IEEJ e-NEWSLETTER

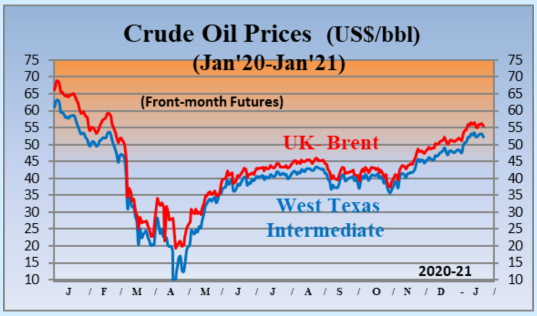
No. 201

(Based on Japanese No. 208)

Published: January 25, 2020

The Institute of Energy Economics, Japan

(As of January 22, 2020)



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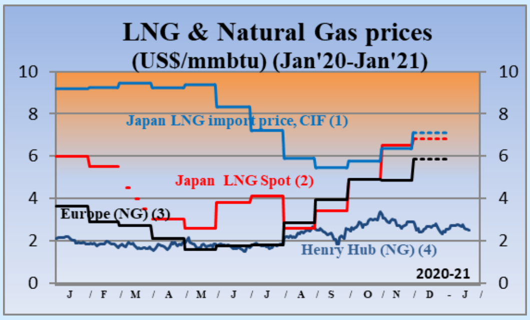
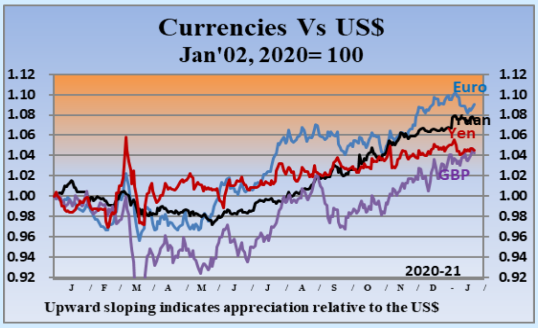


Sources:
(1) Ministry of Finance "Japan Trade Statistics"
(2) Ministry of Economy, Trade and Industry (arrival month basis)
(3) Estimated by World Bank (Netherland Title Transfer Facility)
(4) DOE-EIA, NYMEX (Front-month Futures)



Source: x-rates.com

Sources:
(1) Finance. Yahoo.com
(2) Investing.com

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【 Special Feature: Key Points for 2021 (2) 】

Summary

II. World Energy and the Environment

7. Coal

Asia's coal demand structure will not change in the short term. Coal consumption and imports are expected to increase in India, ASEAN, and other countries in 2021 with the recovery of demand and the economy.

8. Policies Related to Climate Change

How will the US environmental and energy policies change with the Biden administration? What kind of roadmap will China formulate to reach carbon neutrality by 2060?

III. Challenges of the Domestic Energy Industry

1. Oil Industry

Japan's fuel oil demand fell sharply due to the impact of Covid-19. Although it is expected to recover, various uncertainties remain. Oil companies must draw up suitable strategies to adjust to the structural decline in oil demand.

2. Electricity and Gas Industries

In the electricity industry, price levels were unveiled for various new markets, but new retail suppliers will have to make difficult decisions in establishing strategies for winning new customers. In the gas industry, the industry's 2050 vision is scheduled to be discussed.

IV. International Politics, Geopolitics, and Energy

1. US: Focuses of the Biden Administration's Policy Management and Their Impacts

The Biden administration will be inaugurated on January 20. Containing the pandemic and rebuilding the economy will be the top priorities, but what will be the administration's policies in the energy and environmental areas, and their impact?

2. EU: Expectations for Specific Measures Towards Energy Transition

In 2021, attention will focus on whether the Member States' economies will recover in line with the EU's emphasis on green recovery and digitalization, and specific moves to enable batteries and hydrogen to grow into industries.

3. China: Milestone Year with a Focus on Economic Recovery and US-China Relations

2021 is the first year of the "second centenary goal" and the top priorities are ending the Covid-19 pandemic and achieving economic recovery. US-China relations are expected to improve in some areas, but strength will be needed to endure the long battle.

4. ME: Recovery from the Covid-19 Crisis and President Biden’s Middle East Policy

Recovery from the Covid-19 pandemic and US Biden administration’s Middle East policies are key points in analyzing the region in 2021. Accordingly, structural reforms in the Gulf countries toward gaining independence from oil and the course of various disputes should be monitored.

