

Participating in the 3rd IEA-IEF-OPEC Symposium on Energy Outlooks

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On January 22, I had an opportunity to participate in a symposium on energy outlooks that was cosponsored by the International Energy Agency, the International Energy Forum and the Organization of Petroleum Exporting Countries in the Saudi capital of Riyadh. The symposium has been held annually since 2011, and the latest was the third event. The participants in the symposium had vigorous discussions on IEA and OPEC energy outlooks, and key factors, assumptions and concept/framework regarding short-, medium- and long-term energy supply and demand outlooks. The number of participants substantially increased from the previous symposiums to about 100 people including representatives from the three international organizations as well as energy policy and industry circles.

First, the participants noted that the IEA and OPEC outlooks narrowed their gaps in short-term supply and demand forecasts in general while retaining wide gaps in long-term forecasts. They also pointed out that gaps were wider for supply forecasts rather than demand forecasts. These gaps are attributable to a wide range of differences including those in definitions of items in supply and demand outlooks, in assumptions, in the setting of “cases” or “scenarios”, in ways to take energy policies and technological progress into account, and in the relevant model structures.

As there are various energy forecasts including the IEA and OPEC outlooks, the existence of gaps is not a problem. The gaps can be taken as characterizing these outlooks. Given policy implications including outlook for “Call on OPEC” and relevant investment requirements based on the various supply and demand outlooks, however, extreme gaps could increase uncertainties about the future course and bring about destabilizing factors in the market. In this sense, it is significant for the IEA, OPEC and energy experts in the world to consider the causes and meanings for the gaps from a technical and analytical viewpoint. Based on the above recognition, the two organizations were encouraged at the latest symposium to take concrete steps to enhance information and view exchange on their outlooks in the areas that they can agree, which includes discussion on and adjustment of “definitions” of forecast items. In my view, this is an important achievement of the symposium from the viewpoint of deepening discussion and actual progress.

The second key point of the symposium was that participants reconfirmed that Asian and other countries outside the Organization for Economic Cooperation and Development are important for global energy supply and demand forecasts. This is because the non-OECD region including China, India and other Asian countries is outstandingly important, particularly for the expansion of energy demand. When making global energy outlooks, energy experts now unanimously consider that the gravity center of the global energy market is shifting to Asia or the non-OECD region as far as energy demand is concerned.

The problem is that fundamental data even about present conditions have not been collected sufficiently for forecasting demand in the important region of Asia. It is thus difficult, for some time, to figure out realities accurately and timely. While calls exist for improving OECD energy data and statistics further, the enhancement of data and information collection in the non-OECD region including Asia has become a very great challenge from the viewpoint of the non-OECD region's growing presence in the world. As a symbolic problem, the non-OECD region's oil inventory data were discussed at the symposium. Participants pointed to the challenges regarding the collection of data about the present status of the non-OECD region's private and national oil reserves. Impressively, many participants called for enhancing international data-collecting efforts, including the Joint Oil Data Initiative, known as JODI, in order to increase the transparency of markets, improve the accuracy of forecasts and deepen relevant people's understanding about markets.

The third key point was that the symposium participants shared strong interests in the importance of unconventional energy resources development for future global energy outlooks. The ongoing "U.S. shale revolution" has reformed U.S. energy supply and demand, brought about surplus liquefied natural gas supply in the Atlantic market, eased the supply-demand balance in the European gas market, exerted pressure on the Russian natural gas strategy, and stimulated progress in U.S. projects for exporting LNG to Asia, shaking the global gas market. The revolution's impacts are not limited to those on the gas market. By causing an expansion in exports of surplus U.S. coal, the revolution has affected European and Asian coal markets. By bringing about gas price drops, it seemed to exert some influences on nuclear and renewable energy. The expansion of U.S. shale oil has become a key factor for U.S. energy "independence" and has been coupled with the U.S. domestic gas price decline to play a major role in enhancing U.S. economic power and changing global energy geopolitics.

Based on the abovementioned conditions, experts made presentations on the future course of U.S. and non-U.S. unconventional oil and gas production in the symposium, leading to active discussions on the matter. Growing dominant is the view that the ongoing steady expansion of U.S. unconventional energy resources production is likely to continue for a while, at least up to 2020s. Meanwhile, various opinions and views exist on the impacts on the environment issue, development

costs, economic efficiency and other factors that will have great influences on the future shale energy production trend. Future relevant developments would be critical for the outlook of unconventional oil and gas supply. In other words, energy experts in the world may be questioning what would work to change the current trend of fast-growing shale energy production. The intensive discussions on the matter at the symposium clearly demonstrated that unconventional energy resources development is the most important and hottest topic for global energy outlooks.

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