Energy Security Cooperation in Northeast Asia

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I. Current Situation
Northeast Asia in Global Energy Landscape

- **Northeast Asia is highly dependent on energy imports.**

  - Northeast Asia is one of the most highly energy consuming regions.
    
    → *Northeast Asia accounts for one third of the global energy consumption.*

  - China has become the world’s largest oil importer since October 2013, surpassing the United States, with Japan and Korea also ranking among the world’s top five oil importers. *(Energy Information Administration (EIA))*
    
    → *Presently, Northeast Asia takes up 20 percent of the global oil consumption.*

  - Northeast Asia is highly dependent on oil and gas imports from one region; the Middle East.
Increasing Interests in Northeast Asian Energy Market

- At the same time, the Northeast Asian region is emerging as a highly attractive market for international energy suppliers.
  - The United States is now becoming a global energy supplier, having achieved energy independence.
    → *Shale Revolution in the US has grown its interests in exporting LNG.*
    → *In the long term US LNG exports approach 5.5 billion cubit feet per day.*
  - Traditional energy exporters such as Russia and Iran try to explore new business opportunity in Northeast Asia.
    → *(Russia) Russian pipeline supplies are ultimately developed to serve Chinese demand.*
    → *(Iran) A political agreement to lift Iran sanctions was agreed to in July.*
    → *Iran expects to be able to increase its oil exports by early 2016.*

The cooperation in the field of energy among Northeast Asian nations could contribute to strengthen regional energy security on basis of mutual benefit.
Multilateral cooperation in Northeast Asia still remains at its early stage.

- Five Countries (5 major energy consumers) Energy Ministers Meeting established in 2006, but gradually atrophied due to a lack of long-term commitment.
  - 1st held in Beijing in 2006; 2nd held in Japan in 2008; 3rd originally to be in Seoul in 2010 postponed indefinitely

- Intergovernmental Collaborative Mechanism for Energy Cooperation in Northeast Asia established in 2005, but little improvement without the participation from China and Japan.
  - Structure changed in Sep. 2015 into a network among research institutes.
Only a few bilateral cooperation mechanisms are working.

(Korea-Japan) Energy Dialogue at the working level
Gas Dialogue at the working level

(Korea-China) Gas Dialogue at the working level

(Korea-US) Energy Security Dialogue at the director-general level
Clean Energy Policy Dialogue at the director-general level

(Korea-Russia) Joint Committee for Energy and Natural Resources Cooperation

(Korea-Mongolia) Forum for Energy and Natural Resources Cooperation

Recognition of the need for further cooperation and more dialogues.
Ⅱ. Possible Projects for Future Cooperation
Korea plans to build large oil storage facilities in Ulsan and Yeosu to make it an oil storage and financial hub in NEA.

* It has been pushed since 2008 under the ‘First National Energy Basic Plan’

(Yeosu project) Its first commercial oil terminal in Yeosu, with a maximum storage capacity of 8.2 million barrels was completed in June 2013.

(Ulsan project) In the second stage of the oil hub project, it will spend $584 million to build an oil storage terminal with a capacity of 9.9 million barrels of refined products in Ulsan by 2017.
(Progress)

- (June, 2013) *Announced* the “Vision for a Northeast Asia Oil Hub” at the ceremony to dedicate an oil storage facility in Yeosu.

- (Jan, 2014) Korea National Oil Corp., *Launched* a joint venture firm to build and operate the national second oil storage terminal in Ulsan.
A Gas Trading Hub is suggested for facilitating gas trades and easing the gas premium in Asia.

(Asia gas premium)

- Asian gas price has been more expensive compared with the price in the markets of North America and Europe due to its current pricing system; based on oil indexation, under the long-term contracts.
Discussion on Gas Trading Hub in NEA (2)

(Needs for a regional gas trading hub)
- Asia will represent almost half of global incremental gas consumption over the medium term (2012-18), and half of this increase will need to be met by additional imports.
- A gas trading hub would change the way LNG is marketed and traded, introducing increasing flexibility by developing gas-on-gas competition, delivering clear price signals to both demand and supply sides.

(Potential regional trading hubs)
- Many Asian countries have expressed high interest in developing a natural gas trading hub in Asia. *(Singapore/Malaysia, Shanghai, Taiwan, Korea, Japan)*
Building a power grid network is proposed to transmit power and ease pressure on electricity demand.

(Participating Countries) Korea, China, Mongolia, Japan

→ Large Scale Renewable power generation in Gobi desert
→ Electricity transmission through connected grid to each country

(Future plan)
Step 1. Cultivation of expert manpower for micro grid & ESS-RE convergence
Step 2. Successful achievement of smart grid test-bed project in Jeju island.
Step 3. Realization of NEA super grid in cooperation with neighboring countries
Ⅲ. A Way Forward
The Leaders of Japan and the People’s Republic of China highly appreciated and welcomed, and agreed to further develop the Republic of Korea’s ‘Northeast Asia Peace and Cooperation Initiative (NAPCI)’ aimed to build trust in the region through dialogue and cooperation.

NAPCI is a process for the building of an order of multilateral cooperation and trust, beginning with non-traditional security issues which represent common threats in the region such as energy security, nuclear safety, environment, disaster relief and cyberspace.
The leaders have already reached agreements on cooperation in the field of energy security.

**Trilateral Summit Meeting**

*Summit Declaration in May, 2011*
- Reaffirmed the importance of energy security, and encouraged dialogues and cooperation in these fields; Shared the view that it is necessary to promote renewable energy use and enhance energy efficiency toward sustainable growth

*Joint Declaration of Trilateral Summit in Nov, 2015*
- Reaffirmed the necessity of trilateral energy cooperation in achieving sustainable growth and co-prosperity of Northeast Asia; Agreed to strengthen trilateral cooperation on LNG to enhance the liquidity and efficiency of the LNG market in Northeast Asia
Vision

- **Track 1** Establishes trilateral consultative mechanism among Korea, Japan and China as a 1st step
  - Starts from at the working level talks
    - Identifies common energy security issues
    - Shares national energy policies of each country
    - Identifies and addresses matters of common interests including cooperation on LNG

- **Track 1.5** Develops Northeast Asia Energy Security Forum
  - Participation both in and out of the region
    - Korea, Japan, China, the United States, Russia and Mongolia as well as European Union and ASEAN
  - Secure participation particularly from government of regional countries
Thank you