

Toward Japan-China-South Korea Energy Cooperation

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On September 25, Japanese, Chinese and South Korean energy research institutes met in Seoul to discuss their countries' energy situations and their cooperation in solving energy problems. The Korea Energy Economic Institute hosted the meeting, inviting the Institute of Energy Economics, Japan, and China's Energy Research Institute to participate in the gathering. Over the past years, political tensions between Japan, China and South Korea had prevented the three institutes from holding trilateral meetings, although the bilateral exchange talks continued among the three institutions. It was significant for the three institutes to get together for frank discussions under the current political situations.

After the three institutes' presidents delivered opening addresses at the meeting, their representatives made presentations for panel discussions in four sessions on (1) the entire picture of medium to long-term energy policy challenges, (2) the issues related to nuclear power generation including enhancing safety and recovering confidence, (3) the shale revolution and natural gas/LNG problems, and (4) potential electricity-gas cooperation and relevant challenges. Serious discussions at these sessions gave participants an opportunity to recognize how difficult and complex the key energy and environment policy challenges facing the three countries are. This is relevant because the international situation surrounding the three countries has dramatically changed and grown more uncertain due to growing geopolitical risks in the international energy situation, the progressing shale revolution and its impact on Asia, and the significance of global and Asian environment problems.

While participants discussed various problems and energy cooperation for solving them, there were three impressive points for me at the meeting. The first point involves various challenges regarding nuclear energy. While seeing progress toward the restart of the Sendai nuclear power plant, Japan is still struggling to recover confidence in nuclear safety and policy. South Korea is also struggling to restore confidence in nuclear safety due to the impact of the Fukushima nuclear crisis and problems with the domestic nuclear industry, while many people admit the importance of nuclear energy. China, while proceeding with a large-scale nuclear development program, faces safety concerns and growing opposition from residents living near the planned nuclear plant sites. While the three countries have different conditions regarding nuclear energy, nuclear problems have

become a major energy policy challenge for the three. Participants in the Seoul meeting called for considering common initiatives, mechanisms and organizations for the three countries to build and improve confidence in nuclear energy and share and disclose information, as well as to share lessons from the Fukushima accident and enhance technological and institutional safety. Significantly, they discussed the importance of cooperation in nuclear security and nonproliferation initiatives and in emergency response and crisis management.

The second impressive point is related to natural gas or LNG. How to make effective use of natural gas as the cleanest fossil fuel is a common challenge for the three countries. The challenge translates into the problem of how the three countries should secure abundant natural gas supply at competitive prices. Chinese participants indicated their great expectations on domestic shale gas development as a solution. In reality, China's shale gas development has various problems so that any substantial production expansion is seen as difficult for a short to medium term. But China may proactively promote shale gas development in cooperation with other countries. Participants in the meeting also discussed benefits and utilities that a U.S. shale gas output expansion would bring to major Asian LNG importers including Japan, China and South Korea. The question is how could Asian LNG importing countries procure LNG more competitively, given a sharp increase in LNG supply for Asia toward around 2020. Asian government and corporate efforts over the next several years would be important in this respect. These efforts will include both individual and joint efforts. One joint effort cited at the meeting is their cooperation in enhancing the flexibility, liquidity and transparency of the Asian LNG and natural gas market. This means their cooperation in paving the way for better market functioning to be developed. In this respect, the three countries are going in the same direction.

The final impressive point is that the three countries have no choice but to face their respective major problems as long-term energy policy challenges. While the best energy mix has yet to be fixed, Japan must now tackle difficult problems including nuclear energy's positioning, the appropriate promotion of renewable energy, how to secure stable fossil fuel supply at stable prices, and electricity and gas system reform. South Korea has revised its Basic Energy Plan and set a target energy mix including the nuclear share at 29%. But it is plagued with the abovementioned nuclear energy problems, a delay in energy efficiency improvement under policy-driven low electricity prices and its adverse effects on the Three Es (energy security, environmental conservation and economic prosperity). While improving its energy supply and demand structure featuring heavy dependence on coal, China will have to incorporate into its 13th five-year development plan the Three Es, maintenance of economic competitiveness and other policy solutions that could occasionally trade off with each other. The three countries thus have their respective complicated challenges. In this sense, they should continue a comprehensive, frank exchange of views through such forums as the latest trilateral meeting, with an aim to share their respective challenges and select areas for their effective energy cooperation. Such trilateral non-political communications would be important not only for energy cooperation but also for accumulating confidence-building

efforts to promote overall Japan-China-South Korea cooperation. The three energy research institutes reaffirmed that they should meet annually, instead of treating the latest meeting as a sporadic event. Given the results of the meeting, I would like to place expectations on future Japan-China-South Korea cooperation.

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