

**NEAT WORKING GROUP MEETING ON
ENERGY SECURITY COOPERATION IN EAST ASIA
HELD ON 6 MAY 2005, SINGAPORE**

I. INTRODUCTION

NEAT Singapore is tasked with the organization of NEAT WG (Network of East Asian Think Tanks Working Group) on Energy Security Cooperation in East Asia. For the WG meeting, invitations were extended to all 13 NEAT countries. Participants from 12 NEAT countries attended the meeting on 6 May 2005. All participants spoke in their personal capacity to ensure free and full discussions. The discussions were held in a frank, relaxed, cordial and co-operative manner.

This report identifies major and important issues among delegates who attended the WG on Energy Security Cooperation. A preliminary draft was first distributed to all delegates for their comments and acceptance. The final report on energy security cooperation will be presented along with other WG reports at the Third Annual NEAT meeting in Tokyo in August 2005.

II. THE BACKGROUND

The WG meeting took the format of a conference and was divided into four panels. Each panel had two sessions: presentation and discussion. Prepared background papers were first read to set up the agenda for discussion. Delegates then freely exchanged their views on the issues concerned.

The panels consisted of the following:

(i) *East Asia Energy Supply and Demand Outlook*

This panel provided the backdrop for discussions in subsequent panels. The background study gave a more realistic projection of overall East Asian energy supply and demand conditions for the medium and long term based on an updated profile of the ASEAN + 3 countries. It took into account the risk factors associated with terrorism, piracy, political instability and conflict in oil producing regions as well as increased demands from emerging big energy players.

(ii) *Energy Maritime Security Cooperation*

This panel explored various potential areas for cooperation among East Asian countries in their search for energy maritime security. It comprised a background study that tracked outstanding maritime concerns of energy trade in the region. It placed emphasis on piracy and terrorism in the Straits of Malacca.

(iii) *Harmonizing Oil Diplomacy in East Asia*

The panel examined the prospects of a regional cooperative “oil diplomacy”. The background study for this panel also compared oil policies of China and Japan. It also highlighted the structure of world oil trade and its unilateralist tendencies, and identified potential areas for cooperation. The panel concurred that East Asian countries should also come to a better understanding of their interdependency and common interests in the energy area.

(iv) *Regional Cooperation in Energy Conservation*

The panel looked at ways in which the more developed and energy efficient countries in the region can share their useful energy conservation experiences and technology with less developed countries. The background study examined the need for technical cooperation in better managing energy consumption through conservation and greater efficiency in energy usage.

III. DEFINING ENERGY SECURITY

The WG defines “Energy Security” as *the process to secure energy supply at reasonable cost in a sustainable manner.*

- The definition should not be confined simply to “ensuring physical supply of oil,” as envisaged after the “oil shocks” in the 1970s and 1980s. A more comprehensive definition should include fulfilling one’s energy needs in a *sustainable* manner.
- Energy security can be achieved through increasing the robustness of regional economies and the international market, and such an approach will best ensure the long term demand-supply balance. It also entails reviewing current energy policies, trade and industrial practices, actively shaping market structure and monitoring market players, exploring cooperative measures between state actors, improving energy efficiency and quality, and investing in research and development of alternative energy sources.
- “Reasonable cost” in the definition should be based on basic market function, taking into consideration the unique needs and wide-ranging capacities and approaches of different countries in dealing with issues like state-society relationships, environmental costs and regulations over market.

IV. POLICY RECOMMENDATIONS

The WG recommends the following:

1. Institutionalizing Regional Energy Cooperation Framework

Energy policy and oil diplomacy tend to be driven by economic nationalism. To create synergies based on commonality and complementarity, East Asian

countries should institutionalize energy policy cooperation within a regional framework. This would provide a platform for accommodating different policy objectives, creating a more conducive environment for free exchange of ideas, seeking common grounds for coordination and cooperation, and providing comprehensive “win-win” solutions to energy security in the region.

Through this multilateral framework, East Asian countries can share and learn from each other’s experiences and build trust, thus paving the way for a nascent East Asian Community. East Asian countries may also consider modeling this framework after the International Energy Agency (IEA). It should perform the role of establishing “coordinated emergency response measures” through oil stockpiles for mutual benefit, as well as coordinating energy policies of member countries for collective interests.

Five major components were identified as integral to realizing this regional energy cooperation framework:

(i) *Respecting and Complying with International Law*

East Asian countries are urged to:

- comply fully with international law, particularly the 1982 United Nations Convention on the Law of the Sea;
- harmonize their respective domestic laws and regulations with contemporary international law as far as possible;
- [for Asian coastal states which have yet to participate] join the 1988 Convention on the Suppression of Unlawful Acts against the Safety of Maritime Navigation; and
- consider using international judicial means including the International Court of Justice to settle their maritime disputes related to islands or to maritime boundaries.

