



13th Northeast Asia Economic Forum

Seoul Korea, 17-18 September 2004

Session 3: Toward a Northeast Asian Energy Community

“Commentary: IEA view on Northeast Asia”

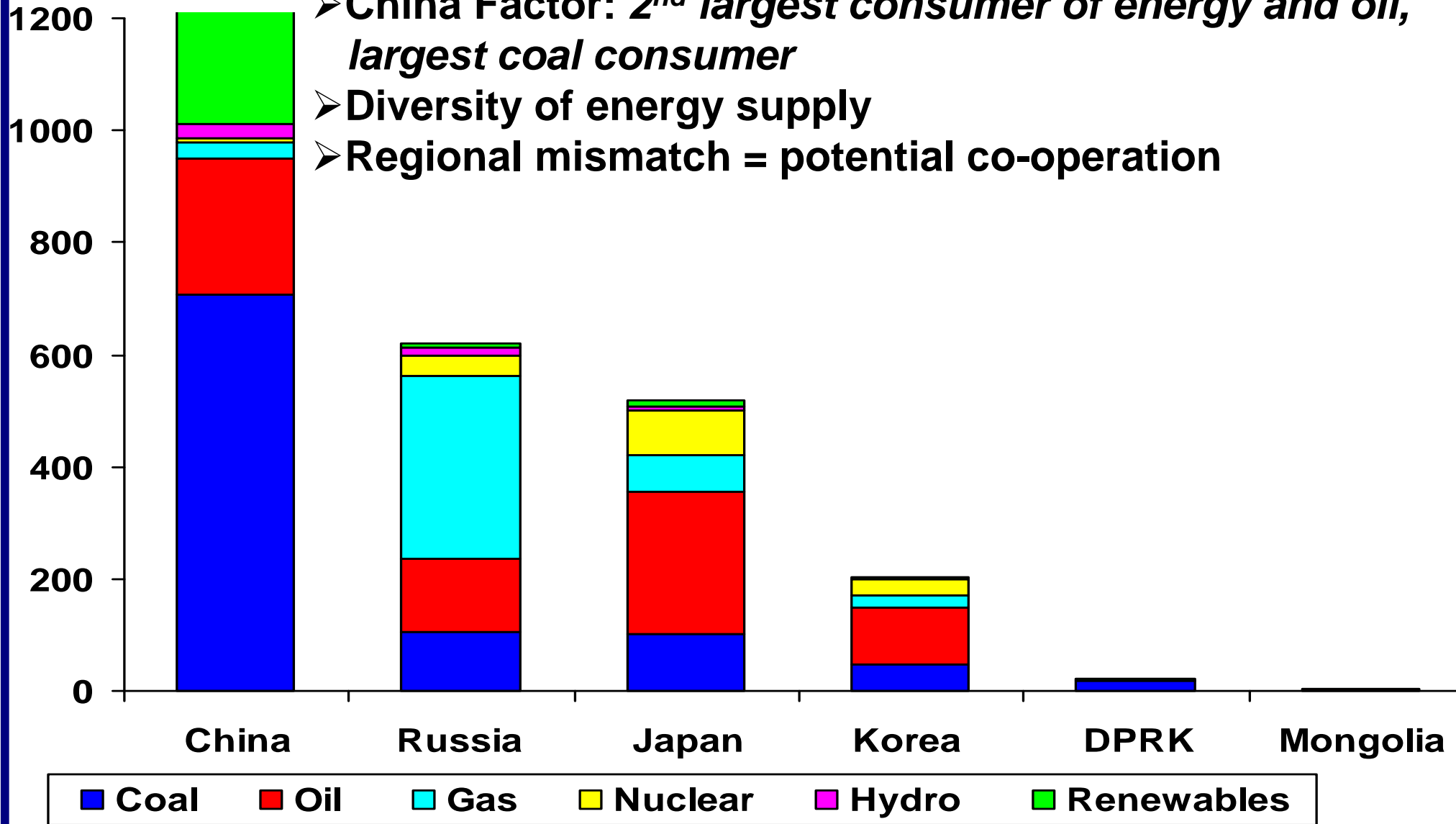
Norio EHARA

