

### **At the Technical Meeting in OPEC**

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On November 18, the fifth Technical Meeting on Asian Energy & Oil Outlook was held at OPEC headquarter in Vienna. As indicated by the title, OPEC secretariat officials and representatives from research organizations and business corporations in Japan, China, India and South Korea, from international organizations such as the Asia Pacific Energy Research Center and from consulting firms in Europe and Asia participated in the meeting to discuss the Asian energy and oil market outlook and challenges in three sessions under the Chatham House rule. OPEC Secretary General Mohammad Barkindo and other OPEC secretariat executives attended the meeting throughout the day, impressing me with their very high interest in these topics and their enthusiastic attitude toward the meeting.

The annual Technical Meeting was launched in 2015, originating from the first meeting between the OPEC secretariat and the Institute of Energy Economics, Japan, in May 1987. I continuously participated in the IEEJ-OPEC gatherings that took place almost every year. Participants in the IEEJ-OPEC meeting later began to include representatives from research organizations and business corporations in South Korea, China and India, leading the gathering to expand and develop into the Technical Meeting. The OPEC secretariat has positioned it as one of its key official events, as indicated by its executives' abovementioned enthusiastic participation. This apparently means that the meeting and Asian issues as its topics have grown important for OPEC. In the following, I would like to summarize impressively important points of discussion at the Technical Meeting.

First, I felt anew that various challenges exist in regard to the future stabilization of the international oil market. In the meeting, the analysis and discussion seemed to indicate that OPEC would have to continue efforts to adjust supply and stabilize the international oil market over a short term as global oil demand growth deceleration amid lingering global economy risks is combined with production expansion in non-OPEC oil producing countries including the United States. On the other hand, oil market stakeholders commonly recognize uncertainties having great influence on the future course of the market as non-OPEC oil production is expected to slow down and then stop its expansion at some time due to slowing growth in U.S. shale oil production and others. Global oil demand is expected to keep on expanding due mainly to growth in Asia over a medium term. However, global demand could stop growth and peak because of climate change policies, electric vehicle diffusion and technological advancement. Therefore, there are great uncertainties about the future course of the oil market. OPEC will be required to make necessary measures to stabilize the market in response to specific future developments.

Second, participants in the meeting were strongly conscious that Asian emerging countries are destined to play a leading role in expanding oil demand in any future scenario while there are

great uncertainties about global demand for energy including oil. At present and in the immediate future, the future course of Chinese oil demand growth is a focus of attention. In this sense, participants in the meeting indicated their strong interest in the fate and effects of the current U.S.-China trade war. It was also pointed out that China's energy or oil demand could peak in the long run due to such factors as economic growth deceleration, falling population, energy and environment policies and technological advancement. How and when Chinese oil demand will peak is a key point for anticipating the future course of the international energy market. It was impressive that discussion in the meeting focused on strong interest in India and the Association of Southeast Asian Nations that would replace China as the driver of energy and oil demand growth over a long term.

Third, arguments given in the meeting were based on strong interest in the climate change issue as a factor that would exert great influence on future energy demand growth and energy choices in Asia. It was interesting that these arguments questioned how climate change countermeasures would be balanced with measures to address other important energy challenges including energy poverty and energy access issues that are significant for developing and emerging market economies.

As abnormal weather events are increasing and intensifying on a global scale to cause natural disasters and make them more devastating in a manner to attract global interest, calls naturally grow for enhancing climate change initiatives. In such situation, how to address climate change, economic growth and development, energy poverty and energy access in a balanced manner is a very complicated, difficult issue for developing and emerging market economies that are expected to attain economic growth and improve living standards in the future. While it is needless to note that climate change countermeasures are important, energy indispensable for economic activities and daily life must be affordable particularly for low-income developing economies. Those difficult issues that occasionally trade off with each other are attracting global interest and growing as serious challenges for developing and emerging market economies.

In this regard, it was interesting that participants in the meeting indicated high interest in a total-cost minimization approach to climate change that the IEEJ has advocated in the past several years. The IEEJ has proposed the approach considering that developing and emerging market economies set to attain growth in the future, as well as advanced economies, are required to pragmatically address climate change as a very long-term issue that is extremely important, while innovative technologies and innovation are expected to play a key role in resolving the issue. The approach might have been appreciated as pragmatic, attracting strong interest from participants in the meeting.

Fourth, the International Maritime Organization's plan to toughen regulations on the sulfur content of marine fuel from 2020 became a focus of discussion at the meeting. The tougher regulations to limit the content to less than 0.5% could gravely affect crude oil choices, refinery operation, investment in related plants and equipment, crude oil and petroleum products trade and relevant business corporations' strategies and earnings. In the discussion, stakeholders made interesting presentations and arguments on their responses to the upcoming IMO regulations and their impact on the future market supply-demand balance and product prices. An impressive fact given in the discussion was that the installation of scrubbers on ships to desulfurize high-sulfur fuel oil has made some progress, indicating that market price gaps between products in the market and

prospects have exerted influence on players' behaviors and investment. An interesting argument in the meeting indicated that responses to the IMO's plan to enhance regulations on carbon dioxide emissions from marine fuel would be a more important problem over a long term.

As indicated above, there are various challenges and uncertainties about the future course of energy in the world and Asia. To develop a significant long-term outlook, we must understand realities and prepare appropriate future scenarios responding to uncertainties.

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