

## **Deepening Japan-Australia Energy Relations**

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On November 12 and 13 in Australia's Brisbane, the Griffith Asia Institute of Griffith University sponsored a conference titled "The Australia-Japan Dialogue: Energy Security: Challenges and Opportunities." The conference focused particularly on energy problems involving the two countries within the bilateral dialogue framework. Nearly 30 Japanese and Australian intellectuals and experts participated in discussions there. I here would like to introduce impressive points of the discussions.

First, I would like to point out that the Australian side indicated great interests in Japanese energy problems. As Japan is the largest buyer of energy commodities (including liquefied natural gas, coal and uranium) from Australia, Japan's energy situation and energy policy revision discussions after the March 2011 Fukushima nuclear plant accident are very important problems linked to Australia's national interests. Australian participants offered serious questions and opinions in response to Japanese participants' presentations on various matters including the pending restart of nuclear reactors, advisory panel discussions on the "best energy mix" policy, backend and other nuclear fuel cycle problems, renewable energy deployment problems after the introduction of the feed-in-tariff system, the prospects of electricity system reform, possible further progress in energy conservation, and efforts for stable procurement of fossil fuels including LNG.

Particularly, Australians' high interests in the LNG related issues were impressive to me. Australia is the largest LNG supplier to Japan, while Japan is the largest LNG export destination for Australia. Furthermore, Australia is considering many new LNG projects including those in which Japanese firms will participate. Australia is expected to replace Qatar as the world's largest LNG exporter around 2020. Behind Australia's high interests in the Japanese situation is the fact that security of demand for LNG is growing more important for Australia for three reasons -- (1) that Japan's possible restart of nuclear reactors and future best energy mix policy could greatly affect its LNG demand, (2) that the Japanese government and private sectors are seeking to procure LNG at more competitive prices, and (3) that new LNG supply projects in the United States, Canada and Russia are expected to become key competitors for Australia. The fact became a focus of discussions at the conference due to the Australian challenge of how to improve the competitiveness of Australian LNG projects featuring rising costs.

Second, I would like to note that energy conditions in Australia as well are changing dramatically. Australia saw the first government change in six years when Liberal Party leader Tony Abbott became prime minister upon the conservative coalition's victory in a general election this September. Under the new Abbott government, discussions have become active on energy and environmental policy revisions. During the Brisbane conference, parliamentary deliberations started on a measure to repeal a carbon tax introduced by the previous administration. The measure became one of key topics at the conference. Among matters attracting attention in Australia include climate change policy including the carbon tax, electricity and gas price hikes and problems involving renewable energy diffusion. These matters were key topics for the Australian side's presentations at the conference.

Participants in the conference pointed to emerging Australian energy problems as follows. Australia, though remaining a net energy exporter through coal and LNG exports, has seen a fast rise in its dependence on oil imports. In 2012, it depended on imports for 55% of its oil supply. It is the only member of the International Energy Agency that has failed to meet an IEA obligation to hold 90 days of net oil imports in reserve. Given the abovementioned matters, calls have emerged for revising Australia's energy policy on a full-fledged basis. Some conference participants noted that moves for the revision have started.

Third, it was interesting for me to see conference participants discuss global and regional situations surrounding Japan and Australia from various angles. Specific issues for discussions there included international energy situation changes under the shale revolution, their impacts on the two countries, a rise of China and its implications for the two countries on international political, economic, geopolitical and energy situations, and future U.S. foreign and energy policies and their impacts on the two countries. They are important issues that the two countries cannot shrug off. Many participants acknowledged that Japan and Australia should deepen discussions on the wide range of issues. Particularly, discussions on the two countries' relations with China and the United States attracted my attention because the relations are critically important for political, economic and energy areas in Japan and Australia.

It was significant that Japanese and Australian participants in the two-day conference recognized the presence of various challenges regarding energy in Japan and Australia and exchanged views on how best to deepen bilateral energy relations and cooperation. Japan seeking security of energy supply has a mutually complementary relationship with Australia pursuing security of energy demand. It is important that Japan and Australia have deepened their interdependent relationship in energy trade through long-term efforts by their relevant stakeholders and have recently enhanced their energy investment relationship as well. The two countries have become indispensable for each other for their sustainable development. Japan and Australia will have to maintain and enhance their existing relations which have been deepened so far and strengthen ties

in new areas (including energy conservation and renewable energy) while exploring their needs and strengths. The two countries have both joined the OECD (Organization for Economic Cooperation and Development) and IEA, share various common values and are U.S. allies. I hope that Japan and Australia will leverage their deepening energy relations to go ahead with higher-level bilateral dialogue.

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