**Head, Non-Member Countries Division
International Energy Agency**



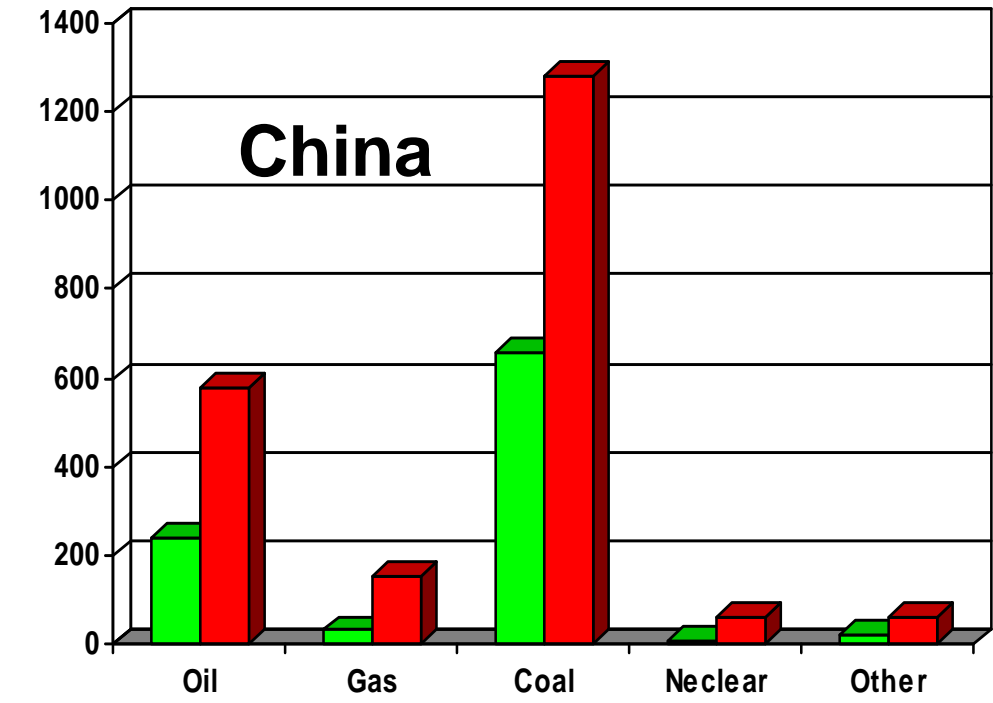
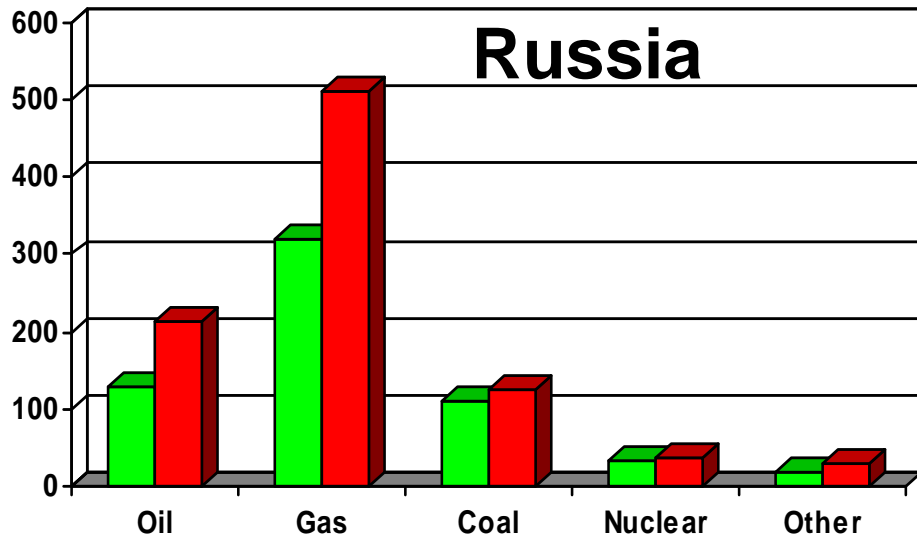
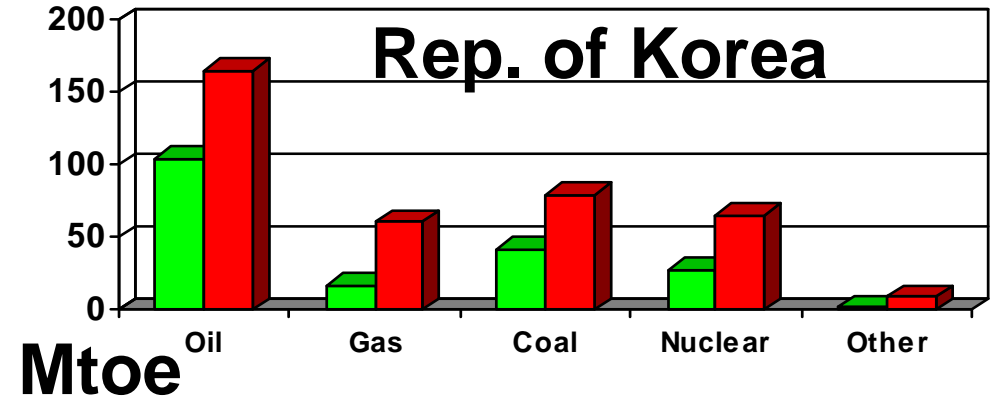
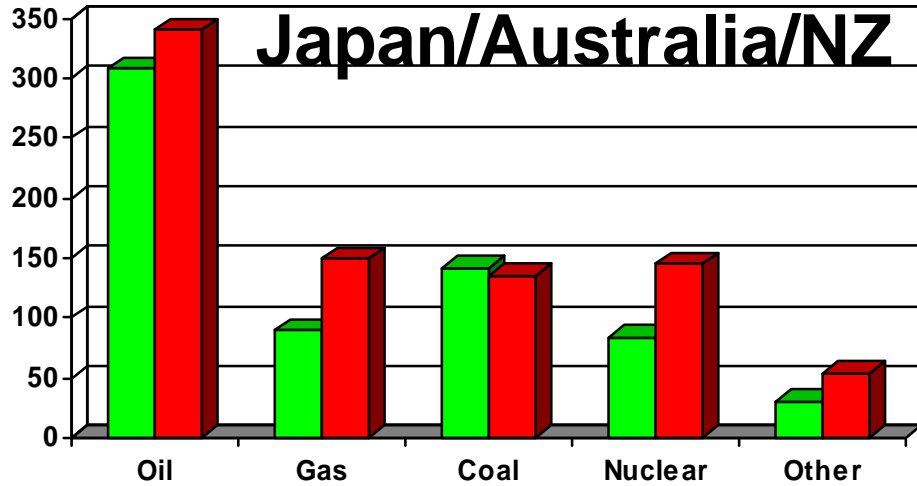
TPES in NE Asia: 2002

