

Discussion in Malaysia on Global Energy Governance

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On February 11-13, I visited Malaysia and had a meeting with energy policy officials, energy industry people and university researchers in Malaysia to discuss global energy governance. I have served as international adviser to the Energy Commission at the University of Tenaga Nasional (UNITEN) in Malaysia since December 2015. At the meeting, I made a presentation on the abovementioned theme and discussed the matter with these various Malaysian energy stakeholders.

For these energy stakeholders who deal with daily energy policy challenges or face real energy business operations, global energy governance may seem a very big or elusive matter to which they are not related directly. If global energy governance is understood as a mechanism to secure the world's stability or sustainability regarding energy market stability, energy security and environmental issues such as climate change, however, they may find that the matter is not unrelated to them.

In fact, global energy governance has always been present in the international energy market. Mechanisms or attempts to stabilize the energy market or prices included Standard Oil's energy market control in the beginning of the 20th century, the Texas Railroad Commission's production control after which the Organization of the Petroleum Exporting Countries was modeled, the "Seven Sisters" oil majors' joint control of Middle Eastern oil, OPEC's production adjustment based on country-by-country production quotas, and production adjustment by Saudi Arabia serving as swing producer. In today's international oil market, the so-called OPEC-plus group has attempted production adjustment in response to an oil price crash from the second half of 2014. Given that oil price fluctuations are a factor that has great influence on many energy companies' business operations, oil producing and consuming countries' economic growth and the balance of power between major countries, governance for stabilizing the market is clearly significant for energy stakeholders.

Regarding global energy governance to secure energy security and exert great influence on energy market order, we can see the world from the viewpoint of changing influence of major players such as the United States, China, Russia and the Middle East as well as activities and influence of international organizations or mechanisms such as the International Energy Agency, OPEC and the International Energy Forum. Among them, we must pay attention to the presence and power of the United States that has served as the most important guardian of international energy market governance or order. Until the 1960s, the United States had played roles or functions of today's Saudi Arabia as possessor of surplus oil production capacity. Even since becoming a net oil importer, the United States has taken advantage of its excellent political, economic and military power to remain in the center of global energy governance. The United States can be seen as having

taken leadership in creating the IEA as an international organization to counter oil producing countries in response to oil crises.

Under the Trump administration's "America First" foreign policy, however, the United States has enhanced its inward-looking attitude and reduced its engagement with or interests in maintaining global order. Rather, its policy has begun to shake the world. The United States has thus produced a great change that is very significant for future global energy governance. Also significant for the matter is the existence of China that has rapidly enhanced its influence on and presence in international society. The spreading recognition that China is becoming a power to challenge traditional global order is a factor behind the current U.S.-China trade war or a bilateral competition for technological supremacy. Therefore, the struggle between China's Belt and Road strategy and the United States' Indo-Pacific strategy is attracting attention from the viewpoint of global energy governance.

While climate change involves global interests of conserving the global environment and ensuring human survival, climate change countermeasures affect national economic growth through structural energy supply and demand changes and represent serious problems with national interests. As countries in the world are put into various positions, the conflict between global and national interests has made international climate change negotiations very complex and difficult, becoming a central challenge for global energy governance. In this respect, countries in the world have achieved the Paris Agreement by adopting a bottom-up approach in which they voluntarily set their respective greenhouse gas emission reduction targets. However, whether they could make their voluntary emission reduction targets more ambitious based on last year's 24th Conference of Parties to the United Nations Framework Convention on Climate Change will become a future theme for global energy governance.

Renewable energy's contributions to global energy governance were an interesting issue as discussed at the Malaysia meeting, based on the abovementioned arguments. Renewable energy is domestic energy useful for improving energy self-sufficiency in each country and diversifying and distributing energy sources and can be expected to contribute to energy security. Renewable energy expansion can reduce energy-related geopolitical risks accompanying fossil fuels by contributing to lowering dependence on fossil fuels. Carbon-free renewable energy is also expected to make contributions to resolving environmental problems. While renewable energy cost cuts attract global attention, what renewable energy expansion means for global energy governance may have to be analyzed from new angles. As a matter of course, total costs must be considered in a world where intermittent renewable energy expands greatly.

At the Malaysia meeting, interesting arguments were made on what energy mix Malaysia or any other country should pursue on the presumption of the uncertain future of energy and global energy governance challenges. For example, questions were asked on how ambitious each country's emission reduction target should become to enhance climate change countermeasures and on what energy mix each country should adopt for an ambitious target. In response to these questions, it was pointed out that each country should not only make its emission reduction target appropriately and sufficiently ambitious in consideration of various future possibilities and innovative technologies but also give priority to the affordability of energy prices from a pragmatic viewpoint. Each country will be required to use all available options in a balanced, appropriate manner while remembering

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realistic and pragmatic viewpoints and approaches in pursuing the stability and sustainability of the market.

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