5. Russia: Putin Regime at an Impasse: Erosion of Power in and outside Russia

As the economic recession continues and Russia loses influence in the former-Soviet bloc, uncertainties over the Putin regime’s future are increasingly looming while the President’s basis of power is domestically undermined as well.

II-7. Coal

Yoko ITO, Senior Researcher, Manager
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In 2020, the consumption and production of coal was hit hard globally by the Covid-19 pandemic, as well as the trend toward decarbonization. Efforts to ramp up climate measures are accelerating in and outside Japan even amid the pandemic, and the environment surrounding the coal industry is becoming harsher than ever.

Spot prices in the coal market plummeted in 2020, down to $47.5/tonne for steam coal (FOB, shipped from Port of Newcastle, Australia) and $98.0/tonne for coking coal (FOB, Australian premium hard coking coal) as of the end of August, reaching or nearing the bedrock price marked in 2015 to 2016 ($47.4/tonne for steam coal and $75.8/tonne for coking coal) due to a supply glut. The prices recovered from autumn 2020 as major suppliers cut production and demand recovered in major consumer countries, and are currently in the high $70 range for steam coal and around $100/tonne for coking coal. Coal consumption and imports are expected to increase in India, the ASEAN, and other countries in 2021 as the demand for coal for generation and steel manufacturing recovers mainly in Asian countries in step with their economies in the short term. In 2021, spot coal prices are forecasted to be in the $70 range for steam coal and to recover to $130-140/tonne for coking coal.

The global coal demand slumped in 2019 after growing in 2017 and 2018. It is declining sharply in Europe and the US but continues to grow in Asia, with global coal imports reaching a record high of over 1.4 billion tonnes in 2019. In 2020, China’s coking coal imports decreased by 2.3% year-on-year (January-October), but steam coal imports grew by 0.4% year-on-year for the same period. China’s domestic coal prices remained high even after international prices fell in April due to its tight domestic supply-demand balance, and the demand for domestic coal is expected to remain solid against more price-competitive imported coal. Meanwhile, coal consumption fell sharply in India as Covid-19 spread, with imports decreasing by 19.3% year-on-year for steam coal and by 15.0% year-on-year for coking coal (January-September). However, imports recovered in the second half of 2020, with coking coal imports increasing year-on-year in September.

In 2021, the US is expected to strengthen its climate actions with the incoming Democratic administration. The Chinese government has declared a goal of achieving net-zero carbon emissions by 2060, and the details of its Fourteenth 5-Year Plan to be issued in 2021 are keenly awaited. The EU, which has been leading the exodus away from carbon, has agreed to raise its 2030 GHG reduction target from 40% to 55% from 1990 levels by 2030. Meanwhile, coal-fired thermal power accounts for a large share of the power mix in many Asian countries, namely 65% in China, 73% in India, and 47% in Vietnam, as of 2018. These countries have protected their domestic coal industries, and it will be difficult to change their supply-demand structures in the short term. In terms of international relations, the Australian coal industry’s current difficulties, which are caused by the Chinese government’s crackdown on Australian coal imports (due to friction following Australia’s questioning of the origin of Covid-19), if prolonged, could threaten the stability of coal supplies to Japan.

II-8. Policies Related to Climate Change

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COP26 was scheduled to be convened in Glasgow, Britain in 2020 but was rescheduled to November 2021 due to the spread of Covid-19. Heading toward COP26 the discussions will focus on the guidance on cooperative approaches that involve the use of international transferred mitigation outcomes referred to in Article 6, paragraph 2, of the Paris Agreement, and the rules, modalities and procedures for the mechanism for mitigation activities established by Article 6, paragraph 4, of the Agreement. The EU has updated its 2030 greenhouse gas (GHG) reduction target from 40% to 55%, China did not submit an update by the end of 2020, and the US aims to communicate its 2030 target in time for COP26. The details of these targets and the timing of their submission deserve attention.

When the Biden administration takes office in the United States, it will set a target to achieve a 100% clean energy economy and net-zero emissions no later than 2050, and there is much interest in how the Biden administration will change the US' environmental and energy policies and how this may impact the world. Major challenges facing the administration are to introduce and enforce energy efficiency and clean electricity standards in the power sector and ambitious fuel standards in the auto sector and achieve a $2 trillion clean energy investment. Regarding external policy, stopping China from subsidizing coal power plant exports is the focus. This policy is a concern for the US with respect to its China strategy, and the US may also put more pressure on Japan.