Mtoe





TPES Projection in NE Asia

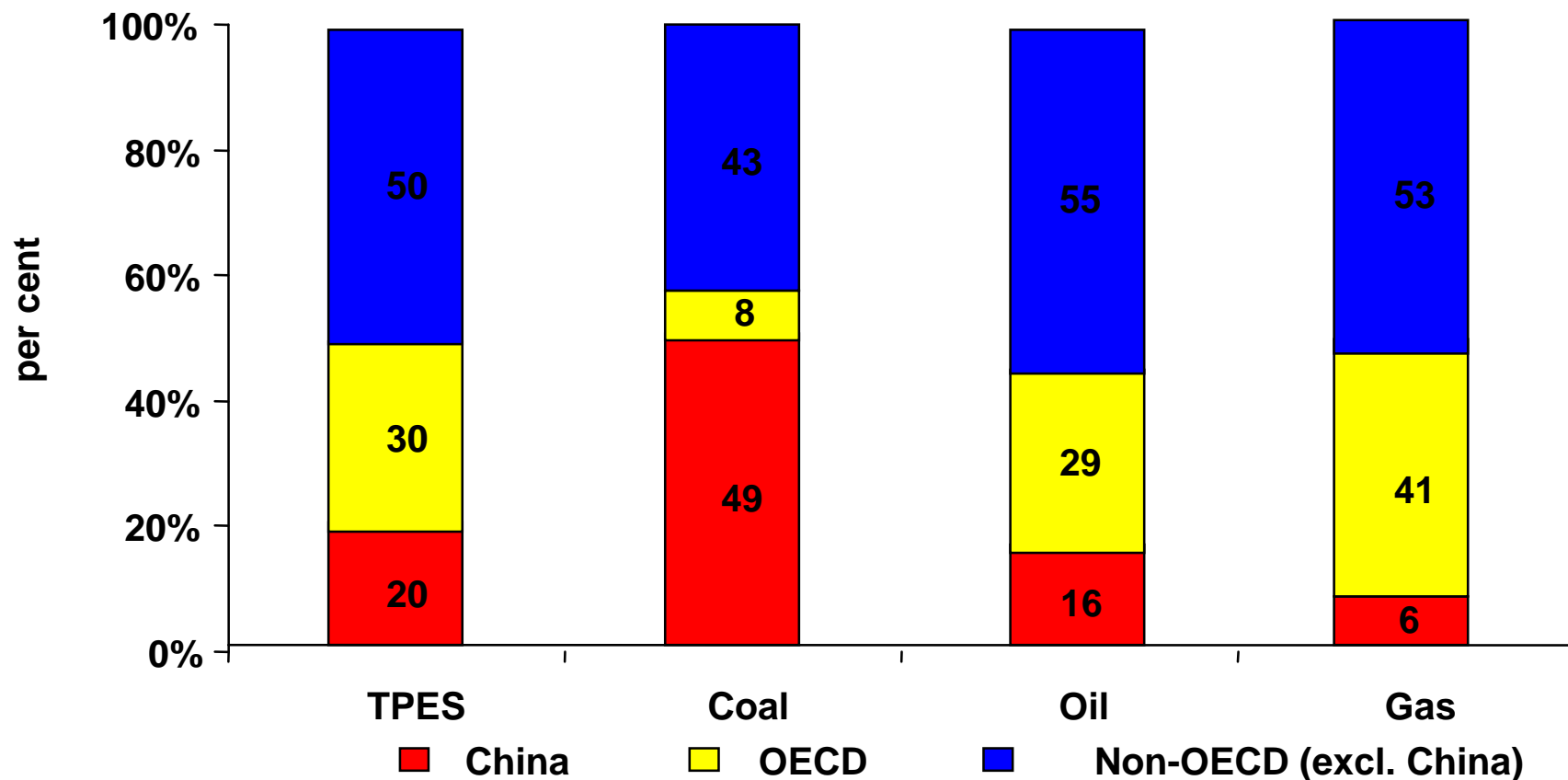


2000

2030



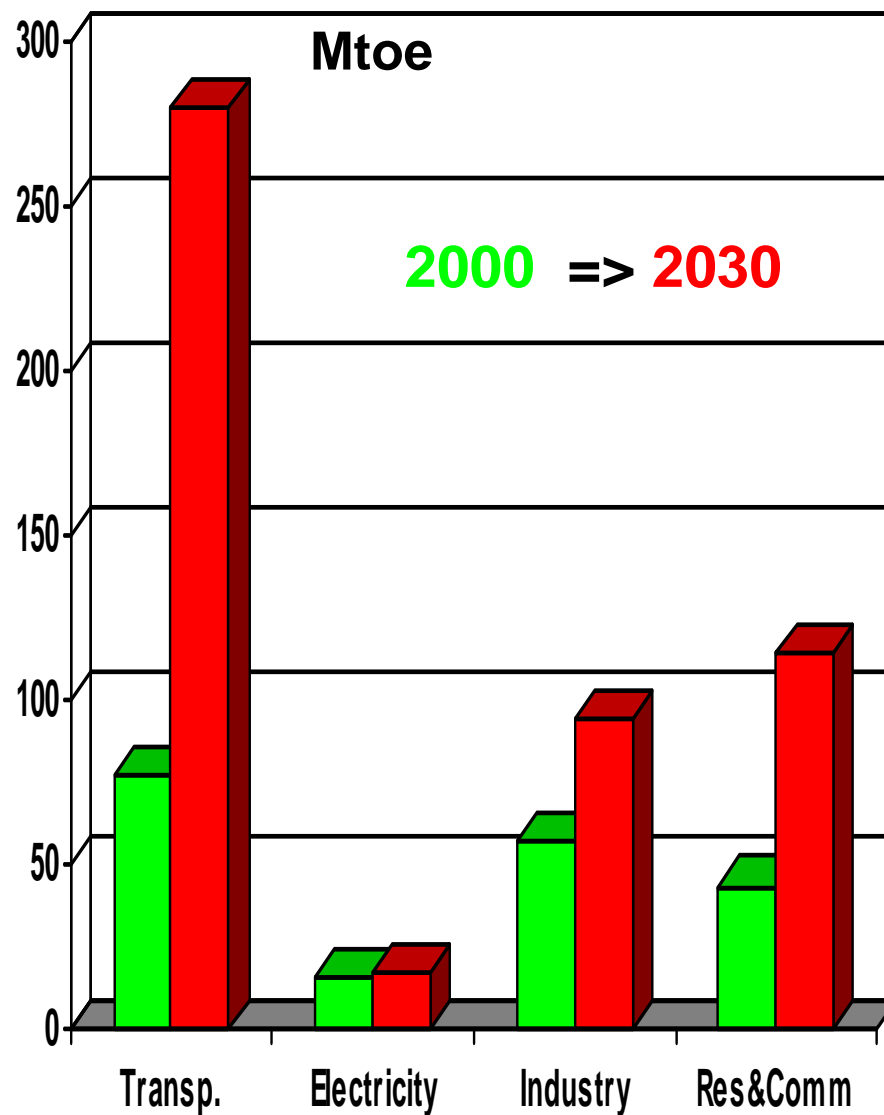