(ii) *Coordinating Oil Stockpiling in East Asian countries*

East Asian countries should consider:

- coordinating their efforts in building up sizeable oil stockpiles that are consistent with the needs of individual countries;
- sharing experiences and know-how in building up oil stockpiles; and
- expanding regional swap mechanism to meet sudden and temporary energy shortfalls.

(iii) *Promoting Transnational Energy Projects*

Notwithstanding the sensitive issue of sovereignty, East Asian countries are encouraged to peacefully work out modalities of joint oil exploration even in disputed territories and other territorial waters for mutual benefit. Other cross-border cooperation such as pipelines for oil/natural gas should also be explored.

(iv) *Improving Quality of Energy Data and Statistical Information*

East Asian countries are urged to:

- establish an effective regional energy information system and statistical clearing house. Information on regional energy demand, supply, trade and storage may help East Asian countries reasonably and accurately achieve their own energy policy objectives; and
- strengthen their efforts in improving quality and timeliness of energy data.

(v) *Step-up Coordinating Efforts on Energy Maritime Security*

East Asian countries are urged to:

- establish a mechanism for member states to share information on maritime security;
- develop a regional sea-lane security scheme in accordance with international maritime laws and agreement of littoral states to ensure smooth shipment of oil in the region;
- assist littoral states in ensuring maritime safety in the Straits of Malacca by providing material and technical aid, training as well as timely and critical information;
- adhere to the ASEAN TAC (Treaty of Amity and Cooperation);
- support the Indonesian-led Track II South China Sea workshops and adhere to the Code of Conduct in the South China Sea;
- abide by nuclear safeguards provisions in the SEANWFZ (Southeast Asian Nuclear Weapons Free Zone) Treaty, as more regional states may consider the nuclear energy option for energy diversification; and
- engage in contingency planning to multilaterally address potential environmental disaster in the scenario of oil spillage from tankers.

2. Developing Market for Conventional Energy

East Asia should promote more transparent market practices and make the Asian energy market more responsive to market forces. Three potential areas for cooperation were identified:

(i) *Developing Asian Oil Markets*

East Asian countries are recommended to:

- consider a cooperative scheme to ease speculative oil price fluctuation; and
- remove impediments to trade and investment for energy sectors.

(ii) *Developing Asian Natural Gas Markets*

East Asian countries are encouraged to:

- diversify their energy consumption pattern, in particular by reducing their energy dependence on oil and oil-fired subsidiaries. Where feasible, conversion to natural gas and its derivatives should be promoted;
- develop the infrastructure for converting to natural gas. Projects for pipelines and LNG (Liquefied Natural Gas) facilities, as well as their financing methods should be pursued between state authorities and the private sectors; and
- consider developing spot and futures markets for natural gas.

(iii) *Establishing East Asian Energy Consortium*

East Asian countries are urged to:

- set up a working group (consortium) comprising both East Asian state authorities and private/public ventures to explore cooperation in energy development in the region and beyond; and
- conduct energy-related dialogues with extra-regional groupings for promoting understanding and building rapport for future cooperation.

3. Promoting Energy Conservation and Alternatives

Besides securing and diversifying energy supply, East Asian countries should

collaborate to improve existing energy use, and explore alternative forms of energy, especially renewable resources. East Asian countries should share freely their expertise and country experiences in energy conservation.

Three issues were highlighted for further feasibility study:

(i) *Improving Energy Efficiency and Conservation*

East Asian countries are urged to:

- promote effective policies on energy efficiency and conservation for industries that are heavy energy users;
- share experiences and know-how in energy conservation. Countries which are technologically-advanced in energy conservation should provide expertise and comprehensive training for less-developed markets; and
- study existing domestic regulations of more developed East Asian states to enhance energy efficiency and conservation.

(ii) *Promoting Cleaner Use of Coal*

East Asian countries that rely heavily on coal-fired technologies should be encouraged to adopt cleaner use of coal. Regional cooperation for technological advancement and deployment of such technologies should be pursued.

(iii) *Promoting Renewable Energy*

East Asian countries should engage in feasibility studies of renewable sources of energy including solar, wind, hydro, geothermal and biomass. They should look into the feasibility of promoting the use of such energies.

V. CONCLUSION

The NEAT WG on Energy Security Cooperation takes the view that the spirit of regional cooperation will be extended to the energy sector for mutual benefit. This will help build trust and enhance the goal of an East Asian Community.

ANNEX I: Program of NEAT Working Group Meeting on Energy Security Cooperation in East Asia

ANNEX II: List of Participants