

Discussion in Malaysia at 2022 Pacific Energy Summit

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When I visited Malaysia on October 28-31, I participated in the 2022 Pacific Energy Summit sponsored by the U.S. National Bureau of Asian Research and had an opportunity to exchange opinions with Malaysian energy industry stakeholders and experts. After the first Pacific Energy Summit took place in Tokyo in 2009, the summit was held in-person annually in major Asia-Pacific cities. The 10th one came in Tokyo in October 2019 before a face-to-face conference failed to be realized in 2020 and 2021 due to the COVID-19 outbreak. The latest Pacific Energy Summit in the Malaysian capital of Kuala Lumpur was the first face-to-face one in three years.

The number of participants in the Summit was limited to some 40 on a registration basis, including government officials, experts, energy industry stakeholders and others from not only Malaysia but also the United States, Japan, South Korea, Indonesia, Singapore and other countries. Recently, energy security has become unprecedentedly important as the Ukraine crisis has destabilized the international energy situation. Nevertheless, the world has been required to enhance decarbonization initiatives to realize carbon neutrality. Furthermore, global geopolitical tensions have existed and been growing. Given these points, discussions among the Pacific Energy Summit participants were timely.

The timeliness was reflected in the latest Pacific Energy Summit's subtitle "Understanding Southeast Asia's Vision for Energy and Climate Security in the Indo-Pacific." As the Association of Southeast Asian Nations, including Malaysia, is seen as one of the future energy demand growth centers in the world, ASEAN energy security enhancement and decarbonization initiatives are expected to become extremely important for the region and the rest of the world. In this sense, the conference was particularly important. I participated in the conference only on October 31. In the following, I would like to comment on what I learned through the conference and my talks with Malaysian energy stakeholders.

First, I felt that interest in nuclear energy was growing in the ASEAN region. In "A Japanese Perspective on the International Energy Landscape (602)," I noted that nuclear energy was one of the important issues at my talks with Malaysian energy stakeholders. In my latest visit to Malaysia, there was a discussion that Philippine President Bongbong Marcos has indicated an ambition to use nuclear energy, with interest in nuclear energy growing in Indonesia as well. I felt that ASEAN is growing interested in next-generation nuclear reactors such as small modular reactors in consideration of widely distributed electric demand and nuclear safety.

The nuclear energy trend in the world reached a turning point in the second half of last year. As electricity prices have spiked amid fossil fuel price hikes, the tight electricity supply-demand balance has become a global matter of concern. In October 2021, European Commission President Ursula von der Leyen stated that nuclear was required for the European Union as a stable energy

source. Later, French President Emmanuel Macron announced a plan for constructing new nuclear power plants, triggering a series of developments toward nuclear power plant construction. Following France, the United Kingdom came up with a nuclear power plant construction plan. East European countries heavily dependent on Russian energy followed suit. Belgium announced a plan to extend the service life of existing nuclear power plants. Germany, plagued with concern about serious energy shortages, revised its plan for the phase-out of nuclear power plants within 2022 and decided to maintain them as a backup power source until next spring. These measures were taken to keep stable electricity supply and reduce electricity costs amid the destabilization of the international energy market. Nuclear energy as a stable baseload electricity source is free from CO₂ emissions as well. For European countries with ambitious CO₂ emission reduction goals, nuclear has rapidly grown important as an energy source that can meet requirements for both stable electricity supply and climate change countermeasures.

In Japan as well, the nuclear energy trend has dramatically changed. Prime Minister Fumio Kishida has given instructions to promote the restart of idled nuclear reactors, revise the system for extending the service life of nuclear reactors and consider the construction of next-generation reactors. Nuclear energy has been highlighted as a key means contributing to Japan's 3E's – energy security, environmental protection and economic efficiency. Major countries using nuclear energy in the world are enhancing initiatives to develop next-generation nuclear reactors including small modular reactors.

This trend has been expected to spread throughout the world. Talks at the Pacific Energy Summit led me to feel that the trend has spread to ASEAN. In ASEAN where energy demand is expected to increase, nuclear energy is emphasized as a key option to promote decarbonization and secure stable electricity supply in response to the energy security challenge symbolized by growing dependence on energy imports. As a matter of course, however, the trend has just been seen as an very early stage in ASEAN, falling short of producing specific policies or initiatives. It may not be easy for ASEAN countries to adopt nuclear energy which could lead to sensitive political and social problems. Political, technological and industrial infrastructure has not been sufficiently developed for the nuclear energy option in ASEAN. While the nuclear option remains a long-term strategic challenge for ASEAN, some ASEAN countries may enhance initiatives to introduce nuclear energy in consideration of growing interest in the option.

Second, I felt that ASEAN energy policy planners and energy industry decision makers face an extremely difficult situation, sandwiched between high ideals and realities. Many ASEAN countries have announced the 2050 carbon neutrality goal, demonstrating their determination to pursue the goal. They will promote initiatives supported by the high ideals to make maximum efforts to serve the global interest of preserving the earth environment and preventing climate change. At the same time, however, they may have difficulties in deciding whether these initiatives would realize green growth including economic and employment expansion. These initiatives could increase economic and social burdens by boosting energy costs. Given that many people receive energy subsidies in ASEAN countries, it may not be easy to pursue the ideals. ASEAN will have to follow an energy transition path to strike a balance between decarbonization and energy security enhancement while minimizing costs for the transition.

In this respect, key points regarding ASEAN's transition from coal as its major energy source may include how to use natural gas and LNG effectively while promoting renewable energy, whether to introduce nuclear energy, how to diffuse carbon capture and storage and other CO₂ emission reduction technologies and how to promote hydrogen and ammonia. ASEAN countries' conditions are greatly various and far different from those in developed countries. It will become even more important

for ASEAN countries to take inclusive and pragmatic approaches on a steady energy transition in consideration of their respective conditions. I felt that it is extremely important for Japan to understand the ASEAN conditions sufficiently and cooperate with them in realizing energy transition.

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