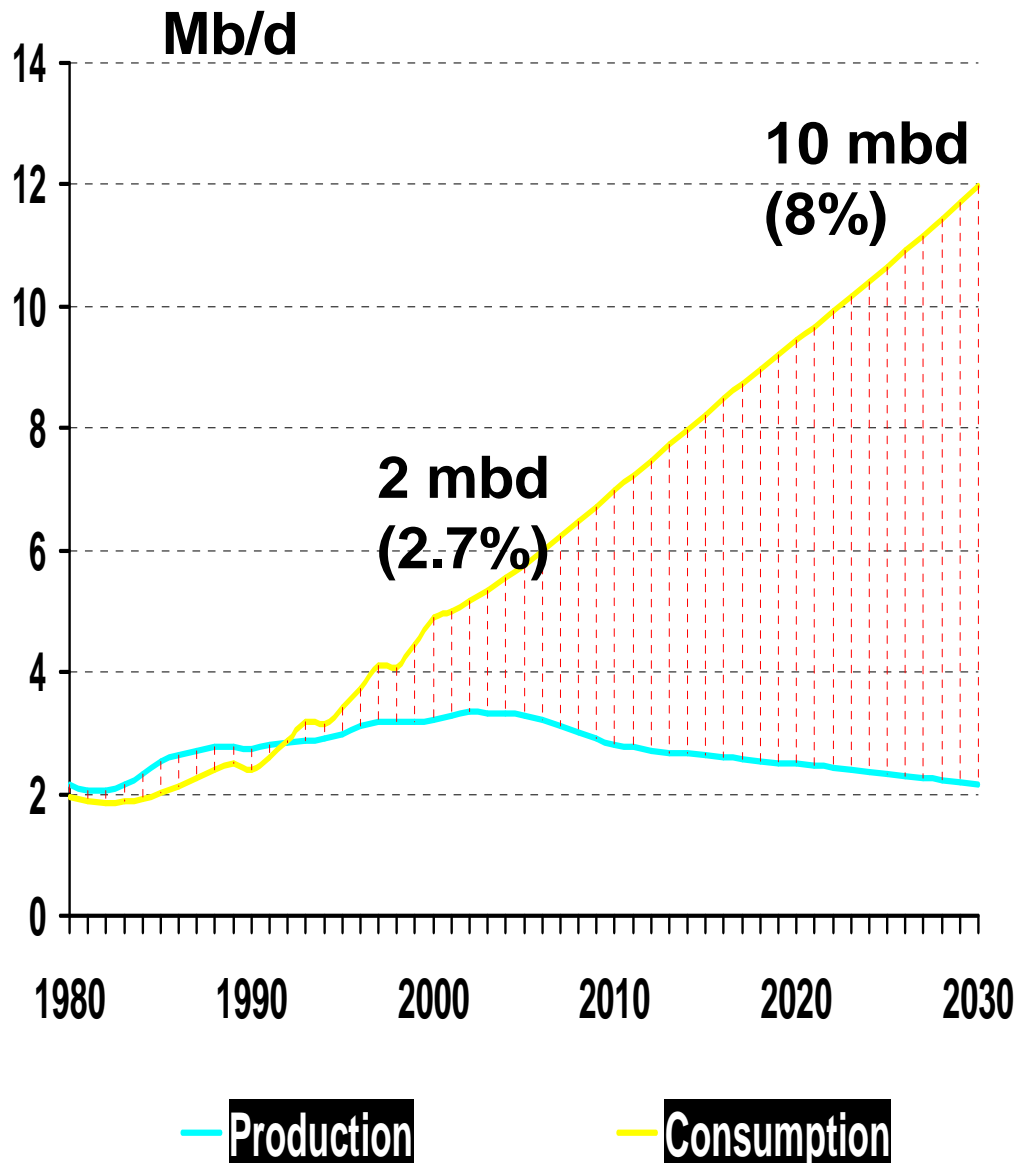
Share of China in World Incremental Energy Demand: 2000-2030

