

At the 10th IEA-IEF-OPEC Symposium on Energy Outlooks

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On February 19, the 10th IEA-IEF-OPEC Symposium on Energy Outlooks took place at the headquarters of the International Energy Forum in Riyadh. The annual symposium has been held since the first one in 2011 for dialogue between oil-producing and consuming countries. Representatives of the three international organizations named in the title participated in the symposium along with government officials, energy industry people and experts from major countries, holding vigorous discussions. This symposium has been designed for the International Energy Agency representing oil-consuming countries and the Organization of the Petroleum Exporting Countries representing oil-producing countries to frankly discuss matters of interest to them as mediated by the IEF established for dialogue between oil-producing and consuming countries. The latest symposium was the 10th one, symbolizing deepening dialogue between oil producers and consumers.

On February 18 before the symposium, the IEF-EU Energy Day conference was held at the IEF headquarters. On February 20, the first IEF-IRENA Seminar on Renewables and Clean Energy Outlooks took place there. The conference between the IEF and the European Union dealt with the Green New Deal initiative planned in Europe and the Circular Economy initiative attracting interest in Saudi Arabia. At the Seminar, the IEF and the International Renewable Energy Agency discussed renewable and clean energy outlooks, as indicated by the title, under cooperation from the King Abdullah Petroleum Studies and Research Center, a Saudi energy think tank. In the following, I would like to summarize impressive points mainly of the IEA-IEF-OPEC symposium.

First, I would like to point out that all energy stakeholders including representatives from oil-producing and consuming countries indicated their strong interest in their common issues at their discussion. In this sense, the dialogue contrasted with cool discussions on rather technical issues at the previous annual symposium (see *A Japanese Perspective on the International Energy Landscape (468)*). Behind the strong interest in such common issues might have been very high uncertainties. A typical issue was how we should view the impact of the new coronavirus epidemic, the biggest uncertain factor at present for a short-term outlook on the international energy market. How the expanding new coronavirus epidemic would affect the Chinese economy was the biggest matter of interest to all participants in the symposium. Through discussions at the symposium and my talks with other participants, I felt that the issue was the biggest matter of concern that was shaking the international energy market.

This issue is important because international energy market stakeholders have been concerned about oversupply, irrespective of the new coronavirus epidemic. The impact of the epidemic has increased pressure on the market. Both IEA and OPEC outlooks forecast that non-OPEC oil supply would expand far faster than global oil demand in 2020. If oil demand growth decelerates on an economic slowdown through the new coronavirus epidemic in China that has driven global oil demand growth, strong downward pressure will be exerted on crude oil prices. On

February 10, in fact, the front-month futures contract on the West Texas Intermediate crude oil sank to this year's up-to-date low of \$49.57 per barrel. The oil price fall has taken a pause as speculation about the OPEC-plus group's enhancement of joint production cuts has been combined with a fall in Libyan oil production amid its destabilization. Depending on future developments, however, downward pressure on oil prices may grow again. Undoubtedly, future developments regarding the new coronavirus epidemic were a serious matter of interest to all participants in the symposium.

Some experts at talks with me expected or hoped that the Chinese economy would pick up in the second quarter of this year after an economic slowdown and an oil demand decline take a pause following the peaking of the epidemic in the first quarter. However, no optimism can be warranted at present. This is because it is difficult to estimate whether China that occupies a key position in global supply chains for manufacturing would smoothly resume full economic operations and how private consumption driving China's economic growth would be affected by the epidemic. Given that the future course of the expanding epidemic and China's economic trend exert great influence on the international energy market, we must be vigilant.

I felt anew that the oil market differs from the liquefied natural gas market, although the difference was not directly discussed at the symposium. While the existence, functions and effectiveness of the "supply-demand management system" in the international oil market are controversial, the market has OPEC or the OPEC-plus group that serves as a market maker to adjust production. Saudi Arabia is present in the market as the central player of the oil cartel. However, there is no such presence in the LNG market. If China's oil demand declines due to the new coronavirus epidemic, the OPEC-plus group or Saudi Arabia may play a role in supporting oil prices and stabilizing the oil market. In the absence of such players in the LNG market, even greater downward pressure may emerge on the market price. As Chinese companies have reportedly declared force majeure to LNG suppliers, surplus LNG cargoes may exert great downward pressure on spot LNG prices. We must pay attention to relevant future developments as part of the epidemic's impact.

Second, the symposium had vigorous discussions on various uncertain factors regarding long-term issues in the international energy market. As long-term issues, participants discussed global energy transition challenges and uncertainties amid increasing global interest in climate change, the future of various relevant energy options, hopes on hydrogen and other innovative technologies, the circular carbon economy attracting attention in Saudi Arabia hosting the symposium, and carbon capture, utilization and storage technologies. Particularly interesting were discussions in a session on the future of transportation energy, in which I participated as a panelist.

The future of transportation energy is important because the transportation sector's expansion is destined to drive global energy demand growth. Given that oil occupies the central position among transportation energy sources, the future of transportation energy is significant for the international energy industry including international oil companies. As Asian emerging market economies drive growth in demand for transportation energy including oil, future energy options in Asia are destined to have great influence on the future of transportation energy. In this sense, this issue is a key matter of interest to the world. As factors contributing to great uncertainties about the future of demand for transportation energy, participants in the symposium pointed to and vigorously discussed (1) the direction of changes in power trains such as electric and fuel cell vehicles, (2) potential further improvements in the fuel efficiency of existing internal combustion engine vehicles and hybrid vehicles, (3) changes in how to use automobiles and in mobility and (4) energy and environment policies and consumers' choices that drive the abovementioned factors. More accurate

and objective information collection and analysis are indispensable for addressing uncertainties. In the future, energy dialogue may be required to be promoted globally as an initiative to better respond to energy challenges in the world.

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