

## **Overview of 2nd IEEJ/APERC International Energy Symposium**

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On May 18, the second IEEJ/APERC International Energy Symposium took place at the Grand Prince Hotel Takanawa in Tokyo. This followed the first such symposium that was held last year to mark the 50th Anniversary of the Institute of Energy Economics, Japan (IEEJ), and the 20th anniversary of the Asia Pacific Energy Research Center (APERC). The number of participants in the second one totaled more 300 on a registration basis. In the symposium titled “Threats and Opportunities under the Uncertain Energy Situation,” distinguished fellows at the IEEJ and famed Asia Pacific energy experts made presentations and panel discussions in three sessions. In the following, I would like to summarize impressive points in each session.

The first session dealt with the new U.S. administration and its influences on energy and environmental policies. The key point in the session was that even more than 100 days after the inauguration of the Trump administration, even experts have difficulties in estimating influences and effects of energy, environmental and other policies of the new administration due to their unpredictability and uncertainty. A participant in the first session discussions noted that Donald Trump was viewed by some people as “disruptor-in-chief” instead of “commander-in-chief of the U.S. military.” On the new administration’s engagement with and influences on the Middle East issue, one of the key issues exerting great influences on the international oil market, participants made interesting arguments under the acknowledgement that the U.S.-Saudi relationship, the fate of the Iran nuclear agreement and U.S. policy on Iran, the proposed transfer of the U.S. embassy to Jerusalem and other challenges and their developments could gravely affect the stability of the Middle East and the international oil market.

In regard to the new U.S. administration’s environmental policy, discussions focused on its engagement with the Paris Agreement and problems involving the U.S. Clean Power Plan. It was noted that no details have been given about the policy, while it is undoubtedly expected to go in a direction different from that for the previous Obama administration. Whatever the environmental policy would be, one participant said, carbon dioxide emissions would continue a downtrend with cheap natural gas replacing coal and with renewable energy spreading under state policy support and declining generation costs. This means that the new administration’s environmental policy, though attracting much attention, would have only limited actual impacts. While some participants doubted any serious impacts of other energy policies of the new administration, one participant called for paying attention to possible Alaskan oil and gas development and the Iran policy, both of which can be game changers.

The second session covered climate change and zero-emission energy (nuclear and renewable energy). A basic acknowledgement in the session was that while Japan and the United States are plagued with great nuclear challenges for different reasons including the Fukushima accident in Japan and gas price falls under the U.S. shale revolution (and Toshiba Corp.'s financial crisis for both), nuclear is a useful option for reducing carbon emissions from various viewpoints including cost efficiency. A view given in the session was that it would be important to pursue advanced technologies and promote initiatives for tackling backend problems after enhancing and securing safety as the key priority. Another interesting view presented there was that while it is decisively important to diffuse understanding about radiation based on scientific and objective facts to prevent any excessive or emotional reaction, the diffusion is still insufficient in Japan and the world.

One of the energy-related developments attracting the most attention at present in the world is a fast decline in renewable energy power generation costs. Based on the development, participants in the session placed their hopes on renewable energy's greater share of the future world energy mix. A presentation given in the session focused on China's renewable energy policy target and outlook. However, the expansion of renewable energy power generation is common to emerging and developing countries and developed economies such as Japan, the United States and European countries. In considering how far renewable energy power generation will expand in economically feasible way, we may have to pay attention to "integration costs" that would be required when intermittent renewable energy power generation increases its share of the energy mix. All low-carbon options including renewable and nuclear energy will undoubtedly become important for cutting greenhouse gas emissions substantially in the world in the future.

The third session discussed how to ensure national security and economic efficiency, and fossil fuels' relevant roles. Major energy outlooks in the world commonly note that fossil fuels including coal, oil and gas will retain the most important position in the energy mix through around 2040 in Asia and the world. As low-carbon initiatives are implemented to drive the advancement of energy technologies, however, growth in demand for fossil fuels in particular for coal will be held down. One participant in the session noted that how to enhance price competitiveness for gas, known as a relatively cleaner fossil fuel, would exert great influences on future gas market growth. It was confirmed that each fossil fuel faces problems such as how to realize investment to secure supply in line with demand growth, as well as energy security challenges including the volatile Middle Eastern situation.

Separately, there were interesting arguments on oil and liquefied natural gas markets. It was noted that U.S. shale oil has taken advantage of production cost cuts to increase its supply potential and could cap crude oil prices more effectively than expected earlier. It was interesting for me to see the resilience of US shale oil will affect seriously the future of the current coordinated oil production cut by the Organization of the Petroleum Exporting Countries and non-OPEC oil producing countries. It was also pointed out that oil and gas development investment stagnant at low levels could risk a supply crunch causing a possible oil price hike in the future. Future developments in the international oil market are attracting much attention. As for the LNG market, interesting arguments

were made on the important implications of Qatar's sudden announcement to lift a moratorium on gas development last month. Participants said that new LNG development in Qatar would greatly affect LNG projects in other countries due to Qatari LNG's excellent price competitiveness. Qatar's presence and strategic moves have become one of the most important points for analyzing the LNG market in which continued oversupply until the early 2020s may see a sign of change at around that time.

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