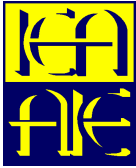


- China continues to be the 2nd largest energy consumer
- China will account for 20% of world incremental energy demand and for half of the increase in coal use over the next three decades.

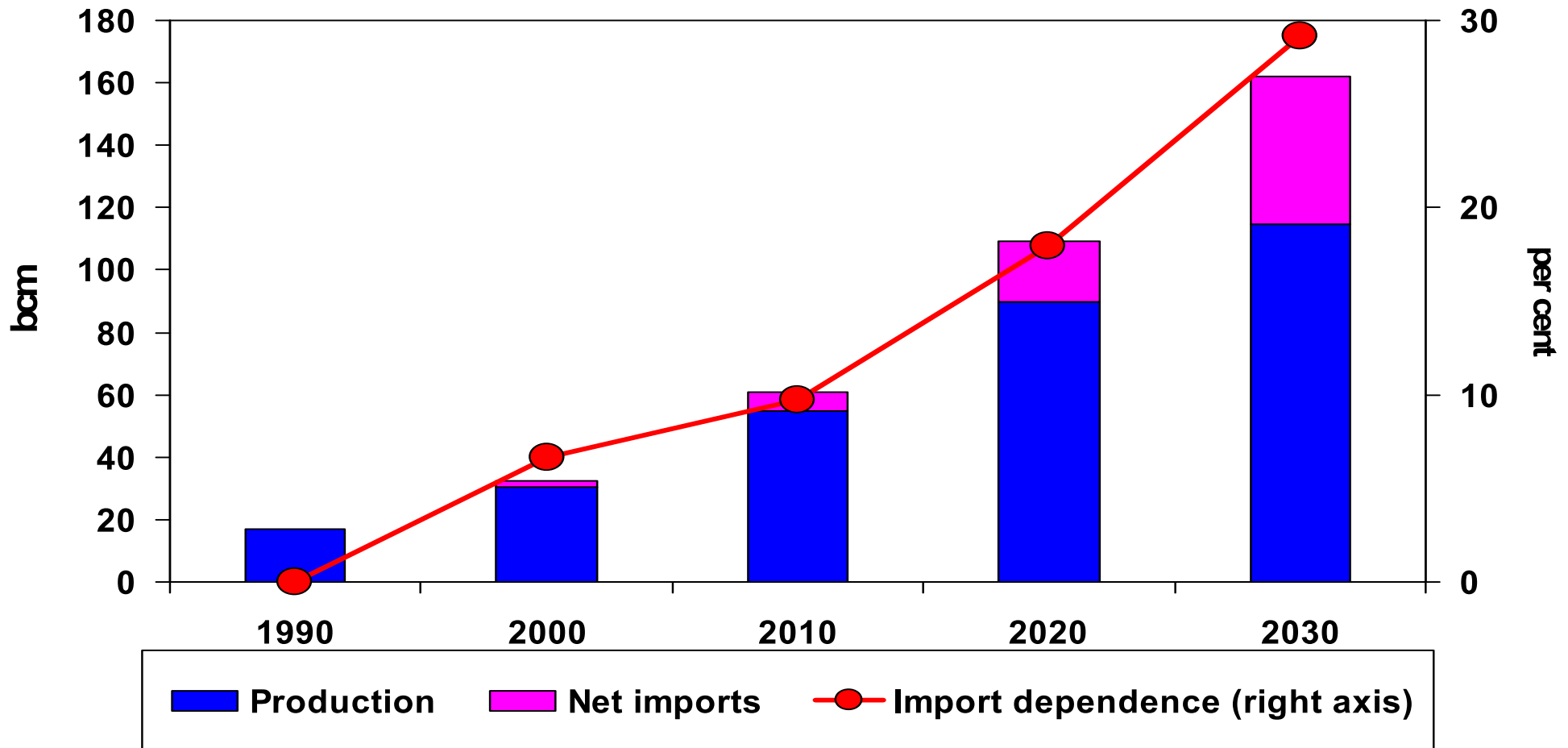


Growing gap between Oil demand and Production in China





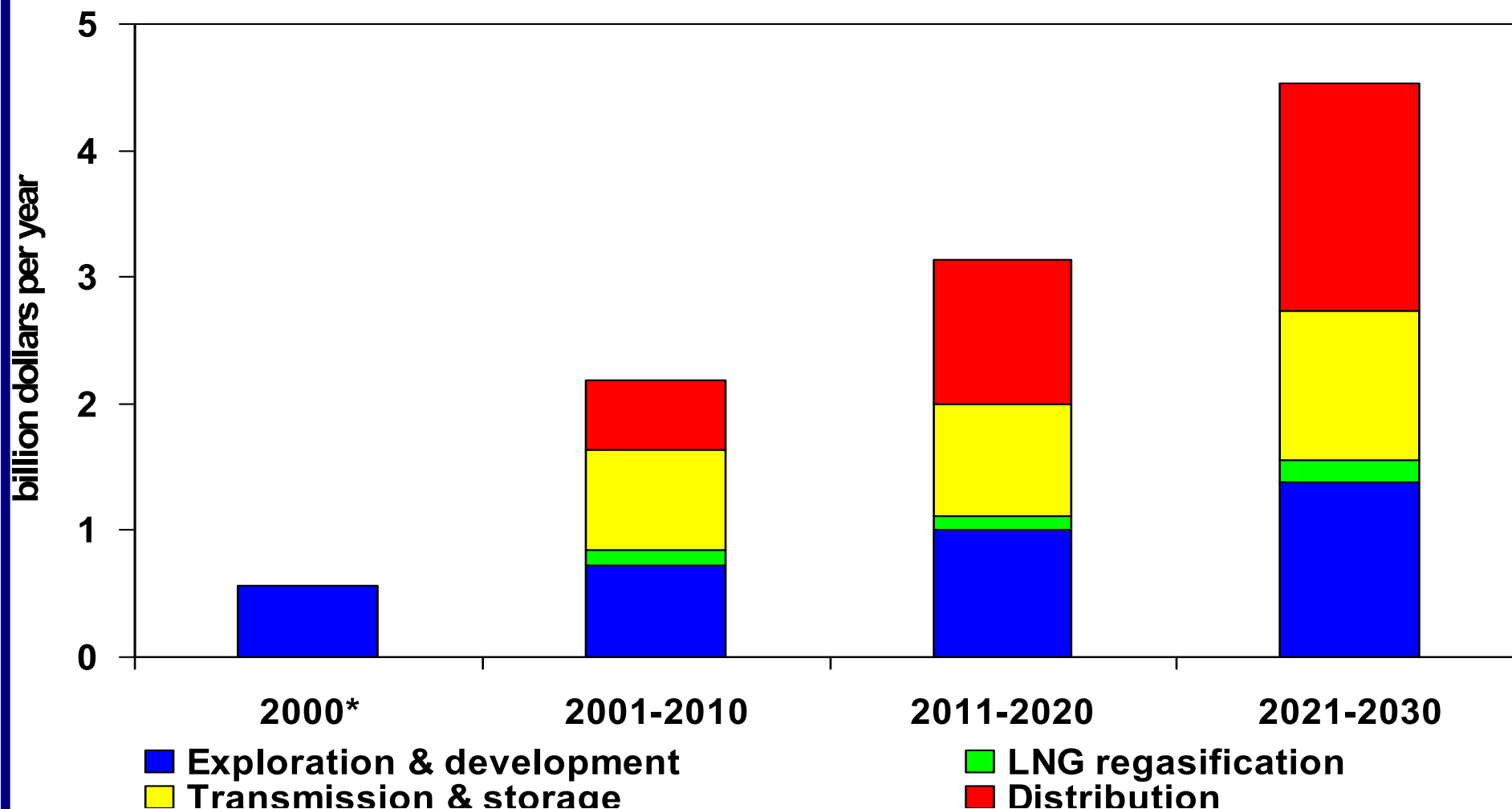
Gas Supply in China



Although China's gas production will rise rapidly, demand will be increasingly met by imports



