hold three workshops in order to promote debate and share information regarding regional energy security and cooperation with the aim of achieving sustainable development. Workshops in Niigata (Tainai, 2001), Seoul (in collaboration with the Korean Energy Economics Institute (KEEI), 2002), and Khabarovsk (in collaboration with the government of Khabarovskiy Krai and the Economic Research Institute of the Russian Academy of Sciences, 2002) were followed by a meeting with practitioners to disseminate the outcomes of the project, which took place in Tokyo (October 2003). The project culminated in the Niigata Energy Forum, which took place in conjunction with the 2004 Northeast Asia Economic Conference / Northeast Asia Economic Forum in Niigata on 1st February 2004.

### The Forum

The evening before the main part of the Energy Forum, 67 participants attended a presentation featuring two business proposals that may involve exporters of energy based in Far Eastern Russia and energy users on both sides of the DMZ on the Korean Peninsula. The session opened with greetings from Governor Ikuo Hirayama of Niigata Prefecture and Governor Victor Ishaev of Khabarovskiy Krai.

The first presentation, by Victor Minakov, Director General of Vostok-Energo, focused on the cross-border interconnection of the Russian Far East's electric power grid with that of the DPRK. The second presentation, by John Fetter from the United States (FSI Energy) and Rintaig Lee from the Republic of Korea (Korean Southern Power Corporation), highlighted a natural gas pipeline connecting Sakhalin and the Korean Peninsula. Following these presentations, a number of long-standing participants in ERINA's energy security and sustainable development project offered their comments on the two presentations; in addition, Victor Gorchakov, Vice-Governor of Primorskiy Krai, a region that would be transited by both the cross-border power grid and the gas pipeline, outlined his thoughts on the projects.

After dinner, an informal talk by Ambassador Evgeniy Afanasiev, Director of the First Asia Department at Russia's Ministry of Foreign Affairs, was received with great interest, leading to further questions and comments from the audience. Some participants of this evening session noted that this was the most interesting and informative part of the program.

Proceedings in the main part of the forum began with the keynote speech delivered by Robert J. Priddle, former Executive Director (1994-2002) of the International Energy Agency/OECD. This was followed by a special address by Alexei M. Mastepanov of the GAZPROM Company.

These presentations were followed by two panel discussions and three shorter reports from the following members of the Project Team: Ambassador Takehiro Togo, Senior Advisor to GSSI/Mitsui Co., the aforementioned Ambassador Yevgeniy Afanasiev, and Susumu Abe, Advisor to the GIF Research Foundation.

### The Project Team

The Niigata Energy Forum attracted 88 participants from 58 organizations. Indeed, the project has attracted a broad range of participation throughout its duration. Panelists and speakers at the project workshops included experts from regional administrations (Niigata, Khabarovskiy Krai, Sakhalinskaya Oblast) as well as those from central government ministries and legislatures, such as the Japanese Diet (Taro Nakayama), Russia's State Duma (Evgeniy Galichanin), the Ministry of Foreign Affairs of Japan, the U.S. Department of State, the Ministry of Foreign Affairs of the Russian Federation, and the Ministry of Fuel and Energy of Russia. It should be noted that these participants were involved in the project in their private capacity.

The list of research organizations that have contributed to the project includes the Atlantic Council of the United States, the Central Research Institute of the Electric Power Industry (Tokyo), the East-West Center (Honolulu), the Energy Research Institute (Beijing), the Energy Systems Institute (Irkutsk), the Economic Research Institute (Khabarovsk), the Institute of Energy Economics, Japan (Tokyo), the Institute of World Economics and Politics (Beijing), the James Baker Institute for Public Policy (Houston), the Korea Electro-Technology Research Institute and the Korea Energy Economics Institute (Seoul), the Mitsubishi Research Institute (Tokyo), the Monterey Institute of International Studies, the National Energy Committee (Pyongyang), CNPC's Petroleum Economics & Information Center (Beijing) and the Research Institute of Petroleum Exploration and Development (Beijing). Experts from various universities, research centers, academies of science, associations and NGOs have also made significant contributions to the project.

International organizations supporting the project include the Asia Pacific Energy Research Center based in Tokyo, United Nations ESCAP (Bangkok), the International Energy Agency (Paris), the UNDP Tumen Secretariat (Beijing) and the World Bank (Washington, D.C.).

The list of participants from energy companies and the private sector includes ACE Engineering (Seoul), Gazprom (Moscow), Foundations Systems Inc. (Philadelphia), Korea Gas Corporation and Korea National Oil Corporation (Seoul), Mitsui & Co. Ltd. (Tokyo), Osaka Gas, Sumitomo Corporation and Toshiba Corporation (Tokyo), as well as Vostok-Energo, UES Russia (Khabarovsk) and the Korean Southern Power Corporation.

