

Significance of IEEJ-KEEI Joint Workshop

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On November 7, a joint workshop between the Institute of Energy Economics, Japan, and the Korea Energy Economics Institute took place in Kamakura, Japan. The representative Japanese and South Korean energy research organizations have held the annual joint workshop alternately in Japan and South Korea to discuss the contemporary international energy situation regarding the two countries and their energy policy challenges to pursue the significance and potential of bilateral energy cooperation. IEEJ Chairman Masakazu Toyoda, KEEI President Cho Yong Sung and researchers from the two institutes participated in the workshop for active discussions.

The latest workshop consisted of a morning session on geopolitical risks in the international energy situation regarding the two countries and two afternoon sessions on liquefied natural gas and renewable energy as matters of common interest to the countries. I took part in the morning session alone as its moderator before attending a symposium to mark the 10th anniversary of the International Research Center of Advanced Energy Systems for Sustainability at the Tokyo Institute of Technology. Although I failed to cover the whole of the workshop, I would like to discuss the significance of the IEEJ-KEEI joint workshop that I felt through the morning session.

Japan and South Korea have many similarities and affinities regarding the energy supply and demand structure, resource endowment and energy policy challenges. They are industrial trading countries belonging to the Organization for Economic Cooperation and Development and the International Energy Agency. The two countries are among the world's leading energy consumers, depending on fossil fuels such as oil, natural gas and coal for most of their energy supply. However, they are endowed with little fossil energy resources, featuring their very heavy dependence on energy imports. As for oil as the largest energy source, the two countries depend highly on the Middle East. Japan and South Korea have remained major LNG importers. Before China became the second largest LNG importer in 2017, Japan and South Korea were the world's first and second largest LNG importers.

The two countries have given priority to nuclear energy for energy security and climate change prevention and are plagued with great nuclear policy challenges. They place great hopes on renewable energy while facing high supply costs and constraints on renewable energy endowment. While Japan is nominally an isolated island nation, some South Korean experts argue that their country even at the edge of the Korean peninsula has effectively been isolated due to the presence of North Korea. Japan and South Korea thus have many similarities and affinities regarding energy.

Against such background, Japan and South Korea have historically shared challenges

emerging from their common energy supply and demand structure and discussed their potential energy cooperation to address those challenges. In my career as a researcher over the past more than 30 years, I have frequently participated in talks on Japan-South Korea energy cooperation, based on a belief that energy cooperation would contribute to resolving their common challenges to the advantage of both countries. As a matter of course, their cooperation in energy and other areas can generally stabilize and enhance their relations.

As is well known, however, the present Japan-South Korea relations are very difficult. The bilateral relations have been described even as the worst since the end of World War II. It is a fact that Japan and South Korea have always had various problems. However, some recent developments have accelerated the deterioration of bilateral relations, driving the relations to the worst phase since the war.

The issue of wartime Korean workers in Japan, the South Korean Navy's locking of fire-control radar on Japanese patrol aircraft, Japan's correction of controls on exports to South Korea and the latter's retaliation, and Seoul's offer to abolish the bilateral General Security of Military Information Agreement, known as GSOMIA, have spread the deterioration of bilateral relations to cover political, economic and security areas. Particularly, if things remain unchanged, the GSOMIA pact is set to lose its effect on November 23. The United States, an ally for both Japan and South Korea, has demonstrated strong concern about such consequence. At present, however, neither Tokyo nor Seoul indicates any initiative to reach compromise or make a breakthrough.

Under such situation, private-sector, grass-root and other various exchanges between the two countries have declined. Everyone has been discouraged from loudly calling for enhancing bilateral cooperation. However, this situation is undesirable for both countries.

Therefore, it is significant for the IEEJ and KEEI to have held the joint workshop with their top leaders attending and frankly and robustly discussed bilateral energy cooperation. As the session in which I participated focused on the international energy situation and geopolitical risks, participants discussed the present statuses and possible future courses of the Middle Eastern situation, the U.S.-China trade war and other issues, and relevant challenges and cooperative initiatives that Japan and South Korea should tackle. It was pointed out that Japan and South Korea as IEA members should promote cooperation in enhancing Asian energy security in response to growing geopolitical risks and destabilization in the Middle East at a time when Asia's dependence on energy imports from the Middle East is expected to increase. It was impressive that participants positively discussed potential bilateral cooperation in diversifying Middle Eastern oil-producing economies for their stabilization and what to do to that end.

At a time when political relations have been soured with serious disputes existing between Japan and South Korea, it is not easy for them to go ahead with energy cooperation even if they have common energy challenges. However, I remember that I participated in developing future scenarios for energy cooperation in Northeast Asia among Japanese, Chinese and South Korean energy stakeholders when Japan-China relations were very soured in the early 2000s. I then emphasized the potential and significance of cooperation particularly in energy conservation. When Japan-China relations began to improve later, cooperation in energy conservation played a key role. Two

countries' energy relations form only a small part of overall bilateral political, economic and security relations. If the two countries are to explore meaningful cooperation in some areas, however, their cooperation in tackling their common energy challenges may play a role. It would be significant for Japan and South Korea to seriously explore and pursue bilateral energy cooperation while coolly watching their overall relations.

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