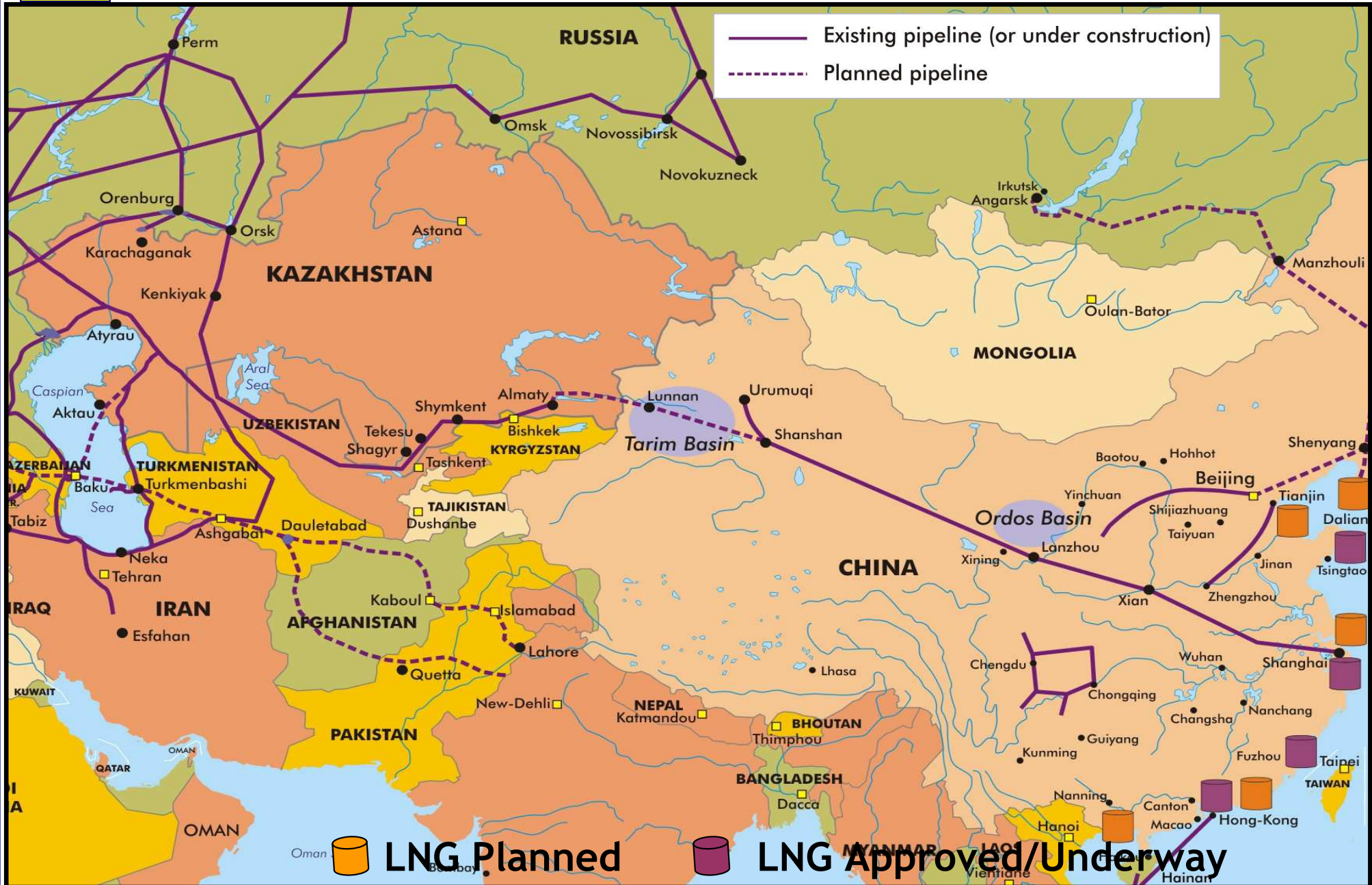
Gas Investment in China



Downstream will account for a growing share of China's gas investment requirements, as distribution networks need to be expanded



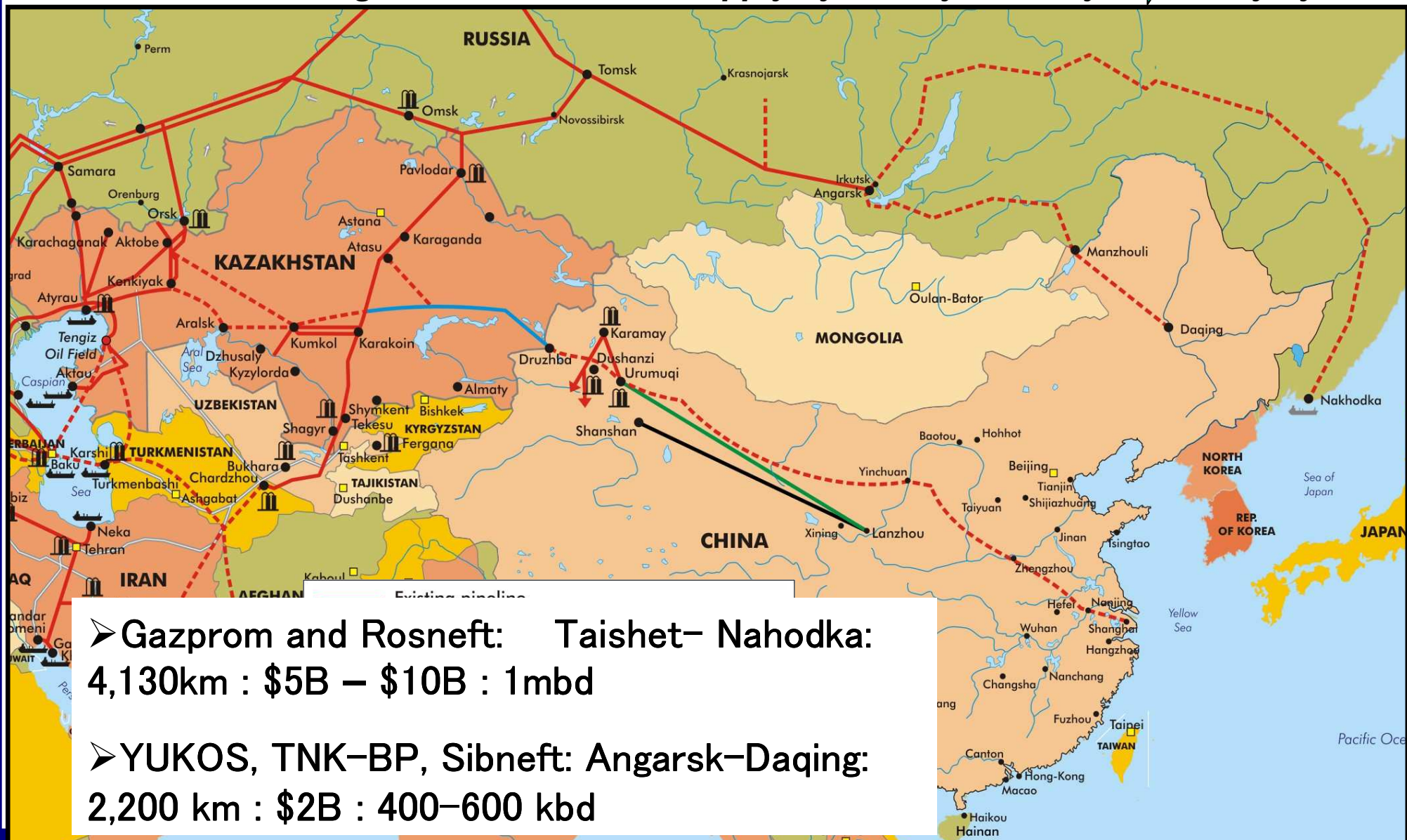
China's WE Pipeline and LNG create Gas Demand?





Angarsk/Taishet - Nakhodka Oil Pipeline

• China and Russia agreed to increase oil supply by railway: 3.5 mt/y → 15 mt/y by 2006