China has declared that it aims to achieve carbon neutrality by 2060. What kind of roadmap China will formulate to reach this target? The first milestone is what indicators it will set in its Fourteenth 5-Year Plan, in particular, whether it will set the absolute target of limiting total energy-related CO_2 emissions to 10.5 billion tonnes or less.

In the EU, a recovery plan for Europe and an increase in the 2030 target from 40% to 55% were agreed on. The EU is scheduled to present the draft amendments and enhancements to an emissions trading system, the Effort Sharing Regulation (which sets targets for each member for sectors not covered by the emissions trading system) and the CO_2 standards for automobiles to achieve the new target, and a legislative proposal for its carbon border adjustment mechanism, all by June 2021, which must be closely watched.

In India, in October 2020, Prime Minister Modi said that India's energy plan will have seven drivers including accelerating efforts to move forwards a gas-based economy. It is not yet clear whether the economy's shift to natural gas will be reflected in the energy plan, and if so, how.

In Japan, a review of global warming countermeasures has been launched, and in October 2020, Prime Minister Suga declared that Japan will aim for net-zero emissions by 2050. Challenges for achieving a carbon-neutral society by 2050 include setting specific detailed measures for disruptive innovation and R&D, designing policies for renewable energy, nuclear power, and fossil fuel power plants, and combining them appropriately.

III-1. Oil Industry

Yoshihiro HASHIZUME
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The Oil Information Center

Due to the impact of the Covid-19 crisis, Japan's fuel oil demand for the first half of FY2020 (April–September) was 69.01 million KL, down 10.9% year-on-year. Transportation fuels were hit particularly hard, with jet fuel (for domestic demand and flights) decreasing by 50.7% to almost half the previous year's level, gasoline by 11.8% year-on-year, and light oil by 8.7% year-on-year. Domestic fuel oil demand plunged 13–14% year-on-year in April and May when a state of emergency was in place, but the decline was less than in Europe and the US where city lockdowns were imposed. However, the utilization rate of refineries fell to 58–59% in April and May due to the decline in domestic demand and periodic repairs combined, falling below the 62% level reached immediately after the 2011 Great East Japan Earthquake and recording the lowest level in the 2000s.

Under such circumstances, the domestic retail gasoline price broadly tracked oil prices in 2020, starting in the 150 yen range on January 1 and posting an all-year high on January 20 at 151.6 yen, falling for 15 consecutive weeks thereafter to an all-year low of 124.8 yen on May 11, then rising for 13 consecutive weeks. The price fluctuated near 135 yen in August and September, fell for 9 consecutive weeks after marking 135.0 yen on September 23, then rose towards the end of the year from 132.5 yen on November 16. Looking back, even amid the large swings in oil price due to Covid, the market prices of domestic petroleum products followed the benchmark oil prices with a delay of two to three weeks, suggesting that companies were able to secure their refining and distribution margins and largely minimize the impact on their revenues.

It is hoped that oil demand will recover in line with the economy in 2021, but the course of recovery is uncertain as it will depend greatly on the development of vaccines and cures and a possible rebound in the number of cases. However, the fuel oil demand in FY2019 is already 34.3% lower than the peak in FY1999, and many expect that the Covid crisis will only accelerate the structural decline in demand. As such, the ongoing issue of rightsizing refineries and other oil refining facilities in Japan will once again be highlighted in the short term for the domestic oil industry.

Furthermore, in 2021, revisions to the Strategic Energy Plan will be discussed in depth at the Advisory Committee for Natural Resources and Energy. In the previous Fifth Strategic Energy Plan, oil was positioned as the "energy supply of last resort" in a disaster and the oil industry was required to transform its business platform for the future while strengthening its supply chains. The upcoming revision of the Strategy is expected to be a harsh one for the oil industry as it is based on the 2050 carbon neutrality declaration and the policy to sell only EVs as new cars from the mid-2030s.

