

## **An International Gas Conference in Mongolia**

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The 12th conference of the Northeast Asian Gas & Pipeline Forum (NAGPF) took place in the Mongolian capital of Ulan Bator on August 29 and 30. The NAGPF is an international forum of policymakers, industry people and experts interested in natural gas and pipeline problems in Japan, China, South Korea, Mongolia and Russia. The five countries host the forum's conference every two years in rotation. The Petroleum Authority of Mongolia sponsored the latest conference where nearly 100 people from the five countries vigorously discussed the present status and future prospects of natural and pipeline problems in Northeast Asia under the recent international situation. In commenting on discussions at the conference, I would like to make four impressive points as follows:

First, the discussions indicated a growing recognition that natural gas will increase its significance further in energy supply portfolio in Northeast Asia. At the conference, each country's medium to long-term energy demand outlook was reported, projecting or expecting a steady increase in gas demand. These reports can be interpreted to demonstrate the Northeast Asian version of the International Energy Agency's "golden age of gas" scenario. At the same time, participants in the conference interestingly noted that the problem was how to respond to the growing demand and secure stable gas supply.

The country-by-country reports, while projecting rising natural gas demand in the whole of Northeast Asia, pointed to different factors behind the increase. Under the impacts of the Great East Japan Earthquake and the Fukushima Daiichi Nuclear Power Plant accident, Japan is shifting to natural gas/LNG from nuclear energy. China plans to substantially expand demand for gas as a clean energy for high economic growth under the 12th five-year development plan. South Korea expects to increase gas demand as its state-run Kogas proactively explores domestic and overseas gas supply sources including pipelines from Russia. Mongolia, though having yet to use natural gas, is considering introducing gas through the development of its rich unconventional gas resources including coal-bed methane. In order to allow natural gas to play the expected roles throughout the whole of Northeast Asia beyond these country-by-country conditions, these countries will have to develop adequate natural gas utilization infrastructure, supply gas at competitive prices and step up

their relevant regional cooperation.

Second, we cannot ignore geopolitical problems in considering natural gas problems in Northeast Asia. Among natural gas infrastructure development projects in the region, the construction of long distant trunk pipelines attracts attention. Regarding pending projects for large pipelines including those for Russia's direct gas supply to China, for its supply to South Korea via North Korea and for its supply to China via Mongolia, however, we have to consider not only such basic important points as how to secure the economic feasibility of their construction and operation but also complicated political and national security problems between these countries. A typical such pipeline project was taken up at a Russia-North Korea summit on August 24.

Russia's relations with Central Asian and European countries (which imports Russian gas through existing pipelines) may also influence these pipeline construction projects. Northeast Asia thus features a typical energy geopolitics scene where economic factors are closely entangled with complex, multilayered problems regarding international politics and national security. Under such situation, countries are taking advantage of various negotiations and discussions to maximize their respective national interests. It is important for us to directly face the realities.

Third, the conference provided me with an opportunity to strongly feel the growing importance and presence of Mongolia that hosted the meeting. Backed by the potential of its rich mineral resources including coal, uranium and rare earth metals, Mongolia has accelerated its economic growth since 2010. Paying attention to mineral resources development and economic growth in Mongolia, not only its neighbors like China, Russia and South Korea but also Europe, the United States and Japan have enhanced their attitude of promoting economic cooperation and direct investment in Mongolia. The Mongolian government has understood the situation and is seeking to further develop its country. Its economic development may naturally lead to an increase in its energy demand, an energy policy to introduce gas and other cleaner energy sources to improve its coal-dominated energy supply, and large-scale investment in relevant infrastructure development. Such resources and energy development problems are interestingly linked to Mongolia's geopolitical position. Given Mongolia's historical, political and economic relations with China and Russia, and its geographical position sandwiched between the two big powers, the Mongolian government's future external resources and energy policies may attract much attention from not only China and Russia but also from Japan, South Korea and the United States.

Fourth, the conference led me to feel that the Great East Japan Earthquake and the Fukushima nuclear plant accident have prompted other Northeast Asian countries to grow more interested in the future course of Japan, particularly the fate of its energy market and policies. Japan's energy policies under the new administration led by Yoshihiko Noda and their implications and impacts on the region and the other Northeast Asian countries may become matters of concern to

these countries. As their interests in Japan are very great, Japan is required to make and implement an international energy strategy giving considerations to their interests. Future policy discussions may focus on domestic problems and measures regarding nuclear, renewable energies and energy conservation. This may be natural. Domestic policy discussions must be promoted firmly. At the same time, however, Japan must discuss an international energy strategy reflecting the global situation.

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