### The Timing of the Project

The considerable interest in the Energy Forum and the growing outreach of ERINA's energy security project in general is understandable, given the developments in the global energy sector since 2000. These have encompassed the recovery of oil output in Russia and its political stabilization under President Vladimir Putin from 2000 onwards. At the same time, China's continuing economic advancement has led many experts to believe that growing

energy use in China will affect the global energy demand-supply equation. In this context, Sino-Russian energy dialogue and a proposed oil pipeline from Eastern Siberia to Daqing have become very important to both sides, as well as attracting significant international attention.

On the other hand, the White House's attitude towards Russia and its role as a major oil producer has changed in response to the geo-strategic challenges emerging in the aftermath of the 9/11 attacks. In May 2002, the New Energy Dialogue between the U.S. and Russia was launched at a bilateral summit, leading to greater confidence on the part of Japan with regard to Russia's potential to supply oil and natural gas to the markets of Northeast Asia.

Technical exchanges between Japan and Russia and preliminary discussions on the Angarsk-Nakhodka oil pipeline project began towards the end of 2002, culminating in several high-level meetings and informal negotiations, starting in January 2003, when the Japanese Prime Minister visited Moscow.

Symbolically, in 2003, both the Russian and Japanese governments published their long-term national energy policy outlooks, for the first time, focusing attention on Northeast Asia and prospects for cross-border gas projects, as well as an oil pipeline to Nakhodka.

In addition, towards the end of 2002, the President of the ROK proposed a new initiative for the subregion, highlighting its potential to develop cooperative links in the energy sector. On the other hand, the activities of the Korean Peninsula Energy Development Organization (KEDO) were suspended the following year, in the aftermath of the new round of uncertainties and suspicions with regard to the DPRK and its nuclear program.

These important policy developments on both the domestic and international fronts were accompanied by significant practical developments. For example, the West-East gas pipeline project in China entered its implementation phase, while a trilateral Russia-China-ROK feasibility study on a gas pipeline from Kovykta to China and South Korea has been completed.

In South Korea, a nationwide gas transportation system has been constructed, stimulating enthusiasm for the Sakhalin-Khabarovsk-Vladivostok-Korea gas pipeline project. Furthermore, ExxonMobil (Sakhalin 1) has proposed a plan aimed at exporting natural gas to Japan via a submarine pipeline built to Niigata or Sendai and extending to the Tokyo area. Funding for another north-south gas pipeline on Sakhalin to supply the LNG plant with gas has been allocated by Sakhalin Energy (Sakhalin 2). Construction of a local gas pipeline from Komsomolsk to Khabarovsk and an oil pipeline from Sakhalin to DeKastri port on the mainland are also underway.

Finally, the Russian government has announced its plans to support the construction of an oil pipeline from Angarsk to Nakhodka with a branch to Daqing. Moreover, Gazprom has revealed its plans to build a Trans-Siberian gas pipeline, linking Eastern Russia with its giant network of pipelines in Russia's western regions.

With regard to the endeavors of international organizations, the Asia-Pacific Economic Cooperation Forum (APEC) launched its Energy Security Initiative in 2002, proposing (1) joint exploration and development of oil and gas reserves, (2) reliance on non-petroleum energy sources, (3) development of new technologies for alternative fuels, high-efficiency vehicles and public

transport. APEC leaders have proposed the dissemination of best practices in energy efficiency and conservation, coordinating plans for energy sector development, and paying greater attention to environmental protection.

## Conclusion

Needless to say, all these positive changes in policies and attitudes, as well as ongoing projects and new plans, have made the energy security project very timely, relevant and useful. As the project unfolded from one workshop to another, the international network of experts and their involvement in the project activities has grown stronger. In addition, as we moved ahead, the practical energy security interests on the part of the economies of Northeast Asia were in the process of crystallizing, further encouraging the Project Team.

In summary, the key project findings presented at the Niigata Energy Forum 2004 have demonstrated that subregional energy cooperation is needed because such cooperation:

- Serves national interests in general
- Reduces the risks of supply disruption
- Promotes competition in terms of energy prices
- Assists the development of regional economies
- Provides benefits to local communities
- Facilitates environmental management
- Strengthens regional stability and security.

Indeed, cross-border energy links in Northeast Asia would ensure greater reliance on cleaner sources of energy. Energy cooperation could become an efficient regional development tool, while also serving as a vehicle for resolving the "North Korea problem".

It is worth noting in conclusion that the Energy Forum has provided a very useful platform for both intellectual exchange and professional and personal contacts, creating a greater awareness that cooperative approaches to energy security needs and environmental responsibilities must be assigned a higher priority in the agenda of governments in the Northeast Asia subregion, including central ministries as well as regional administrations.

We plan to publish a complete report on the deliberations at the Energy Forum and the materials prepared for this event in the near future. We look forward to hearing the comments, opinions and proposals of our readers regarding the content of the presentations and proposals for possible future efforts aimed at enhancing the energy security and sustainable development of the economies and people of Northeast Asia.

In the interim, we would like to extend our sincere gratitude to all members of the Project Team, partner institutions, support staff, and the speakers and participants attending the Energy Forum, as well as the Japan Foundation Center for Global Partnership and the government of Niigata Prefecture for their constant support and encouragement, which have been absolutely vital to this project.

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