Major oil companies have already formulated their long-term business plans assuming that domestic demand will halve by FY2040 and have launched business reforms based on these plans. Going forward, they will need to steadily expand and transform their business platform, such as by transforming into comprehensive energy companies focused on renewable energies, entering petrochemical and new material areas, and developing hydrogen and other technologies. But even during this energy transition, companies will be required to maintain a stable supply and petrochemical product supply chains at times of disaster, including to depopulated areas and remote islands.

III-2. Electricity and Gas Industries

Junichi OGASAWARA, Senior Research Fellow
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In the electricity business, among the new markets according to decisions made by the Policy Subcommittee for Acceleration of the Electricity System Reform, the auction result was released in September 2020 for the capacity market for FY2024 deliveries, and the result of purchases of non-FIT non-fossil certificates ("non-FIT with renewable designation and non-FIT without renewable designation" in the official designation: non-fossil certificate of non-FIT power source) was published in November of the same year. With this, the price levels in each of those markets were unveiled, providing a fairly good idea of the competitive relationship between the former general electric utilities and the new retail suppliers NRSs). Until deliveries from the capacity market begin in FY2024, NRSs will be able to remain competitive by purchasing electricity in the low-price day-ahead spot market. However, they will also have to make the difficult decision as to whether to increase customers when considering the payment of capacity fees which will be imposed from FY2024. The capacity market attracted intense interest when the bid price reached the upper limit, but attention must be paid to the progress of discussions on the revision of the auction guidelines currently under way in the Organization for Cross-regional Coordination of Transmission Operators, JAPAN (OCCTO) targeting the auction scheduled for 2021 for FY2025 deliveries.

Regarding the transmission line fee system, the relevant councils intend to issue intermediate reports around spring 2021 for adopting a revenue cap system, and will discuss the details of the system design. A European-type revenue cap will be introduced as an incentive regulation to secure the necessary investments to tackle management issues while optimizing costs. These issues include the need to strengthen the transmission network to deal with the declining demand for grid electricity and increasing renewable capacities, and the need to modernize the transmission facilities installed during the period of high economic growth from the 1960s. The regulation will be effective for five years, and it will be interesting to see the business plans drawn up by each company and the discussions on the detailed design.

In the gas industry, the top three gas companies are considering lifting the provisional tariff regulation, currently imposed on deemed gas retailers that formerly provided general gas utility services, as they meet the requirements for lifting the regulation, at least in terms of numbers. While the gas business does not have an exchange like that of the electricity business, nine former general gas companies including the top three had begun wholesaling by March 2020 under the startup wholesaler system to stimulate competition. As only two startup wholesale transactions have been conducted and there have been complaints about high wholesale prices, the top three are expected to be required to pledge to do their utmost to boost their startup wholesaling business, in order to ensure healthy competition even after the provisional tariff regulation is lifted.

Further, a research group has been set up under the Agency for Natural Resources and Energy to discuss the 2050 vision for the gas business. The group is discussing the use of hydrogen, digitalization, enhancing resilience, the distributed energy system, and efforts in regional municipalities, and is scheduled to compile an intermediate report in February 2021. In the electricity business, efforts have been launched to enhance resilience after the typhoon that hit in September 2019, such as formulating a plan for mutual cooperation in times of disaster and creating a support system. That the idea of resilience was defined from the same standpoint as for the gas business marks a step forward.

IV-1. US: Focuses of the Biden Administration's Policy Management and Their Impacts

Ayako SUGINO, Senior Researcher
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The new US president will be inaugurated on January 20, 2021. President Trump continues to claim the election was a fraud even after his defeat in the electoral college ballots was confirmed, but there is almost no chance that the results will be reversed and attention is now on the Georgia Senate runoff election. However, even if Democrats win the two seats in Georgia, they would be the majority party by just one vote in the Senate and at most ten votes in the House, some of the smallest margins on record, making it extremely difficult for incoming President Biden to fulfill his campaign promises through legislation in Congress.

As the US continues to be hit extremely hard by Covid-19, the top priorities for the new administration are containing the pandemic and rebuilding the economy. The federal government's power to prevent infections is limited, but the new government will need to think hard about how to fairly distribute the vaccines while the safety of each product is being confirmed, as well as its role regarding the medical system and costs incurred. The Biden administration's skill in working with Congress will be tested in the process of legislating additional economic measures, as various measures such as unemployment benefits and support for small companies approved by Congress at the end of the year will expire in March.

