

Challenges for Global Energy Governance

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There are various viewpoints for analyzing the international energy situation. One viewpoint focuses on each energy source or market such as oil, gas, coal, nuclear and renewable energy. Another analyzes the situation on a country-by-country or region-by-region basis. We can also consider energy problems from political, economic, social and technological viewpoints. A viewpoint in which I have recently been interested is global governance for energy issues.

What would the international energy governance or order be? Global governance itself may be interpreted variously by different people, covering a wide range of matters. No widely-agreed definition of global governance may exist. For this report, global governance can be defined as covering various stakeholders' initiatives, systems, frameworks, management and governments to deal with cross-border global problems. In this sense, the global energy governance may include initiatives or mechanisms to deal with and resolve global energy problems.

Over recent years, we have heard the G-2 (Group of Two) and G-0 (Group of Zero) concepts mentioned frequently in regard to global governance in general. Earlier, the G-20 (Group of 20) framework including emerging countries attracted attention as a mechanism to tackle global political and economic problems in response to changes in the global power structure, replacing the G-7 or G-8 (Group of Seven or Eight) framework dominated by industrial countries. But we now also see the G-2 concept meaning that the United States and China as the world's two superpowers may lead global governance. In addition, there is the G-0 concept that no country or framework is working for global governance. How should global problems be tackled? Global governance is now put into question. But the world now faces a mountain of grave problems regarding international politics and the world economy, requiring firm global governance.

What are the global energy problems and their governance like? The global energy situation is similar to the world situation described above. While there are a large number of global energy problems that have been complicated and deepened, their governance has been insufficient, incomplete and underdeveloped. A typical case is governance involving international negotiations on how to reduce greenhouse gas emissions (in reality this is a global energy-environment problem). Sandwiched between the global interest of global warming prevention and various conflicting national interests, international negotiations are struggling to produce concrete agreement on the target beyond 2020. What specific solutions to global warming could emerge from the negotiations? The answer remains uncertain.

Another matter of interest to me is the international energy market stability as an international public good. The challenge is who would govern and manage international energy markets (and their stability). In the oil market as the largest international energy market, various mechanisms and players have been involved in the market governance. As the Organization of the Petroleum Exporting Countries expanded their power after the “Seven Sisters” dominance of the international oil market, the first oil crisis prompted the United States to take leadership in creating the International Energy Agency in a bid to tackle oil market stability as a global challenge. The IEA has developed a mechanism for obligated oil reserves for its member countries and their release through cooperation between its member countries, continuing to make contributions to stabilizing the international oil market.

But we now see structural changes in the role/function of IEA in the world oil market. The biggest problem is that non-IEA countries including such emerging countries as China and India have expanded their share of the global oil market to a level exceeding the shrinking share for the IEA members. This trend is expected to continue, leading the IEA members’ share to decline further. The IEA’s “governance” of the oil market for its stability is expected to weaken. This is one reason the IEA has taken an “outreach” approach enhancing cooperation with non-IEA countries including China and India. But we may have to check whether the outreach approach could sufficiently secure the global oil market governance.

The shale revolution’s impact on global oil market governance is also attracting attention. As explained above, the United States took leadership in creating the IEA. As an oil importing superpower, the country has developed the global governance arrangements under its own energy security policy. But the situation has changed as growing shale gas and oil output has raised the United States’ energy self-sufficiency. The United States has substantially expanded exports of liquefied petroleum gas and other petroleum products and is preparing for exporting liquefied natural gas and considering lifting a ban on crude oil exports. Attracting much attention now is how these changes would influence the U.S. energy security concept and relevant discussions or global governance involving energy.

Among the mountain of energy problems and challenges, we now see many global governance challenges including stable supply and security in the expanding gas and LNG market as well as the oil market, and the three S’s (safety, security and safeguard) for nuclear energy. What mechanisms, systems or initiatives would be required to tackle these global problems? What should Japan do to solve them? We must consider answers to these questions.

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