

Energy Challenges in Japan, China and South Korea and the Regional Cooperation

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On September 24, the second Japan-China-South Korea joint energy workshop took place in Beijing. Representatives of the Institute of Energy Economics, Japan, China's Energy Research Institute and the Korea Energy Economic Institute attended the workshop, following the first one in Seoul last year, to discuss the three countries' energy challenges, initiatives to resolve these challenges and their energy cooperation as part of such initiatives.

As noted in my 188th special bulletin on "A Japanese Perspective on the International Energy Landscape" that summed up discussions at the first trilateral workshop, the international political situation and tensions regarding Japan, China and South Korea had once prevented the three institutes from holding their meeting. But the first workshop overcame this problem and launched a constructive attempt to explore the three countries' energy cooperation and help improve their relations by enhancing and deepening discussions among the three institutes. The second one was significant for solidifying the momentum gained last year.

Following opening speeches by the heads of the three institutes at the outset of the workshop, each of the three countries' presentations came in the first session on general energy policy challenges, the second on energy conservation policies, the third on energy-environment and climate change policies and the fourth on renewable energy policies. Lastly, participants made lively discussion to cover the topics in the previous sessions. In the following, I would like to sum up some points that were impressive to me in the workshop.

First, I felt that the three countries, though in different conditions, commonly face difficult energy policy challenges. Japan has at last worked out an energy mix as a desirable picture for FY2030 under its energy policy. But its realization may not be easy. Japan will have to address difficult challenges such as the further enhancement of energy conservation, the restart of nuclear power plants and the revision of renewable energy policies. China, while pursuing stability in the "New Normal," has seen a faster-than-expected slowdown in economic growth resulting in an energy demand slump and an oversupply. Under such situation, China is now required to formulate the 13th five-year development plan and a medium to long-term energy strategy. A major challenge for South

Korea is to reform its energy market while enhancing energy conservation and renewable energy diffusion and proceeding with the steady utilization and promotion of nuclear energy. Presentations by the three countries' institutes indicated their respective problems and efforts to solve them.

Second, I felt that the three countries must take future-oriented initiatives as the international situation surrounding these countries, plagued with their respective challenges, is growing uncertain. Japan and South Korea, which heavily depend on energy imports, have benefitted from the recent declines in crude oil and liquefied natural gas prices and the loosening international energy supply-demand balance that has brought about the price drops. China, though depending on imports for only about 15% of its overall primary energy supply, also has a heavy dependence on oil and to lesser extent on gas imports, being placed in the same situation as Japan and South Korea. But there are concerns that the present low prices would be reversed over a medium to long term to be replaced with high prices under a tighter supply-demand balance. I thought that how to take advantage of the current situation without being complacent with the easy supply-demand balance and buyers' markets at present is a challenge common to the three countries amid the uncertainties.

Regarding the abovementioned points, some workshop participants in the discussion argued that Asian LNG market functions should be strengthened through the invigoration of the market, the enhancement of transparency and the expansion of the market's flexibility to further develop the market. Specifically, they called for the three countries to commonly try to relax or repeal the so-called destination clause in LNG import contracts. Given the three countries' great presence in the Asian or international LNG market, we should not ignore the possibility that their cooperation in trying to do so could have great impacts. In this sense, we may have to closely watch future developments regarding the three countries' efforts to address this issue.

Among other topics, workshop participants made various arguments about the importance of information exchanges on effects and limits of initiatives, institutions and policies for enhancing energy conservation and diffusing renewable energy while minimizing economic costs. They also discussed the significance of deepening information exchanges on how to position and use nuclear energy that has been exposed to serious public criticisms while being basically expected to play a key role in addressing the 3Es -- economic efficiency, energy security and environmental protection, as well as on the 3S (safety, security and safeguard) challenges as the base for nuclear energy utilization. Many workshop participants pointed out that while countries in general should individually make serious efforts to address energy and environmental problems in principle, their energy cooperation to complement individual efforts would be extremely important. Particularly, Japan-China-South Korea cooperation would be significant because of its great impact and spillover effects on the three countries' overall relations, they noted, indicating constructive and friendly discussions.

Based on the deepened discussions, a proposal came from Japan to host the third trilateral workshop. The proposal was broadly approved. In the future, I hope that the three countries will proceed with good discussions toward their resolution of energy problems and their relevant cooperation.

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