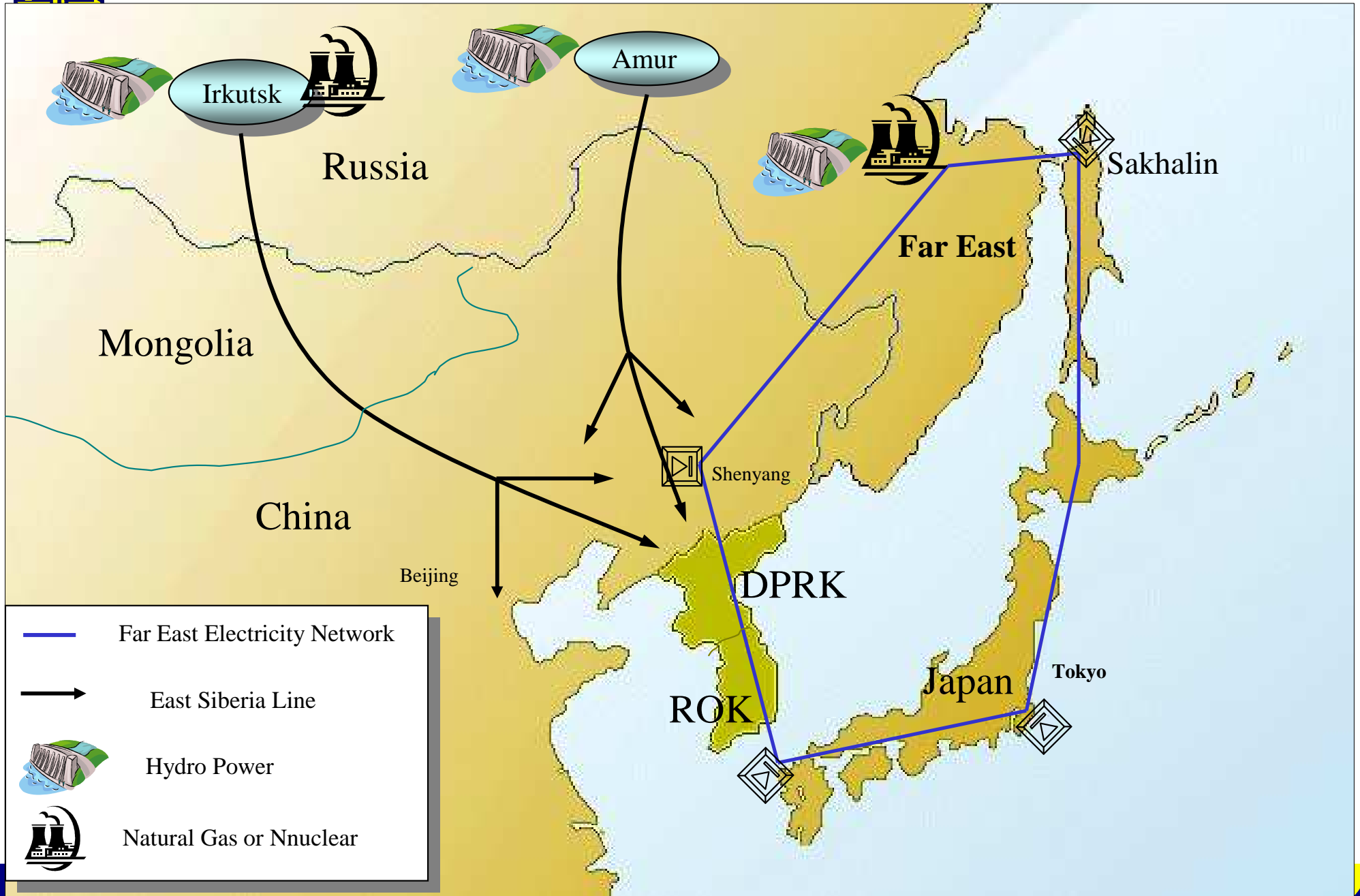


➤ Gazprom and Rosneft: Taishet– Nakhodka:
4,130km : \$5B – \$10B : 1mbd

➤ YUKOS, TNK–BP, Sibneft: Angarsk–Daqing:
2,200 km : \$2B : 400–600 kbd



Electric Power Link Design in Northeast Asia





Stages of Energy Projects in NE Aisa

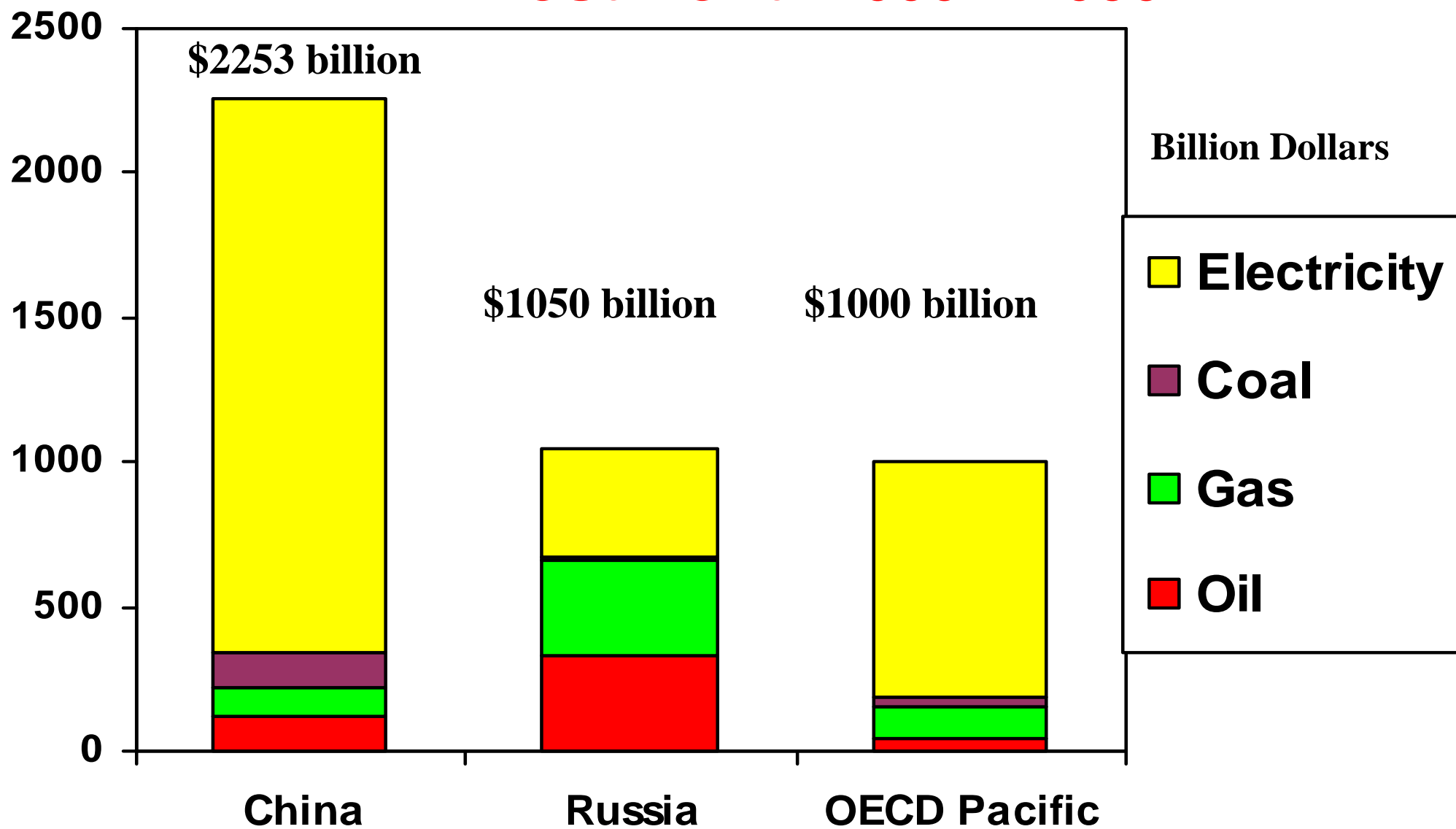
Stages of Energy Projects

Current Stage of Projects in NE Asia

1. Concept building : **NE Asia Electricity Network**
2. Political endorsement and political framework building: **Pacific Oil Pipeline**
3. Technical and financial feasibility studies: **NE Asia Gas Pipeline**
4. Regulatory approvals from authorities: routing, health- safety- environmental (HSE) impacts, etc.
5. Financing
6. Physical construction: **Sakhalin 2 LNG**
7. Production and pipeline operation and management: **WE Gas Pipeline, Sakhalin 2 Oil**



