

Growing Strategic Importance of Cooperation in ASEAN Energy Transition

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We should recognize the shift of the international energy market's gravity center to Asia as the most important basic fact for considering global energy issues. How to view and address Asian energy issues is the most important factor for global energy security, energy geopolitics and global environmental issues including climate change. China has driven the shift of the gravity center to Asia over the past two decades. Substantial growth in China's energy demand and imports since the beginning of this century has symbolized the shift and dramatically raised China's significance for and presence in the international energy market.

China has become a great presence in the international energy market and will undoubtedly retain its significance in the market. Due to the maturing economy and falling population in China, however, it is noted that China's energy demand would decelerate growth and peak out in the future. In place of China, India and the Association of Southeast Asian Nations (ASEAN) are expected to drive global energy demand growth in the long run. India and ASEAN are growing important for a long-term energy market outlook towards 2050. How to address energy and environmental issues in India and ASEAN is vitally important for them and for the entire world.

India and ASEAN are important for future global energy and environmental issues and of strategic importance for Japan regarding international politics, economy, industry and other areas. This report focuses on issues in ASEAN that has developed extremely deep and close relations with Japan. As a growing market, a manufacturing base, an economy with great potential for future business expansion and opportunities of human exchange and networking, ASEAN is a vitally important region for the Japanese economy. Key challenges emerging in ASEAN include how to ensure energy security in response to its growing dependence on imports amid long-term growth in energy demand, how to address grave environmental issues such as CO₂ emissions and air pollution through fossil fuel consumption growth and how to realize sustainable and affordable energy supply to balance economic growth with social development. At a time when ASEAN and its members are seriously tackling these challenges, deepening cooperation with ASEAN in energy and environmental areas would serve the national interests of Japan that gives priority to ASEAN.

In such situation, Japanese and ASEAN energy ministers held a special online meeting on June 21 as proposed by Japan. They reaffirmed that it is important for ASEAN to steadily promote decarbonization initiatives in response to accelerating global decarbonization, with due consideration given to the unique ASEAN conditions. Japan pledged to support ASEAN decarbonization initiatives. The meeting was chaired by Vietnamese Industry and Trade Minister Nguyen Hong Dien and cochaired by Japanese Economy, Trade and Industry Minister Hiroshi Kajiyama, who pointed out that ASEAN should consider its members' various energy conditions and geographical characteristics and differences in their development stages and utilize all available energy sources and technologies to promote diverse and realistic energy transition measures for decarbonization. Kajiyama also offered the Asia Energy Transition Initiative for Japan's comprehensive support for

energy transition in ASEAN member countries. The initiative includes (1) support for each ASEAN member to formulate an energy transition roadmap towards carbon neutrality, (2) \$10 billion in financial support for renewable energy, energy efficiency improvements and liquefied natural gas, (3) support for each ASEAN member's technological development and demonstration utilizing achievements under a 2-trillion-yen fund for Japan's environmental technology development assistance and (4) human resources training and knowledge sharing regarding decarbonization technologies. ASEAN members welcomed Japan's basic understanding and support for ASEAN decarbonization initiatives, as clarified in a joint statement to sum up the meeting.

The special meeting was significant because Japan and ASEAN reaffirmed that it is important to steadily and realistically promote decarbonization initiatives meeting ASEAN members' realities in addressing energy and environmental issues in ASEAN that is extremely important for Japan. Japan and ASEAN also shared the significance of best utilizing all options including innovative technologies for decarbonization initiatives. The decarbonization trend has accelerated as major countries have offered carbon neutrality goals since last year. Amid the trend, developing and emerging economies that have yet to offer carbon neutrality goals have come under growing international pressure to realize carbon neutrality at the earliest possible timing. In May, the International Energy Agency released a report titled "Net Zero by 2050" depicting a future scenario for the world to reach net-zero greenhouse gas emissions by 2050, attracting great attention from energy stakeholders in the world.

Under the trend, interests in carbon neutrality in ASEAN have grown within and outside ASEAN. As a matter of course, ASEAN members have recognized that it is important for them to enhance climate change countermeasures and pursue sustainable development. The promotion of energy efficiency improvements and renewable energy, the use of nuclear energy, the utilization of innovative technologies such as CO₂-free hydrogen/ammonia and other decarbonization initiatives have become key policy challenges in ASEAN. However, ASEAN is in a phase to promote economic growth and development in the future, with per capita GDP in ASEAN countries being far lower than in advanced economies. Even among ASEAN countries, development stages and energy markets are far different. It is indispensable for ASEAN countries to consider their respective realities before formulating decarbonization scenarios. If ASEAN attempts to follow the suit of Japan, the United States and Europe to pursue carbon neutrality in 2050, such attempt may conflict with ASEAN's sustainable development because of the goal's great gap with the current realities.

Media reports state that the Economic Research Institute for ASEAN and East Asia provided a cost analysis for ASEAN's achievement of carbon neutrality between 2050 and 2070 at the special meeting. The analysis indicates that if ASEAN were to reach carbon neutrality in 2070, additional costs would total some 100 trillion yen amounting to 4.8% of ASEAN GDP in 2070, with ASEAN electricity prices almost tripling. Realizing carbon neutrality even by 2070 would be challenging for ASEAN where electricity and other energy prices would have to be stable and affordable for sustainable development. If ASEAN attempts to move up the realization, its costs may increase further.

As noted above, ASEAN countries have recognized the importance of enhancing decarbonization initiatives and have been prepared to implement the enhancement. The problems are how to enhance the initiatives steadily and realistically and how to support the enhancement internationally. Support for ASEAN decarbonization initiatives is the key to global GHG emission cuts. Support of ASEAN's sustainable development is significant for the global economy including the Japanese economy. Given that ASEAN represents a key region for the concept of a free and open Indo-Pacific, Japan may be required to deepen cooperative relations with ASEAN from a wide range of viewpoints such as energy security, climate change and energy geopolitics.