

A Review of the International Energy Landscape in 2010

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The international energy landscape in 2010 saw various events and challenges that shook the world. At the end of 2010, I would like to review the year's international energy landscape and make comments on six major topics that attracted particular attention.

First, crude oil prices remained in a “range-bound” movement for most of the year before rising beyond the upper range of the bound late in the year. Behind the change have been massive money inflows into the oil futures market under quantitative monetary easing in the United States and other countries. The recent crude oil price hikes have thus featured the effects of financial factors. Optimism for the avoidance of a double-dip recession late in the year and the cold waves in Europe and the United States might have also contributed to boosting crude oil prices. In the year 2010, the international oil market further deepened its close link with the world economy and international financial markets.

Second, the year 2010 saw an unprecedented global rise in expectations for growing role and importance of natural gas. The International Energy Agency's World Energy Outlook 2010 used the words “a golden era” to describe expectations and prospects on gas. The most influential driver of the expectations has been the so-called “shale gas revolution” that has originated from the United States. But the focus of attention has shifted to how the impact and spillover effects of the revolution would spread from the United States to European and Asian markets. The year 2010 featured the impact of the revolution that began to not only influence the natural gas market but also to affect the future course of other energy sources including oil, coal, nuclear and renewable energies that are competing with natural gas.

Third, the year saw various challenges surfacing with such non-fossil energy sources as nuclear and renewable energies that had been considered as increasingly important energy sources to address energy security and climate change. While natural gas has demonstrated its advantages including abundant resources, relative economic competitiveness, stable supply and high social acceptability, the future course of the U.S. “Nuclear Renaissance” has grown more uncertain.

Concerns have also emerged about the future deployment of costlier renewable energies. Contributors to these situation may include a prolonged economic slump particularly in industrial countries and growing uncertainties of global warming negotiations as described later. In contrast to industrial countries, new markets, including such emerging countries as China and India, and Middle East oil producing nations, have become the leading driver of the nuclear and renewable energy market expansion. As seen typically in the nuclear energy area, international business competition has grown more intensified in the expanding “new markets”, which include Vietnam and other Southeast Asian countries, as well as Middle Eastern nations such as Saudi Arabia, Jordan and Turkey. While major global players competed for nuclear business opportunities in 2010, responses to more important international problems including nuclear security and safety as well as nuclear non-proliferation surfaced as key challenges.

Fourth, China became a focus of attention regarding international energy challenges in 2010. While the influences and presence of emerging countries as a whole increased further. While it was almost impossible to find any area free from the rise of China in international politics and the world economy, Chinese moves, including growing energy demand, rising dependence on energy imports and aggressive resources diplomacy, grabbed energy news “headlines” in 2010. As symbolized by the rare earth problem as well, China’s developments and its assertive diplomacy or posture attracted the most attention in the world in the year.

Fifth, the United States saw various difficulties in the year in contrast to China as a rising power. The United States remained plagued with a prolonged economic slump, high unemployment and damaged balances sheets problems in 2010, although economic sentiment rose toward the end of the year on rising stock prices with double-dip economic slowdown fears fading away. Although midterm Congressional election results have tended to be unfavorable for the ruling administration, the midterm election results in November 2010 were severe for the Obama Administration. Its political management has been forced to address a new domestic political environment including the Republican-dominated House of Representatives (and the abovementioned economic environment). In diplomacy, the United States in the year faced new challenges including East Asian problems such as growing tensions on the Korean Peninsula and China’s rise, in addition to problems regarding Middle East countries such as Afghanistan and Iran.

Sixth, international talks on a new framework to address global warming might have decelerated in 2010 as relevant international moves and responses had to face numerous difficulties and challenges. At the 16th Conference of the Parties to the U.N. Framework Convention on Climate Change, known as COP 16, participants produced the Cancun Agreement, maintaining the momentum of negotiations in a run-up to the COP 17 conference while leaving many important problems pending. This means that future international negotiations will grow even more important. In the absence of global governance amid great uncertainties over the future course of the world

economy and amid industrial countries' decline and emerging countries' rise in international politics, global warming negotiations may naturally have to slow down for adjustments to prevent any decisive confrontation or any breakdown of talks.

The six topics cited above represented key issues of the international energy landscape in 2010. How these issues would change in 2011 may be very important for anticipating the future landscape. New issues other than these problems may characterize the international energy landscape in and after 2011. I would like to continuously analyze the international energy landscape from various angles or viewpoints, to implement IEEJ's mission of "Considering the Energy-Environmental Issues of Japan and Asia from a Global Perspective and Proposing Policy Solutions."

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