Mr. Biden's key campaign promises also include climate actions and reconstructing US manufacturing by investing in advanced technologies and infrastructure. While economy-wide climate legislation covering all industries is unlikely to be approved, regulations that were rolled back by the Trump administration, such as those on carbon emissions from power plants and oil fields and on the fuel economy of vehicles, are expected to be reinstated. However, even if Mr. Biden reintroduces these rules using his executive power, it is uncertain whether they will be implemented considering the conservative-leaning federal judges, a legacy of the Trump administration. As a convenient way of pursuing climate actions, Mr. Biden is expected to use regulations and supervisory authority over financial markets to regulate investments and loans for fossil fuels, and to urge companies to disclose climate data and make environmental investments. Mr. Biden's two trillion-dollar, four-year investment plan, even if implemented, is likely to be watered down considering the number of seats in Congress and the fiscal deficit, yet subsidies, public investment, and government purchases will be powerful tools to move decarbonization forward. A key point is that the Biden administration will focus on securing jobs and establishing supply chains in the US. Companies will come under more pressure to set up manufacturing bases in the US, while foreign companies may also be required to provide healthcare to improve labor conditions based on the administration's focus on the right of union membership and fairness as a part of "good employement."

While it is calling for the US to return to the international community and focus on its allies, the Biden administration is in fact conservative and not so different from Trump's in that it will avoid involvement with other countries and sharing costs unless they offer benefits for the US. The presidential election showed that almost half of US voters support the Republican party and President Trump's vision, and so there is a strong possibility of another Trump-like administration coming to power. At the same time, a considerable percentage of American people support the policies of progressive Democrats such as bridging the income gap and social justice. In working with the US, it will be necessary to fully understand their concepts, such as diversity, fairness, and integrity, to avoid creating communication gaps.

IV-2. EU: Expectations for Specific Measures Towards Energy Transition

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Strategy Research Unit

In December 2020, the European Council adopted the multiannual financial framework for 2021–2027 and the EU recovery fund for Covid-19. Poland and Hungary had been refusing to give approval due to a clause that sets the rule of law as an essential precondition for access to the fund by a Member State (requiring that public authority must always act within the limits stipulated by law, in accordance with the values of democracy and basic rights). Poland's judiciary reforms and Hungary's immigration policies, for example, had been criticized as infringements of the rule of law by the EU Commission and the European Parliament. However, an agreement was reached after the two countries accepted Germany's compromise proposal. The fund will hereafter be spent on economic recovery. To access the recovery fund, a Member State must formulate a recovery and resilience plan, submit it to the European Commission, and fulfill certain assessment criteria. In 2021, the focus will be on whether the Member States' economies will recover in line with the EU's emphasis on green recovery and digitalization.

Last December, the European Commission presented the Sustainable and Smart Mobility Strategy and an action plan of 82 initiatives that set milestones for the next four years. The Strategy sets specific targets for each phase: 2030, 2035, and 2050. For example, 14 targets including "at least 30 million zero-emission cars and 80,000 zero-emission lorries will be in operation on European roads by 2030" were presented for multiple mobility areas.

December 2020 marked the first anniversary of the European Green Deal's release. Many strategies related to the Green Deal were published in 2020, including strategies for hydrogen, methane, offshore renewable energy, and the aforementioned mobility strategy. Furthermore, at a meeting in December, the European Council agreed to raise the EU's 2030 GHG emissions reduction target from 40% to 55% from 1990 levels. To meet this new target, necessary revisions to the emissions reduction targets of each Member State and CO_2 emission standards for automobiles, the Trans-European Energy Networks (TEN-E) regulation, and various laws including the Renewable Energy Directive, the Energy Efficiency Directive, the EU Emissions Trading Directive, and the Energy Tax Directive, are all due to be submitted by June 2021. Discussions on the EU Climate Law (which will make 2050 legally binding) submitted in March 2020 will also gather pace and deserve close attention. Accordingly, with the raise in the target, Central and Eastern European countries, and Poland in particular, are expected to demand that the EU provide greater support.

Regarding batteries, raw materials, and hydrogen, the EU is set to form an alliance to attract enough investment to accelerate technological development, build supply chains within the bloc, and launch multiple major projects. However, it remains unknown whether markets will fully develop and whether technologies will grow into industries in the bloc. The actions taken in 2021 may determine the future of the new industries that emerge as a result of the energy transition.

