

IEA Executive Director Dr. Birol's Presentation at an International Energy Symposium in Tokyo

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On December 21, International Energy Agency Executive Director Dr. Fatih Birol made a presentation at an international energy symposium at Keidanren Hall in Tokyo. His presentation focused on the IEA's World Energy Outlook 2015 released in November 2015, followed by a panel discussion in which I participated along with Dr. Birol, Mr. Nobuo Tanaka, former IEA Executive Director and President of the Sasakawa Peace Foundation, and Mr. Mitsutsune Yamaguchi, Special Advisor to the Research Institute of Innovative Technology for the Earth. In the following, I would like to summarize the points that were impressive to me mainly in Dr. Birol's presentation.

First, on the crude oil price plunge as the most interesting problem regarding the international energy situation at present, Dr. Birol emphasized (1) that crude oil prices would not remain at the current low levels for long and (2) that low crude oil prices have shadowy aspects of concern while providing some advantages. The first point indicates Dr. Birol's belief that while the international oil market is plagued with oversupply and sees various short-term factors that could loosen the supply-demand balance further, various market reactions to the low prices are emerging both on the supply and demand sides and would lead the market to go in the direction of rebalancing. Dr. Birol pointed out that the international oil industry as a whole substantially reduced oil sector investment in 2015 and would do so in 2016 and that substantial oil sector investment cuts had never been seen for a second straight year in the past decades. It was impressive that Dr. Birol emphasized that the investment cuts would have significant implications for future oil supply expansion. He also indicated that as the supply-demand balance in the international oil market changes greatly as a result of reactions to the low crude oil prices, the prices would rise back to around \$80 per barrel in 2020.

The shadowy aspects of low oil prices as pointed out by Dr. Birol were also interesting. Surely, low oil prices bring about economic benefits to net oil importers or consumers such as Japan. But Dr. Birol noted that oil producing countries would destabilize on deterioration of their economies that heavily depend on oil export revenues, that oil demand would expand as low oil prices weaken energy conservation incentives and that the current oil supply investment cuts would lead oil importing countries to depend more on the Middle East or the Organization of the Petroleum

Exporting Countries. He clarified that all these developments would be matters of serious concern that could eventually threaten energy security for oil consuming countries. Dr. Birol also noted that although energy security would be usually be given high priority under high oil prices and little priority under low prices, the significance of energy security should not be discussed according to oil price levels. I though this point was also very significant.

Second, Dr. Birol's presentation impressively pointed out the importance of China and India for analyzing the international energy situation. As a basic fact regarding China, Dr. Birol noted that China has become the world's largest energy consumer and the most important country for analyzing international energy problems after its substantial energy demand expansion over the past more than 10 years. Based on this fact, he pointed out that China's energy demand growth is decelerating on an economic slowdown under the recent "New Normal" and that there emerged a deviation between its economic growth and energy or electricity demand growth. Dr. Birol reemphasized that China's future economic and energy trends would continue to influence global energy and environmental problems. He also used an analysis in the WEO to explain how great India's medium to long-term growth potential would be amid China's economic growth slowdown. Interestingly, he noted that India's future growth would become a new key to influence the world.

Dr. Birol also raised various interesting problems including the significance of the Paris agreement at the 21st Conference of Parties to the United Nations Framework Convention on Climate Change, its impacts on the future world energy mix and key roles of energy conservation and non-fossil energy sources (including nuclear and renewable energy) under the impacts. But the third point that attracted my attention was his suggestion of three pillars for the IEA's modernization and relevant expectations on Japan.

Explaining the three pillars, Dr. Birol noted (1) that the IEA should open its door wider to developing and emerging countries, (2) that the IEA should give greater or new priority to energy security including gas security and (3) that the IEA should focus on clean energy and take leadership in enhancing energy conservation efforts internationally. The three pillars indicate the path in which the IEA should enhance various initiatives based on the present international energy situation and its future changes. Particularly, the first pillar indicated that Dr. Birol was strongly conscious of opening the door to and enhancing cooperation with Asian emerging and developing countries including China, India and the members of the Association of Southeast Asian Nations.

Impressively, Dr. Birol pointed out that Japan is playing a key role in IEA's implementation of the three pillars and that great expectations are placed on Japan's enhancement of such role and deeper cooperation with the IEA. The remark may be based on his recognition that Japan is important for all areas including cooperation with Asian countries, gas and LNG security, clean energy development and energy conservation. Dr. Birol indicated his great expectation that Japan, as the chair of next year's Group of Seven summit, would raise key energy challenges for

discussions and demonstrate its leadership role in the discussions. I felt that Dr. Birol believed it would be important for Japan to take firm steps regarding energy policies and strategies to meet the expectations. It was interesting that Dr. Birol clarified the IEA's basic policy of promoting cooperation and collaboration with Japan in taking energy initiatives. As far as Japan is required to implement policies based on accurate, objective analyses and decisions in addressing the fast-changing domestic and international energy situations and problems, it is important for Japan to effectively enhance cooperation with international organizations such as the IEA.

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