

### **Discussions in Malaysia on Asian Energy Security**

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Between October 3 and 5, I had an opportunity to discuss Malaysian and Asian energy issues with Malaysian energy-related government officials, state-run energy enterprise representatives, university and research institute researchers and private energy company officials in Kuala Lumpur and Putrajaya of Malaysia. During my visit to Malaysia this time, I also delivered a public lecture at the Malaysian Energy Commission on “Energy Security in Asia: Growing Uncertainties and Challenges for the Future.” I have served as international adviser to the Energy Commission of University Tenaga Nasional since December 2015. In this respect, I undertook the public lecture on Asian energy security at the request of the Energy Commission.

For most people, however, a natural question may be why energy security is taken up now. The international energy market has basically remained plagued with oversupply while crude oil and LNG prices have plunged from very high levels which had continued until the first half of 2014. It is not strange for people to question why energy security is discussed amid present market conditions rather than amid the opposite condition of a tightening supply-demand relationship or high energy prices, or what the objectives are of such discussions at present.

However, energy security, which can be defined as securing necessary and sufficient supply (volume) of energy indispensable for civic life and economic operations stably at reasonable prices, is the most important policy or strategic challenge for any country or party at any time. Dr. Fatih Birol, Executive Director of International Energy Agency, has emphasized that the significance of energy security remains unshaken by high or low energy prices. It is important to recognize this essential point. When energy prices are high, as a matter of course, energy consuming countries and people easily become conscious of the significance of energy security. Even when energy prices are low, however, we see various energy insecurity factors including economic and social deterioration for energy producing countries and people, energy supply investment cuts, and impediments to and downward pressure on energy conservation investment. The present oversupply and weak prices of energy, while benefiting consumers now, are amplifying future uncertainties and destabilization factors. We must pay attention to this point.

The history of the international energy market indicates that energy security grows more important and attracts interest politically and strategically in countries or regions when they become and grow dependent on energy imports. Interest in energy security grew rapidly in the United States after it became a net oil importer in the 1960s and in China after it did so in the 1990s. In this sense, the Association of Southeast Asian Nations including Malaysia is now in transition from falling net exports to net imports and growing dependence on imports regarding oil, gas and LNG. As a result, Asia including China, India and ASEAN is expected to grow more dependent on energy imports. This is the reason energy security is an unignorable and potentially important issue for Asia even amid energy oversupply and weak energy prices.

Energy policymakers and market participants also grow conscious of energy security depending on the presence and degree of their recognition of energy supply risks. As Asia's dependence on energy imports increases, the rate of its dependence on Middle Eastern oil is expected to grow from 53% in 2015. The rate of Asia's dependence on Middle Eastern LNG at 37% is not necessarily low. In the Middle East, geopolitical risks and tensions have remained high, including spreading attacks by the Islamic State and other terrorist groups, a rivalry between Saudi Arabia and Iran and civil wars in Syria and Yemen. Other matters of concern include future domestic stabilization efforts in Saudi Arabia and Iran's domestic frustration with a gap between expectations and actual progress in the termination of Western economic sanctions.

These geopolitical risks are falling short of becoming major problems amid energy oversupply at present. However, the stability of the Middle East and other major energy supplying regions is important for Asian energy security. As imports and exports, and international trade expand, the stability of sea lanes and energy transportation is also a challenge for Asian energy security. There are also new energy supply risks including untraditional threats such as cyberattacks.

Given these points, Asian energy security initiatives are growing important from the middle to long-term viewpoint and strategic perspectives, although they may not be urgent amid the present energy oversupply. Malaysia as a major resource-rich and energy producing country is required to strategically address energy security. I felt this point through the discussions in Malaysia.

The Institute of Energy Economics, Japan, plans to publish its latest analysis of Asian and global energy and environment issues toward 2040 in the Asia/World Energy Outlook 2016 on October 21. Key topics in the annual outlook will include an ASEAN energy outlook and the impact of large-scale energy supply disruptions on the energy market and the world economy. The discussions in Malaysia gave me an opportunity to recognize the importance of energy security and other problems in the growing ASEAN region anew before the announcement of the latest analysis.

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