IV-3. China: Milestone Year with a Focus on Economic Recovery and US-China Relations

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2020 was the final year of "the first centenary goal" to build a "moderately prosperous society" by the 100th anniversary of the Communist Party's founding. The year started unexpectedly with the Covid-19 outbreak and economic slowdown, but success was achieved in both containing the virus and attaining economic recovery thanks to the powerful response and measures of the Chinese government. The number of new cases of Covid-19 had been reduced to double-digit figures or less by early March. GDP growth fell to minus 6.8% in Q1 but bounced back to 3.2% in Q2 and 4.9% in Q3, and is expected to be around 2% for the full year.

2021 marks the start of the "second centenary goal" of aiming to build a "modern socialist country that is prosperous, strong, democratic, culturally advanced and harmonious," with the world's greatest national strength and international influence, by mid-century. As the top priorities, the Xi leadership has set strict containment of Covid-19 and economic growth "within a reasonable range." Many experts expect that the government will not set a numerical growth target due to the many uncertainties, but the Chinese Academy of Social Sciences published studies on December 14, 2020 suggesting that the target would be around 7.8%.

In 2020, the presence of China as a driver of preventing global warming was once again highlighted. On September 22, President Xi announced that China will aim to reach peak CO_2 emissions before 2030 and achieve net-zero GHG emissions before 2060. Then, on December 12, he announced a raise in China's 2030 Nationally-Determined Contribution (NDC). Specifically, the target for CO_2 emissions per unit GDP (emission intensity) over 2005 was enhanced to a reduction of 65% or more from 60–65% and the target for the ratio of non-fossil energy in primary energy consumption to 25% from 20%, while expanding the installed capacity of wind power and solar PV to at least 1.2 billion kW by 2030. According to the latest statistics, as of 2019, the emission intensity was down 48.1% from 2005 and non-fossil energy 15.3%, with the combined capacity of wind power and solar PV at 414 million kW. Further progress in energy conservation and renewable energy development will be necessary in 2021 and beyond to reach the new target. Particularly, the expansion of wind power and solar PV, which President Xi explicitly mentioned, will accelerate. Attention must be paid to securing a stable electricity supply while meeting the target.

The main focus in foreign affairs is, naturally, US-China relations. On November 25, 2020, President Xi sent a congratulatory message to former Vice President Joe Biden on his victory, stating that he hopes "the two sides will uphold the spirit of non-conflict, non-confrontation, mutual respect and win-win cooperation, focus on cooperation, manage differences, advance the healthy and stable development of China-U.S. ties...". The message was worded in almost the same way as that sent to Donald Trump when he won the 2016 election. The intent of the message is that improvement in US-China relations in 2021, currently at their most difficult since the establishment of diplomatic ties, is up to the incoming Biden administration. The new administration may collaborate with China in fighting Covid-19 and climate change prevention when it returns to international cooperation but is not expected to call off the trade war or lift the technological sanctions against China immediately. China must therefore do what is necessary and build the strength needed to fight a protracted battle.

IV-4. ME: Recovery from the Covid-19 Crisis and President Biden's Middle East Policy

Shuji HOSAKA, Board Member
Director of JIME Center

In 2021, the key points in analyzing the Middle East will be recovery from the Covid-19 crisis and the Middle East policy of the US Biden administration, which will officially start in January, as well as the structural reforms in the Gulf countries to build independence from oil, as well as the disputes in the Middle East taking into account the former two.

The Covid-19 pandemic caused oil prices to plunge, hitting the Gulf oil producer countries hard. Thus, containment of the pandemic is critical for these countries. However, it is not clear whether oil prices will rebound immediately once the pandemic is under control, and until then, the Gulf oil producers must endure the hardship with fiscal austerity. This could slow the initiatives for becoming less dependent on oil, and the situation may worsen for those countries if fossil fuels face more headwinds under an environment-friendly Biden administration. Meanwhile, the situation is even more serious for non-oil producing countries. Middle Eastern countries witnessed major protests and riots even before the pandemic. When the pandemic is contained and the restrictions on movement are relaxed, people may vent their frustration on governments once again.

The Biden administration's stance toward the Middle East is expected to change from that of Trump, and Middle Eastern countries will adjust their policies accordingly. Mr. Biden has publicly promised to return to the Iran nuclear deal (JCPOA), from which the Trump administration walked away, and is expected to take a tougher stance towards Saudi Arabia and other Gulf countries on human rights and humanitarian issues.

