

Participating in 2023 Pacific Energy Summit

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On August 17-18, the 2023 Pacific Energy Summit took place in the western U.S. city of Seattle. The conference has been sponsored by the National Bureau of Asian Research, a U.S. think tank, almost annually in the Asia-Pacific region since the first meeting in Tokyo in 2009. After the milestone 10th meeting was held again in Tokyo in 2019, a Kuala Lumpur meeting came on a face-to-face basis in 2022 for the first time in three years in the wake of the COVID-19 pandemic. This year's meeting was timed to follow a conference of Asia-Pacific Economic Cooperation Energy Ministers in Seattle on August 15-16.

At the Summit, government and industry officials and experts from the United States as the host country, Japan, South Korea, Indonesia, other Southeast Asian countries, etc. gathered to discuss the overall theme of "International Trade and the Energy Transition." They spoke on how international trade and economic policies influence energy security and energy transition towards decarbonization in the Indo-Pacific region. The international situation surrounding this year's conference highlights that the importance of energy security has increased dramatically due to the Ukraine crisis, making it difficult and complex to strike a balance between energy security and decarbonization. An even more important fact is that the division of the world, symbolized by the deepening confrontation between the United States and China and between the West and the China-Russia group, has led countries around the world to place importance on overall security including economic security. Another important change is the significant increase in the geopolitical importance of the Global South under the division of the world. Given these points, the discussions at the Summit under the theme of "International Trade and the Energy Transition" were extremely timely.

Although I participated in the Summit only on the first day, August 17, I had a valuable opportunity to hold talks with various experts and policy planners in Seattle for two days before the meeting. In the following, I would like to summarize important points that impressed me regarding these discussions.

First, I would like to point out that as the world becomes more divided, the importance of strengthening alliances and cooperation through alliances has once again been greatly highlighted. The importance of Japan-U.S. cooperation in addressing energy and climate change issues in the Indo-Pacific region was pointed out frequently in the discussions. In the field of energy, the significance of the bilateral cooperation in natural gas and LNG, nuclear power, and hydrogen and ammonia were emphasized. Japan-U.S. cooperation in the field of critical minerals was often discussed. The discussions in Seattle indicated that it will become even more important for Japan and the United States to cooperate within the Group of Seven, in addressing problems with China and Russia and dealing with the Global South and Asian countries.

In this respect, the importance of Japan's cooperation with South Korea was mentioned in various ways as the bilateral relations were being improved rapidly under South Korea's Yoon Suk Yeol government. Ahead of the Japan-U.S.-South Korea summit in Camp David on August 18, the deepening of cooperation among the three countries in light of the geopolitical situation in East Asia was attracting a great deal of attention. Various possibilities for cooperation will be further explored in the fields of energy and climate change between Japan and South Korea, between the United States and South Korea, and among the three countries. The three are required to enhance initiatives to promote cooperation in a timely manner in response to the changes of the times.

Meanwhile, participants in the Summit were aware of the risk of policy changes accompanying government changes to which democratic countries are vulnerable. Depending on the outcome of the U.S. presidential election next year, U.S. energy and climate change policies could be dramatically different. Since various changes and impacts may occur in foreign and national security policies, any situational change accompanying a government transition in the superpower United States will be a grave challenge for allies. Although the current South Korean government is expected to improve relations with Japan and the United States, the situation may turn around if the next presidential election leads to a regime change. It cannot be ruled out that foreign and security policies, as well as energy and climate change policies, may change dramatically. While being aware of the risks of such major changes, the current governments in the three countries will promote policies and strategies that emphasize current alliances.

Second, the Summit gave me an opportunity to hear many arguments that were conscious of the gap or deviation between the ideal and reality regarding the future energy transition. The deviation is widening between what is happening in the real world and the future image, which shows how the world must change to achieve future goals in a backcasting approach. Of course, such deviation has existed in the past. As future goals have become more ambitious, with the international energy market being shaken by the Ukraine crisis, however, the deviation is expanding even further. While the deviation between the ideal and reality widens, it seems that arguments or opinions are diverging, instead of converging. As the deviation between the ideal and reality becomes larger, it seems that a conflict is intensifying between those willing to enhance efforts for achieving ideal goals and to recognize reality and take pragmatic approaches.

From the perspective of the Global South or developing countries, a stable supply and affordability of energy, and energy access issues are crucial in the real world. While trying to pursue the ideal, developing countries make greater or more difficult efforts to come to terms with reality than developed countries. That is why developed countries such as Japan and the United States are required to adhere to and materialize the policy agreed upon at the G7 Hiroshima Summit (and the Preceding Meeting of G7 Energy, Climate, and Environment Ministers) to stand close to the Global South by recognizing "various paths" meeting national circumstances toward common goals, instead of imposing a single path on developing countries in a condescending manner.

Third, I would like to point out that participants at the Summit provided various arguments emphasizing the roles of governments and policies in advancing the energy transition, reflecting today's international situation and geopolitical environment. For example, government roles were emphasized in addressing the issue of critical minerals, which was a major topic at the Summit. It is natural that resource endowment and costs for developing and refining resources differ depending not only on geological and deposit conditions but also on environmental conservation costs accompanying development and the presence and intensity of various regulations and constraints. If everything is left to the market, it is natural for supply to concentrate in low-cost producers. The

problem is the risk of excessive dependence on specific supply sources of strategic commodities such as critical minerals. How serious this problem is having been indicated by the oil crisis 50 years ago and the current Ukraine crisis. In such a case, there may be a growing recognition that strong policies must be taken as necessary to reduce such risk, instead of leaving everything to the market. From the perspective of economic security, it is now considered right to take strategic measures even if they cost more. This trend is reflected in the idea that strong industrial policies should be implemented to promote innovation as the key to the energy transition. We must pay close attention to moves to rebuild the relationship between the government and the market.

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