

Special Bulletin

A Japanese Perspective on the International Energy Landscape (296)

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9th Japan-Russia Energy and Environment Dialogue in Niigata

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On November 2, the ninth Japan-Russia Energy and Environment Dialogue took place at Toki Messe, an international conference facility in Niigata. Organized by Niigata Prefecture, Niigata City and the Economic Research Institute for Northeast Asia (ERINA), the annual dialogue has provided opportunities for Japanese and Russian policymakers, energy industry people and experts to discuss bilateral energy and environment cooperation since the first meeting in 2008. The ninth one became the third one for my participation, following the second and fifth.

Representing the organizers at the ninth dialogue were Niigata Prefecture Governor Ryuichi Yoneyama, Niigata City Mayor Akira Shinoda and ERINA Representative Director Masahiro Kawai. Russian representatives included Sergey Yasenev, Consul-General in Niigata, and Sergey Marin, Counsellor for Economic Affairs at the Russian Embassy in Tokyo and others. Participating in the sessions to deal with energy resources, energy conservation, environment and electricity were experts from the Russian Academy of Science as well as Japanese energy industry and research institute representatives. A total of 14 reports were presented.

The dialogue on Japan-Russia energy and environment cooperation came amid the dynamism of moving bilateral relations. Japan and Russia held two bilateral summits earlier this year -- in Sochi in May and in Vladivostok in September -- and plan to have this year's third one on December 15 in Yamaguchi Prefecture, with Russian President Vladimir Putin visiting. At the Sochi summit, the Japanese side proposed eight economic cooperation plans, attracting interest from the Russian side. At the Vladivostok summit, the two countries agreed to proceed with discussions on details of the plans. The dialogue took place amid such momentum.

On the night of the day when the dialogue came, Japanese Economy, Trade and Industry Minister Hiroshige Seko was scheduled to leave for Moscow for talks on the cooperation plans. Therefore, many policymakers and industry representatives gathered in Moscow. The schedule could have affected participants the dialogue in Niigata. However, participants in the Niigata dialogue might have given consideration to the above-mentioned dynamism involving Japan-Russia relations and the momentum for bilateral cooperation.

In two sessions -- one on energy resources and the other on energy conservation, environment and electricity issues, some participants made presentations on the present situation and

problems regarding Japanese and Russian policies and markets, as well as potential, expectations and challenges involving energy cooperation, and accepted questions from others. The dialogue gave me an opportunity to recognize anew that there could be numerous bilateral cooperation deals in areas including oil, gas, coal, renewable energy, nuclear power, energy conservation and environment.

Russia as a country with rich energy resources and supply potential and Japan as a major energy consumer and importer can build a complementary relationship to address energy market realities and enhance energy supply and demand security. They can be expected to advance their respective energy supply and demand systems through their cooperation to improve their respective three E's -- energy security, environmental protection and economic efficiency. Energy cooperation can contribute to resolving energy and environmental problems and develop into wider economic cooperation. The energy cooperation plan, though representing only one of the eight plans, can make contributions to some other plans including those for Far Eastern industry promotion, Russian industry diversification and comfortable city building. In this sense, energy cooperation is very significant.

In the future, the two countries are required to address how to materialize and realize energy cooperation on which great hopes are placed, with various possibilities in mind. The following three points are apparently important for this process.

First, it is very important for the Japanese and Russian governments to take a firm, approach and full support. Given that energy security and environmental problems feature externality, it is difficult to expect that market forces alone will resolve these problems sufficiently. Given the difficult international situation involving Russia, the two governments and their policymakers must appropriately steer bilateral cooperation to respond to problems regarding diplomatic and international relations.

Second, it is important to pursue the economic rationality of specific cooperation deals. While policy support is important for energy cooperation, market players themselves engage in and implement specific cooperation deals in the energy market. As competition is growing intense in the energy market, Japan making progress in energy market deregulation must secure and enhance the economic rationality of energy cooperation.

Third, Japan and Russia must mutually understand their respective situations, problems and needs in proceeding with energy cooperation. They must promote cooperation initiatives based on international energy supply and demand, and the political and economic environments involving them. In this sense, Japan and Russia are required to objectively analyze and understand themselves, each other and the entire environment and explore win-win cooperative relations.

In Moscow on November 3, Japanese Economy, Trade and Industry Minister Seko held talks with Economic Development Minister Alexei Ulyukayev, Energy Minister Alexander Novak

and other Russian officials to promote the cooperation plans. It was unveiled that the two countries will select about 30 deals for materialization in line with the eight cooperation plans. Regarding energy, these officials reportedly reaffirmed cooperation in nuclear, renewable energy and energy conservation areas as well as the oil and gas area. Toward the Japan-Russia summit in December, Japanese and Russian public and private sectors' talks on energy cooperation will enter a crucial stage.

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