

Reviewing Japanese and International Energy Situations in 2024

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There are only six days left in 2024. From the beginning of the 2020s until this year, the international energy situation has continued to be turbulent. After a significant oversupply and price collapse in the international energy market under the enormous impact of the COVID-19 pandemic in 2020, energy prices soared simultaneously in 2021. The Ukraine crisis in 2022 further accelerated energy price hikes, deepening supply insecurity in the international energy market. The Gaza crisis occurred in 2023, making the Middle East situation fluid. The international energy situation has thus been turbulent. In 2020, meanwhile, countries around the world declared carbon neutrality goals for the middle of the 21st century, accelerating the trend towards decarbonization. As the division of the world has deepened further through the Ukraine crisis, the world has entered an era of great competition for industrial policies to achieve a successful energy transition while enhancing economic security.

The year 2024, which took over the above trends, has been another turbulent year. One of the keywords for understanding the turbulence in 2024 may be political and geopolitical cataclysms. The year has been dubbed as a year of key elections in countries around the world. However, it goes without saying that the U.S. presidential election in November was the most important among the key elections that have various effects on the international energy situation. The battle between Republican Donald Trump and Democrat Kamala Harris, which had been predicted to be a close one, was won by Trump, who achieved a landslide victory by defeating Harris in all of the battleground states that had been supposed to hold the key to victory or defeat. As a result, the second Trump administration, dubbed “Trump 2.0,” will be inaugurated in January 2025. Even before the inauguration, however, the world has been forced to respond to Trump 2.0.

A Trump 2.0 energy policy, along with foreign, security, economic, and trade policies, is expected to greatly shake up the international energy situation. Trump’s low interest in and backward stance on climate change issues will also have significant impacts on the momentum of negotiations on the global issues, as well as on the international situation including the intensification of the North-South confrontation and the decline of developed countries. In this way, 2024 has become a year in which we are reminded of the magnitude of impacts that the change of government in the superpower United States exerts on the world.

June’s European Parliament elections were also important in terms of their influence. As predicted in advance, left-wingers and environmentalists lost seats to right-wingers. There is no essential change in the perception of the importance of green policies to enhance the climate change countermeasures that the European Union has led enthusiastically. Through the Ukraine crisis and its impact, however, the rising costs of living, including energy costs, have had various effects on the livelihoods of citizens, the economy, industrial competitiveness, employment, and other issues. As a result of the European Parliament elections in such a social situation, Europe must place great

emphasis on how to protect industrial competitiveness, employment, and livelihoods in promoting energy transition.

Even after the European Parliament elections, European political developments attracted global attention, including the ruling party's defeat in France's general election in July, the passage in December of a vote of no confidence in France's Michel Barnier cabinet inaugurated in September, the rejection of a vote of confidence in Chancellor Olaf Scholz in Germany in December, and the subsequent German decision to hold a general election in February next year ahead of schedule. The political instability of Germany and France, which have led the EU, was an important topic in 2024 and will be of great significance for observing the 2025 European situation including energy policy.

In terms of political destabilization, South Korean President Yoon Suk Yeol's sudden declaration of emergency martial law and the subsequent political turmoil in December created a great crisis that could affect the East Asian situation and Japan. Although Yoon withdrew the declaration quickly, the National Assembly passed a resolution to impeach the president, requiring the Constitutional Court to decide whether to dismiss him. South Korean politics has suddenly become fluid, increasing uncertainty about the future. Depending on the future course of South Korean politics, Japan-South Korea relations and Japan-U.S.-South Korea cooperation could be affected greatly. As the East Asian geopolitical situation becomes increasingly severe, we must pay attention to the South Korean situation, which could exert a great impact on energy cooperation between Japan and South Korea.

The situation in the Middle East in 2024 has remained turbulent. As the seemingly never-ending Gaza crisis has continued, conflicts and confrontations have spread throughout the Middle East, with Iran and Israel exchanging direct attacks in April and October. While Israel was attacking anti-Israel forces such as Hamas and Hezbollah, the Hafez al-Assad regime in Syria was suddenly overthrown by rebels in December. The current international situation, including the weakening of Hezbollah, which had backed the Assad regime, as well as Assad supporter Russia's busy engagement with the Ukraine War, might have contributed to the collapse of the Assad regime. In this situation, the Middle East will face Trump 2.0 next year. Whether or not the Middle East situation will be further destabilized and its impact on energy supply will be important points that will affect the international energy situation in 2025.

While the global geopolitical situation has become fluid, with the outlook remaining uncertain, international energy prices have been relatively stable. Among them are crude oil prices, including the benchmark Brent crude price, which has averaged almost \$80 per barrel so far this year, down slightly from the 2023 average of \$82/bbl. Despite geopolitical tensions, factors such as the slowdown in the global economy, including China as the largest oil importer, have continued to weigh on the oil market. Under these circumstances, the OPEC-plus group of oil-producing countries has had no choice but to maintain production adjustments to support oil prices. One of the characteristics of the international energy market in 2024 is that the geopolitical situation and macroeconomic factors have continued a tug of war.

Under such an international situation, discussions were underway in Japan to formulate the Seventh Strategic Energy Plan towards the announcement of its draft in December. In order to respond to the severe domestic and international situation for Japan while being aware of decarbonization efforts to achieve carbon neutrality by 2050, the government drafted the framework of its energy policy towards FY2040. As discussed in A Japanese Perspective on the International Energy Landscape (720), it is particularly noteworthy that the draft features a major shift from the current policy of reducing

dependence on nuclear power as much as possible to a new policy of making the maximum use of nuclear power as well as renewable energy.

An energy supply and demand outlook for FY2040, which was released in conjunction with the draft, shows that Japan's power generation will increase to 1.1-1.2 trillion kilowatt-hours under the influence of digital and green transformation and that renewable energy will account for 40-50% of the power generation mix, nuclear power for 20%, and fossil fuels for 30-40%. Although the nuclear power share remains almost unchanged from 20-22% for FY2030 under the current Sixth Plan, nuclear power generation in FY2040 is expected to increase significantly to 220-240 billion kWh due to the substantial increase in total power generation. This exactly shows how Japan will make maximum use of nuclear power. At the same time, it is extremely important to note that "Strategic Plan B", in which liquefied natural gas demand will increase from the current level to 74 million tons, is presented for a scenario in which the introduction of innovative technologies will lag behind schedule under an ideal scenario for FY2040.

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