

At the Atlantic Council Global Energy Forum 2019

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The U.S. think tank Atlantic Council sponsored the Global Energy Forum 2019 in Abu Dhabi on January 11 through 13. In recent years, the Atlantic Council has remarkably enhanced activities and presence in the area of energy studies, researches and policy recommendation. The annual forum was launched in 2017 as part of the enhancement initiative in the energy area. The venue for the forum has remained Abu Dhabi.

Abu Dhabi as the host of the forum has enhanced its relationship with the Atlantic Council. In the latest forum, there were high-level participants from the United Arab Emirates, including Sultan Al Jaber, minister of state and chief executive officer of Abu Dhabi National Oil Company, and Suhail Al Mazrouei, minister of energy and industry. Numerous Atlantic Council executives participated in the meeting, including President and Chief Executive Officer Frederick Kemp. Among other high-level participants were Saudi Arabian Energy Minister Khalid Al-Falih, OPEC Secretary General Mohammed Barkindo and international energy company leaders. The total number of participants exceeded 600 on a registration basis, the sponsor said

Under the subtitle “The Geopolitics of the Energy Transformation,” the latest forum focused on East and Southeast Asia among regions. The three key themes -- The Future of Oil, Digitalization of Energy, and Diversification within Energy Companies and Countries -- were selected, with vigorous discussions conducted. These themes are very important for the future course of the international energy market, for Abu Dhabi as the host of the forum and for the international energy industry. In numerous sessions during the forum, various interesting arguments were made in line with the abovementioned themes. In the following, I would like to summarize impressive points at sessions in which I participated.

First, I would like to point out that arguments at the forum indicated great interests in and hopes on technological innovation in the energy market. Particularly, a remarkable decline in renewable energy power generation costs, the expansion of renewables and hopes on the rapid advancement and diffusion of electric vehicles and battery technologies were hot topics at the forum. It was highlighted in various ways that the advancement of digitization technologies such as artificial intelligence, the Internet of things, big data, blockchains and robotics would alter the world, society and economy to promote a transition in the energy market.

Participants in the forum also indicated their great interests in innovative technologies that have potential to greatly change the future energy market but are still on the way to overcome technological and economic challenges. They include carbon capture and storage (CCS) and carbon capture, utilization and storage (CCUS) technologies holding the key to the future course of fossil

fuels, hydrogen technology attracting interest as one of the decarbonization options, and small module reactors expected to innovate nuclear power generation. Instead of discussing details of these numerous advanced or innovative technologies, forum participants took up these technologies from the viewpoint of international politics, geopolitics or technology development competition for the purpose of clarifying the significance for government and industry sectors to strategically tackle these technologies.

Advanced technologies would not only alter the future energy supply and demand environment for individual corporations or industries but also fundamentally reduce costs and enhance efficiency and competitiveness for them, becoming a great matter of interest to them. Interestingly, international and national oil companies' arguments indicated that it would be very significant to apply advanced technologies to the entire value chain in the oil and gas businesses.

Second, I would like to note that forum participants indicated dominantly great interests in China while East and Southeast Asia was selected as a focus of region discussions. It was natural for them to have great interests in China because the country has expanded oil and gas demand to drive global market expansion and exerted influence on the oil and gas supply-demand balance and price trends. It was also because China is now expected to decelerate economic growth and energy demand due to the escalation of its trade war with the United States. How China's imposition of tariffs on U.S. imports would affect oil and LNG exports from the United States was one of the topics at the forum. One session dealt with the impact that China's pursuit of business chances and overseas expansion under its Belt and Road Initiative would exert on the energy market. Forum participants also demonstrated their interests in China's progress in energy transition including the rapid diffusion of renewable energy, as well as clean energy expansion that has gained momentum on the enhancement of air pollution and climate change countermeasures.

Third, it was particularly impressive that forum participants had substantial and interesting discussions on the outlook of the oil market in Abu Dhabi, a major oil producer. In a session attended by cabinet ministers from OPEC leaders UAE and Saudi Arabia and the OPEC secretary general, discussions focused on how effective OPEC and other oil producing countries' coordinated production cut of 1.2 million barrels per day from January would be. Oil producing countries see the production cut as necessary and sufficient and want to comply with the cut before seeing any effect, their representatives seemingly implied.

In fact, however, it is difficult to conclude the 1.2 million bpd production cut as enough, given the potential impact of the abovementioned trade war and global economic risks, unknown developments after a temporary waiver on Iran economic sanctions, expanding U.S. shale oil production and other market-moving factors whose future fates are difficult to predict. Forum participants had no choice but to be strongly conscious of these uncertainties. In a session on U.S. shale oil, participants made interesting arguments. U.S. and other experts predicted that U.S. shale oil production will increase by more than 1 million bpd in 2019, sustaining its expansion. However, they noted that possible production cost hikes and interest rate increases affecting financing could gradually grow as factors to suppress production expansion. As the future course of U.S. shale oil is still uncertain, analyses on the future course must be deepened further. The crude oil price plunge late last year was excessive in a sense. However, discussions at the forum were interesting enough to lead me to reaffirm that no optimism can be warranted about future developments.

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