

## **G7 Energy Ministers Issue Communique Calling for Enhancing “Three Es”**

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Energy ministers from the Group of Seven industrial countries met in Hamburg, Germany, on May 11-12 and adopted a communique titled “G7 Hamburg Initiative for Sustainable Energy Security.” They based their discussions on progress in the initiative as agreed at their meeting in Rome last year and recent developments in the international energy situation and indicated the new initiative for addressing the so-called “Three Es” -- energy security, environmental protection and economic efficiency-- covering energy security measures, climate change measures, market efficiency improvement and energy supply at competitive prices for consumers.

We must take note of the fact that two major changes came after last year's G7 energy ministers' meeting. First, energy market price have fallen, as symbolized by the crude oil price plunge, with the supply-demand balance easing. Second, the world is required to address specific climate change measures and international negotiations ahead of the 21st conference of parties to the United Nations Framework Convention on Climate Exchange in Paris late this year.

On the first point, international energy price falls and the easing supply-demand balance are the changes that the G7 countries as major energy consumers should welcome. The change has come as a major benefit to Europe plagued with a prolonged recession and Japan in which a substantial increase in energy import payments has become a great economic problem. While the communique from this year's meeting does not explicitly discuss the crude oil price plunge, the drastic change is believed to have been behind the discussions. The current low crude oil prices, though benefiting the G7 countries for the immediate future, could lead to a tighter oil supply-demand balance over a medium and long term by causing energy investment shortages.

Under such situation, the communique clarifies such priorities as energy efficiency, domestic energy development, the resilience and flexibility of domestic energy (electricity and gas) systems and the diffusion of innovative energy technologies for these measures, based on the recognition that enhancing energy security is critically important for the G7. It reaffirms commitments to enhance energy security from the medium to long-term perspective.

The communique specifies "diversification" anew as the core of the energy security enhancement. The diversification of the energy mix, energy import sources and import routes is designed to help respond to not only medium to long-term risks but also short-term risks such as

energy supply disruptions. The incorporation of the diversification into the communique indicates that Europe's response to the Russian gas supply security problem emerging from the Ukraine crisis has remained a key challenge. It also indicates that energy security is a common matter of concern to Europe and Japan, for which securing stable supply of liquefied natural gas at competitive prices is important even though LNG prices for Japan are destined to drop due to the crude oil price plunge and the easing LNG supply-demand balance. Therefore, the communique attracts attention by citing gas market measures as a top priority in the energy security area for the G7 countries' joint actions under their close cooperation and emphasizing emergency response, contractual arrangements, gas storage facilities, indigenous gas resources and infrastructure projects.

It is interesting that the communique takes note of cybersecurity in regard to energy security. In view of energy infrastructure's significance for social, economic and state management and various cybersecurity risks in the present international community, the communique calls attention to the importance of cybersecurity. Cybersecurity initiatives in the energy field have not been remarkable so far. Given the significance of cybersecurity for ensuring the resilience of energy systems, I hope to see progress in energy cybersecurity in the G7 and in all countries including Japan.

The second problem of climate change is expected to become one of the key issues at the June 7-8 G7 summit at Germany's Schloss Elmau, based on discussions at the energy ministers' conference. The communique calls on all countries to submit their INDCs (Intended National Determined Contributions) to greenhouse gas emission cuts well in advance of the COP21 meeting in Paris. In a sense, this call is timely for Japan that has recently drafted a government plan for the energy mix and a GHG emission reduction target. As all countries submit their INDCs, international negotiations on post-2020 climate change measures are expected to gain momentum, while the coordination of the conflicting interests between "global interest" and each country's "national interest" with regard to climate change or global warming prevention will remain difficult. A key point in this respect may be how the G7 countries that lead the world will take the initiative in addressing climate change.

As a matter of course, GHG emission cuts should be consistent with energy measures. As seen in discussions on Japan's energy mix, the G7 energy ministers' communique reaffirms the basic policy to give priority to energy efficiency to make effective use of renewable and nuclear energy as non-fossil energy and to adopt advanced technologies for the efficient use of fossil energy. Based on the basic policy, the G7 and the entire world are required to implement policies and measures that are well balanced from the viewpoint of the "Three Es" and safety.

The discussions and communique at the G7 energy ministers' meeting will be taken over at the G7 summit discussions in June. Given that Japan is set to host next year's G7 summit, Japan's challenge is how to analyze discussions at this year's summit and take advantage of them for the next year's meeting. The challenge is important from a viewpoint of Japan's international energy strategy, and thus should be addressed properly.

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