However, it will not be easy to return to the JCPOA since it will be necessary to not only lift the sanctions imposed by President Trump after the US withdrew from the JCPOA but also stop the enrichment of uranium that Iran began after the withdrawal. Furthermore, the US is unlikely to take a conciliatory stance toward Iran even if it returns to the JCPOA.

The incoming Biden administration has also suggested that it will end US military assistance to the Saudi United Arab Emirates (UAE)-led coalition that support the legitimate government in the Yemeni civil war, now recognized as the worst humanitarian crisis of the century. If it does end assistance, it could cause the situation in Yemen to change dramatically. The Biden administration's policies are expected to be halfway between Obama and Trump and this applies to the Middle East too. The Gulf Arab countries are key pro-US countries in the Middle East alongside Israel, and it is not wise to worsen relations with them. The new administration is likely to focus on achieving a balance, putting pressure on Saudi Arabia and others regarding human rights and humanitarian issues while seeking appeasement at the same time.

Meanwhile, as a self-proclaimed "Zionist," the incoming President Biden is unlikely to reverse the actions of the previous administration such as the relocation of the US embassy in Israel, recognition of Israel's sovereignty over the Golan Heights, and the normalization of diplomatic ties between Arab countries and Israel. However, he is likely to give more consideration to Palestine to maintain the Democratic Party's official Middle East peace policy of pursuing the "Two-State Solution," which aims for the co-existence of the Jewish state of Israel and the Palestinian state.

IV-5. Russia: The Putin Regime at an Impasse: Erosion of Power in and outside Russia

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The revision of Russia's constitution by national referendum in July 2020 enabled, if in theory, President Putin to serve until 2036 and virtually granted him life-long presidency. However, his basis of power has remained far from stable. A flurry of reports both in and outside Russia suggests that the end of Putin's two-decade rule may not be far away.

The World Bank's Russia Economic Report, released on December 16, 2020, estimated Russia's GDP growth rate in 2020 at minus 4% year-on-year. The growth rate in 2021 is forecasted at 2.6% year-on-year for the basic scenario and only 0.6% if the rapid rise in new Covid-19 cases continues in the second half of the year. The unemployment rate rose from 4.7% in March 2020 to 6.3% in October of the same year while real income fell 4.3% year-on-year as of September 2020. The number of Covid-19 cases surpassed 2.76 million as of mid-December 2020, with an official death count of approximately 27,000. However, the actual number of deaths is reportedly 110,000 more, showing that cracks are starting to appear in the administration's control of information.

To counter the persistent anti-Putin movement that erupted in various regions in the summer of 2020, on November 15 the lower house of the Russian parliament passed a bill that enables foreign media in the country to be registered as "foreign agents." With the lower house election scheduled in September 2021, the Putin administration is highly concerned about a surge in calls for democracy and a change of administration in Russia, as has happened in other former Soviet countries.

Furthermore, Russia's influence in the former-Soviet bloc is clearly weakening. In Belarus, which has a treaty on the creation of a union state with Russia, there have been anti-government protests calling for solidarity with the West since the incumbent President Lukashenko "decided" to serve a sixth term in the August 2020 election. In October 2020, the pro-Russia president of Kyrgyzstan was ousted due to political turmoil, followed by a pro-West candidate winning the Moldovan presidential election in November. In the Nagorno-Karabakh war which reignited in September 2020, pro-Russia Armenian forces were defeated before a ceasefire was reached. Russia saved face for the time being by deploying peacekeeping forces in the region, but sporadic clashes continue to occur. Also, Russia still has no prospects for regaining influence over Ukraine after the country quickly leaned toward the West following the annexation of Crimea in 2014. Many consider that the United States under the Biden administration will take a harsher stance toward Russia than Trump, and will strengthen ties with the democratic forces in Ukraine and other former-Soviet countries, which Moscow views as its own sphere of influence.

As the Russian economy continues to struggle, the Putin administration may suffer tougher sanctions from the West if it continues to take a hard-line stance toward other countries, thus giving momentum to anti-Putin forces in Russia. At a press conference held on December 17, 2020, President Putin said he has not decided whether to run in the 2024 presidential election. Yet, it is increasingly becoming questionable if he could stay in power till then.

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