

Energy Security and Sustainable Development in Northeast Asia: Prospects for Cooperative Policies - A Meeting with Practitioners

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As regular readers of the ERINA Report will be aware, ERINA has, with the support of the Japan Foundation Center for Global Partnership (CGP), been conducting a dialogue and research project relating to the prospects for cooperative policies on energy security and sustainable development in Northeast Asia since 2001 (reports available online at <http://www.erina.or.jp/En/E/HPresearch.html>). The ultimate goal of the project is to broaden the strategic horizons of governments and the public, allowing them to see beyond the confines of national policies.

As part of the dissemination process that forms the final phase of the project, ERINA, the Northeast Asia Economic Forum (NEAEF) and CGP organized a meeting attended by energy sector practitioners from the worlds of government, business and academia, in order to inform them of the opportunities for and obstacles to regional energy cooperation with a low environmental impact, as identified by our project.

In addition to a broad array of academics from a variety of universities and such institutions as the National Institute for Research Advancement and the Institute of Energy Economics Japan, affiliated to the Ministry of the Economy, Trade and Industry, the audience of just under one hundred people included representatives from the Ministry of Foreign Affairs and the Cabinet Office, as well as the Russian and US embassies, and companies such as Tokyo Electric Power (TEPCO), Osaka Gas, Toshiba and the Japan National Oil Corporation; there was also a significant media presence.

Opening the meeting, Susumu Yoshida, Chairman of the Board of Trustees and Director-General of ERINA, outlined the importance of the project, particularly in light of the ongoing oil and gas exploitation initiatives in Sakhalin and in mainland Russia, as well as the recent expression of interest in the Angarsk-Nakhodka pipeline by Prime Minister Koizumi during talks with President Putin.

The keynote address on the '3E'¹ Target in the Context of Northeast Asia was delivered by Susumu Abe, Advisor to the GIF Research Foundation and formerly an ERINA trustee. After noting the potential for electricity blackouts such as those experienced in North America and Europe this year, Mr. Abe highlighted the increased energy demand and CO₂ emissions that will result in coming years from China's strong economic growth and its hosting of such major events as the 2008 Olympics and the 2010 Expo, not to mention the expansion of its market for cars. He emphasized the necessity of Northeast Asian energy cooperation and proposed a grand design for energy and environmental cooperation, which would facilitate the achievement of the 3E paradigm.

Yonghun Jung, Vice-President of the Asia Pacific Energy Research Centre, addressed the issue of energy security in the context of Northeast Asia. He outlined recent energy-related developments in the region and emphasized the necessity of shifting to a new definition of energy security, moving towards a focus on securing a sustainable energy supply at an economically competitive price. Dr. Jung noted that the collective regional approach has a history of success in Europe and speculated that a crisis - actual or perceived - will eventually emerge that will make change politically inevitable. With regard to the contribution of ERINA's project, he identified the following points: i) the identification and dissemination of key regional issues in the energy sector; ii) the establishment of a platform for dialogue on regional cooperation; iii) the formation of a regional, multi-level network of experts; and iv) the creation of channels for further dialogue among regional policymakers.

Vladimir Ivanov, Director of the Research Division at ERINA, spoke about Russia's long-term energy export goals and their relevance to Northeast Asia, observing that the region is a natural market for Russian oil and gas exports, given growing demand. He stated that greater emphasis on liquefied natural gas (LNG) and gas-to-liquid technologies is required, as these could be significant for energy cooperation.

The ensuing panel discussion opened with an overview of METI's new Japanese energy plan, provided by Tatsujiro Suzuki, Senior Fellow of the Central Research Institute of the Electric Power Industry. Dr. Suzuki then noted the delivery problems that were still faced, despite the existence of sufficient supply. Although borders are becoming easier to cross, cultural, policy and institutional difficulties are liable to emerge when trying to build cross-border energy infrastructure. Therefore, it is necessary to create an Asian energy framework similar to the European Energy Charter.