Challenge1: Lack of Infrastructure and Investment: 2000 ~ 2030





Challenge 2: Regulatory Reforms & Market Restructuring

- **Cross-border oil & gas projects pass through multiple countries**
- **A Clear and stable regulatory framework exists in NE Asia?**
- **APEC recommendations and experience of Energy Charter**
- **Sakhalin sparks the Japanese energy companies?**



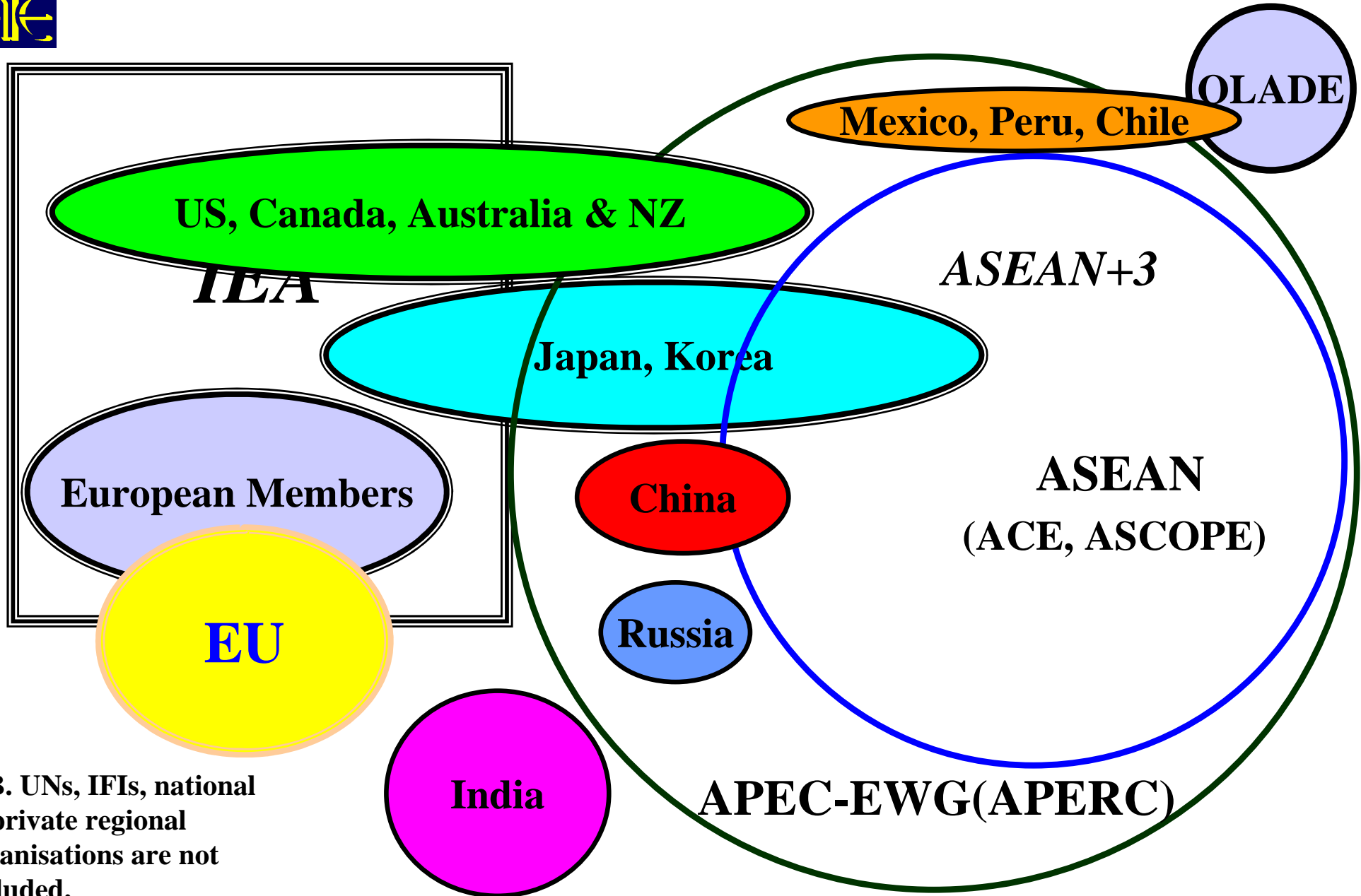
Challenge 3: Overall Plans & Studies

- **Need more information: *reserves, markets, technical & economic feasibility, etc.***
- **Master plans help policy makers' involvement in the regional framework**
 - ***F/S for Kovykta gas project***
 - ***NEAREST Study by KERI***
 - ***Gas Demand and Market Study by Northeast Asia Gas and Pipeline Forum***

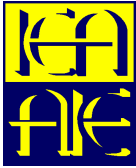


Toward a NE Asia Energy Community

- **Cross-border projects = a number of concerned parties**
- **Strong need for international alignment to avoid obsolescent bargaining**
- **Areas beyond the capacity of private sector:**
 - ◆ **incompatibility between the laws**
 - ◆ **investment conditions among nations**
 - ◆ **Political changes**
- **Regional issue needs regional approach**
- **Regional co-operation framework to promote or trouble shoot**



N.B. UNs, IFIs, national & private regional organisations are not included.



Government Role in NE Asia

- A convener to encourage the alignment of interests
- Need clear definition: Primary role of private sector
- Major roles: to establish a clear, transparent and predictable framework for private investment conditions
 - ◆ To establish institutional and regulatory framework for production, trade and transport
 - ◆ Clearly defined energy policy



IEA's Role in NE Asia

- **IEA Ministers' encouragement in April 2003**
- **Start of NE Asia POW in 2003**
 - ◆ **IEA/KEEI conference on NE Asia energy security and regional cooperation in March 2004**
 - ◆ **IEA/KERI/APERC/Vostokenergo symposium on electricity network in May 2004**
- **POW in 2005/2006**
 - ◆ **Oil and gas study in NE Asia**
 - ◆ **Contribution to HR training : energy experts and data experts**




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