

At the 13th IEA-IEF-OPEC Symposium on Energy Outlooks

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On February 15, the 13th IEA-IEF-OPEC Symposium on Energy Outlooks took place at the headquarters of the International Energy Forum in Riyadh. The annual symposium has been held in the Saudi Arabian capital since the first one in 2011 for dialogue between oil producing and consuming countries. Representatives of the three international organizations named in the title participated in the symposium along with government officials, energy industry people and experts from major countries, holding vigorous discussions on short to long-term global energy outlooks. This symposium has been designed for the International Energy Agency, representing oil consuming countries, and the Organization of the Petroleum Exporting Countries, representing oil producing countries, to frankly discuss matters of interest to them as mediated by the IEF, established for promoting dialogue between oil producing and consuming countries.

I participated in the 12th symposium last year and summarized discussions there in an article titled “A Japanese Perspective on the International Energy Landscape (572).” As one year has passed since the previous symposium, I felt that dramatic changes in the international energy market under the Ukraine crisis, which came just after the previous symposium, exerted a great influence on discussions at the latest symposium. As the international energy market experienced a great turbulence and was exposed to price spikes and destabilization, energy security became the world’s top priority in a manner to symbolize the dramatic changes. Under the dramatic changes, it has been strongly recognized again that energy security and stable energy supply at affordable prices have become an urgent challenge. Amid the recognition, what initiatives the world should promote during the long-term energy transition towards decarbonization was put into question at the symposium. In the following, I would like to make comments on particularly impressive points from the symposium.

In Session I of the symposium, OPEC and IEA representatives made presentations on their respective energy outlooks. Then, the IEF reported an analysis comparing various energy outlooks (scenarios) including the IEA and OPEC outlooks, setting the stage for discussing prospects for the international energy market. Although the presentations and discussions in the session took up various medium to long-term challenges, Sessions 2 and 3 dealt with these challenges. In the following, I discuss mainly short-term international energy market problems. An important point is that the international energy market is plagued with great uncertainties even over the short term. It was pointed out that the entire global economic trend would attract attention. In particular, China’s economic and demand trends were predicted to have a great influence on the market supply-demand balance. Although China’s oil demand trend was highlighted as the center of the uncertainties, Chinese trends are factors to greatly move the supply-demand balance and prices for natural gas, LNG and coal as well. As nobody from China participated in the symposium, I strongly felt an imbalance between growing interests in Chinese trends and China’s recent absence from international discussions.

On the supply side, uncertainties over Russia were taken up as a major issue. Many outlooks

predict that Russian oil supply will follow a downtrend in 2023 in response to Western sanctions. However, how much Russian oil supply will decline is uncertain. This is the same case with natural gas and coal supply. A Russian supply downtrend is an important issue that will affect the international energy market over the short term from 2023. While energy production in major energy supplying countries other than Russia and unexpected supply disruptions are unignorable issues, discussions in Session I basically indicated that the world's dependence on OPEC and the Middle East for energy supply will increase. In this sense, OPEC or OPEC-plus policy trends and the Middle Eastern situation are important factors for watching the international energy market.

Session II, titled “Medium Term Perspectives,” dealt with medium-term energy market challenges. While various problems were taken up, I thought that the most important problem was how to secure necessary investment. This is because whether supply could be secured in response to the expected robust demand for fossil fuels such as oil and gas over the medium term holds the key to market stabilization. In the session, some noted that an oil demand peak would be far away. As natural gas demand is expected to be more robust than oil demand, investment shortages are likely to trigger serious problems. This is because existing oil and gas fields are basically destined to see natural production depletion. Given that large-scale investment is required only to make up for the natural production depletion, the significance of investment becomes clearer.

Energy investment has decreased substantially due to an energy demand decline and price drops under the COVID-19 crisis and their serious impact on energy companies' earnings, resulting in underinvestment in the energy industry. As ESG (environment, society and governance) investment expansion was combined with the underinvestment, the supply-demand balance tightened on a demand recovery in 2021. Under the structural underinvestment, the impact of enhanced decarbonization initiatives on fossil fuel investment has become extremely significant. The future course of Russian fossil fuel supply that shakes the world under the current energy crisis is also an important problem regarding the future market stabilization. This is because investment is required in additional energy supply to make up for a decline in Russian supply. Although high energy prices and the enhanced recognition of the importance of market stabilization have led to an uptrend in fossil fuel investment, how to secure necessary investment may become the biggest issue to influence the medium to long-term fate of the international energy market.

Session III, titled “Long Term Perspectives,” dealt with long-term challenges for the international energy market and future energy transition. I took part in the final session as one of the panelists. In the session, it was reaffirmed that there are various scenarios for the overall energy trend, each energy source, and CO₂ emissions towards the world's energy transition, indicating widely different pictures of the energy situation and great uncertainties for 2050. Speakers pointed out that great difficulties and risks regarding the march towards a single future picture should be fully appreciated and that it would be important to build on realities.

Given that energy resources endowment, energy supply and demand, economic and industrial structure, income levels and technological development differ by country, some symposium participants argued that it is important to be conscious of pragmatism and take an inclusive, holistic approach to promote long-term energy transition and strike a balance between energy security enhancement and decarbonization. In consideration of the critical mineral issue, I pointed out that when attempting to minimize energy transition costs, we should consider minimizing and optimizing overall costs, including not only power generation costs but also costs for integrating intermittent renewable energy power sources into the grid (including costs for the selection of various technology options), and economic and energy security costs accompanying dependence on some supply sources

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for strategic materials. In concluding these extremely interesting arguments, symposium participants reaffirmed the importance of constructive dialogue towards resolving energy problems. An impressive message from the symposium was that one-way monologue cannot resolve problems.

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