After Mr. Yoshida observed that institutional guarantees were needed in order to translate the pipeline into reality, Kazuaki Hiraishi, Secretary-General of the Asian Pipeline Research Society of Japan (APRSJ) underlined the necessity of the pipeline and provided an overview of the APRSJ's activities. He highlighted the role

¹ The '3E' concept is the aim of simultaneously achieving energy security, environmental conservation and economic development.

of fuel cells and emphasized that, in order to attract buyers, pipeline gas must be cheaper than LNG is at present.

Lee-Jay Cho, Chairman of the Northeast Asia Economic Forum, informed participants that the DPRK had, in earlier discussions, shown a positive stance towards a trans-Korean Peninsula pipeline. Dr. Cho also asserted that a Northeast Asia Development Bank was necessary to finance infrastructure development in the region, because the policy situation had changed greatly since the Asian Development Bank was founded 30-40 years ago.

The final section of the meeting afforded participants the opportunity to discuss our findings, thereby contributing to the design of the strategic policy 'tapestry' that we ultimately intend to present to the governments of the region. In response to the question of whether a trans-Korean pipeline would not be a risky venture, in light of Russia's experience of pipeline gas transit to Europe via Ukraine, both Dr. Hiraishi and Mr. Yoshida highlighted the positive attitude displayed by representatives of the DPRK who have attended conferences organized by the APRSJ and by ERINA.

Following a query about the extent to which the pipeline will alleviate Northeast Asia's reliance on the Middle East and how much time would pass before this was the case, given that Northeast Asia faces a Gordian knot of territorial disputes and nuclear issues, Mr. Yoshida stated that, although the target was to reduce the share of energy supply sourced in the Middle East from 88% to 60%, the actual volume of energy imports will rise further, requiring concrete actions on the part of the government.

In response to a comment about KEDO, Dr. Suzuki said that problems in this field are gradually being resolved and that dialogue is being emphasized, rather than merely building new facilities. Dr. Ivanov reminded participants that KEDO still exists formally and that, while the future for it was not bright, the DPRK's energy crisis will persist unless there is large-scale energy cooperation involving the US and the DPRK. Dr. Jung noted that the DPRK enjoys a considerable amount of leverage over neighboring countries because of its location at the heart of Northeast

Asia. He also highlighted the importance of US government interest and influence on financial institutions, given the fact that the trans-Korean pipeline project is unlikely to be commercially viable within DPRK territory.

Returning to the subject of the important lessons for regional energy security provided by the blackouts in Europe and the US and the energy shortages experienced by TEPCO, Dr. Suzuki added that the main reasons for TEPCO's closing 17 of its reactors were political and social, rather than technical, and asserted that dialogue with citizens in areas where reactors are located is vital.

Kengo Asakura, President of Eco and Energy Ltd. had a blunt message for the Japanese government, saying that it must decide when it will commit to the Sakhalin 1 project and when it will be able to complete an overland gas pipeline. He added that there were no technical obstacles to a pipeline network, merely political and financial barriers.

Dr. Cho brought proceedings to a close with the final thought that, just as a river flows to the sea, the DPRK will eventually converge with the mainstream trend towards regional economic cooperation, so we need to facilitate that convergence.

The truth of the matter is that it is the unfolding of events on the international stage that will determine the energy future of the region, as both governments and investors base their decisions on these. All that academics can do is to work together to, in the words of Milton Freedman, "develop alternatives to existing policies, to keep them alive and available until the politically impossible becomes politically inevitable." In other words, they provide governments with longer-term goals to pursue, in the hope of guiding them along the right path when circumstances dictate that they take action.

The primary aim of this meeting was to raise the profile of the project within Japan and there can be no doubt that it was a resounding success. The enthusiastic participation of the audience in the final part of the meeting suggests that they received plenty of food for thought about the direction in which the region (and particularly Japan) is likely to move in the years to come.