

4th China-Japan-Korea Joint Energy Workshop

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On September 11, the fourth China-Japan-Korea joint energy conference took place in Seoul. The annual trilateral meeting has been hosted alternately by the three countries' representative energy research institutes – the Institute of Energy Economics, Japan, the Energy Research Institute of China's National Development and Reform Commission and the Korea Energy Economics Institute – to deal with key themes and energy problems common to the three countries. The first such workshop came in Seoul in 2014, the second in Beijing in 2015 and the third in Tokyo in 2016 (see the 188th, 238th and 265th issues of this special bulletin titled A Japanese Perspective on the International Energy Landscape for an overview of the past three trilateral meetings).

The conference came as an open international conference to celebrate the 31st anniversary of the Korea Energy Economics Institute. South Korean energy industry stakeholders and university professors engaging in energy research participated in the conference as special guests or panelists. More than 200 people including media reporters took part in the conference, making it a vigorous meeting. One reason for the conference to attract such a large number of participants for vigorous discussions is that energy policy has become a great matter of interest in South Korea as its new President Moon Jae In has explored a major turnaround in energy policy since his inauguration in May, as explained below.

The conference was titled “Toward a New Energy Paradigm: Challenges and Policy Direction of Northeast Asian Countries,” reflecting the abovementioned problem consciousness. Specifically, the conference's three sessions dealt with problems regarding desirable energy mix for the three countries, renewable energy promotion and relevant challenges, and initiatives and challenges for natural gas use expansion, reflecting the largest South Korean matter of interest.

Discussions at the conference attracted attention from stakeholders as unprecedentedly important and timely because of various changes in the international energy market environment surrounding the three countries and their impacts. While crude oil and LNG prices are relatively low amid oversupply, how long the present situation will continue and when any change could come are a great matter of concern to the three countries known as major oil, gas and LNG importers. Even amid oil and gas oversupply, the situation in the Middle East, a major oil and gas supplier for the three countries, has included growing geopolitical risks and cannot be ignored. Geopolitical risks have rapidly grown more important in Northeast Asia as well at a time when North Korea's nuclear and ballistic missile development problem has shaken regional stability.

In the environment field, countries including Japan, China and South Korea are about to enhance their policy initiatives to achieve their voluntary targets submitted to the United Nations for

reducing greenhouse gas emissions as the Paris Climate Accord has taken effect. Under the accord, countries are urged to switch to cleaner fuels, promote nuclear and renewable energy, enhance energy conservation thoroughly and develop and diffuse innovative low-carbon technologies. However, the world is plagued with various challenges and uncertainties regarding the abovementioned stability of the international energy market and climate change countermeasures. Particularly, how the U.S. Trump administration's energy, environment and foreign policies would influence the world is of great significance. Whether U.S. actions would contribute to the stabilization or destabilization of the world and how they would influence energy and environmental issues in the world or in the region have become great matters of concern.

Very impressively, participants in the conference indicated their strong interests in Japan's energy mix after the Great East Japan Earthquake and the Fukushima nuclear plant accident in discussions on energy mix. They were also interested in Japan's ongoing revision of the Basic Energy Plan. Particularly, South Korean participants indicated their great interests in Japan's initiatives to explore the best energy mix while having experienced the nuclear accident. It was significant that Japanese and South Korean participants exchanged various views about bilateral energy cooperation through the sharing of knowledge and experiences regarding policy decisions.

Under the new administration led by President Moon, South Korea is comprehensively reforming its energy and environment policies. The most important point is that South Korea is revisiting the position of nuclear and coal power generation given top priority in its past energy policy and attempting to switch to the promotion of renewable energy and LNG.

South Korea is pursuing a shift away from nuclear and coal power generation through the suspension or restriction of new nuclear and coal power plants construction and the revision of decisions to extend the lifetime of operation of existing plants. It has indicated a target of expanding renewable energy's share of the power mix substantially to 20% around 2030. As a result of a planned shift to natural gas, LNG demand is estimated to increase by more than 12 million tonnes from the level under the traditional energy mix. As South Korea is discussing various future energy scenarios now, how a new energy mix will be compiled with national consensus being built is still uncertain.

The new energy mix that the new administration pursues is feared to substantially raise South Korean power costs to affect the economy. It is expected to impact South Korea's 3Es – energy security, economic efficiency and environmental protection – through energy market changes. While the energy policy reform is significant for South Korea's future, great attention must be paid to the South Korean move that could have various impacts on the energy market in Asia and in the world through the changes in energy supply-demand in the country including the abovementioned LNG demand growth.

In a session on natural gas, where I served as moderator, participants discussed challenges for natural gas to play its expected role in the three countries' respective conditions. However, the three countries' participants commonly pointed out that how to enhance the price competitiveness of natural gas and LNG is important. In this respect, they discussed the significance of greater LNG supply flexibility and indicated interests in the Japan Fair Trade Commission's view that restrictions on LNG export destinations could have problems with the Antimonopoly Act. How this issue would

develop in Northeast Asia would be significant, the participants in the conference said.

In this way, Japan, China and South Korea are tackling initiatives to overcome their respective energy problems while various changes come in these countries and the rest of the world. It is very important for the representative energy think tanks of the three countries to collect knowledge for resolving energy problems and explore initiatives and cooperation to overcome these problems.

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