

The Two International Energy Seminars in Tokyo and their Implications to Natural Gas

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On July 19, the Institute of Energy Economics, Japan, sponsored two international energy seminars in Tokyo. In the one seminar, International Energy Agency Executive Director Nobuo Tanaka made a presentation on the prospects and challenges of the international energy situation. Another was a joint Japan-Australia energy seminar. Both seminars dealt with a wide range of timely topics from the perspective of the present energy situation. Below, I would like to give my comments on discussions at the seminars.

In the former seminar, IEA Executive Director Tanaka made a presentation covering a wide range of important topics including the IEA's recent coordinated release of oil stockpile, the Fukushima Daiichi nuclear plant accident's impact on global nuclear power generation and overall energy supply/demand conditions, details and implications of the golden age scenario for gas, energy security linked to nuclear power generation and renewable energy, and Japan's energy policy challenges. Particularly, the analysis of future nuclear power generation and its implications for natural gas was very interesting, having a bearing on the Japan-Austria joint workshop, which will be discussed later.

According to the his presentation, IEA expects that nuclear plants' diffusion may be slower than earlier expected as the Fukushima nuclear plant accident is likely to bring about an increase in the number of nuclear reactors for earlier-than-expected decommissioning under tougher safety regulations, a delay in investment in new nuclear reactors and overall nuclear plant cost hikes. Although IEA is expected to give a detailed analysis in the newest World Energy Outlook to be released in November this year, Mr. Tanaka indicated a scenario where nuclear energy's share of global electricity generation may decline to 10% in 2035 from the present 14%. His key point was that natural gas may play a central role in making up for the decline in nuclear power generation. But he also indicated that factors supporting the expansion of gas demand include not only slack nuclear power generation but also supply-side factors such as the existence of abundant unconventional gas resources and demand-side factors such as substantial natural gas demand growth in China and other

developing countries and the exploration of new gas demand in transportation and other sectors.

Another interesting point for me was that Mr. Tanaka gave an analysis of nuclear energy's roles in countries with lower energy self-sufficiency ratios, heavy dependence on specific energy suppliers (including the Middle East and Russia) and nuclear energy's roles based on international comparison, as a perspective for considering energy security. It was also interesting for me to hear that whether electric grid networks and other infrastructure spread beyond borders can be a factor that could have influences on energy choices. This is a useful point for discussions on Japan's future energy policy.

The Japan-Australia joint energy seminar featured very timely topics for Japan as a major energy consumer/importer and Australia as a major energy resources holder/exporter that hope to enhance and deepen their bilateral relations. Representatives from the Australian government and major firms engaged in Australia LNG projects delivered addresses, including Australian Energy Minister Martin Ferguson and officials from Woodside, Santos and Chevron. From the Japanese side, representatives of Japanese government, Inpex Corp., Tokyo Gas Co. and myself made speeches/presentations.

It was significant that representatives from the Australian and Japanese companies indicated their respective specific views and project-based prospects regarding the importance of natural gas or LNG for the two countries, Australian LNG supply estimates, and Japanese (and Asian) LNG demand estimates, and voiced their mutual confidence, appreciation and expectations as business partners. I thought that it was important that the Japanese and Australian energy experts, while indicating different features and priorities in their reports, shared awareness about the long history of Japan-Australia energy partnership, expectations on substantial gas supply expansion supported by Australia's vast gas resources potential, positive efforts to promote investment enabling LNG supply to be expanded, the potential of LNG demand growth in Japan as a stable, reliable market, and Japan's high eagerness and efforts to secure stable LNG procurement.

Behind the shared awareness may be growing expectations on LNG or natural gas in the wake of the Great East Japan Earthquake. We can understand this point in the same context as for the future scenario depicted by IEA chief Tanaka. Given the above, it was very significant that public and private sector stakeholders in Japan, the world's largest LNG importer, and Australia, expected to become the world's largest LNG exporter around 2020 through its substantial production capacity expansion, discussed how best to enhance Japan-Australia relations for the two countries' respective development.

Reports and discussions at international seminars often provide participants with

opportunities to give their respective opinions. And interestingly, it often happens as well these opinions shown in the seminar may indicate or form a sense of the contemporary trends and shared perceptions in the energy market. In this context, the two separate seminars held on the same day have given me an opportunity to reaffirm key points of the energy problems facing Japan and the world, and important measures to solve them.

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