

# 5<sup>TH</sup> ASIAN MINISTERIAL ENERGY ROUNDTABLE MEETING

## LIMITED ENERGY, UNLIMITED ASIA AND GROWING TOGETHER



### EXECUTIVE SUMMARY

The 5th Asian Ministerial Energy Roundtable (AMER) gathered Ministers and Vice Ministers from 23 Asian countries, together with the chief representatives of the International Energy Agency (IEA), International Energy Forum (IEF) and the Organization of the Petroleum Exporting Countries (OPEC), in Seoul on 12 September 2013 with the goal of promoting energy security through dialogue.

Discussions at the 5th AMER were framed by the Roundtable's theme "Limited Energy, Unlimited Asia and Growing Together". Asia's rising prominence on the twin economic and energy scenes implies that its policy decisions have far reaching consequences. Domestic investments in some major producing countries in Asia may well be driven by national energy policy objectives, yet they have clear implications for global energy security. This realisation implies that good policy for Asia represents good policy for the world.

On the notion of "Growing Together", conversations at the 5th AMER clearly acknowledged the concept of interdependence and the need for trust in building and sustaining partnerships, and also focussed on the importance of a sustained commitment to data transparency to support sound decision-making. Avenues for co-operation ranging from knowledge-sharing to financing were raised as relates to renewables, clean coal, smart grids and energy efficiency. The topics of gas pricing mechanisms and unconventional oil and gas likewise featured prominently on the agenda, as did changing trade flow patterns and their implications for the competitive landscape. Participants held scores of bilateral meetings on the sidelines of the 5th AMER, furthering both shared agendas and more broadly the global energy dialogue.

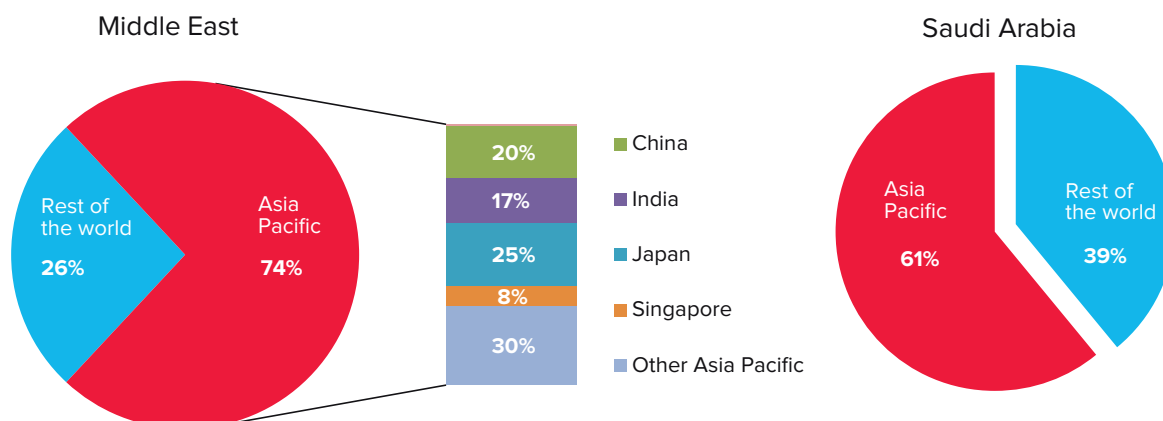
The 5th AMER was generously hosted by Korea, co-hosted by Qatar and supported by the IEF.

## HOW WILL NEW DEMAND AND SUPPLY DEVELOPMENTS IMPACT LONG-STANDING TRADE PATTERNS IN ASIA?

Policymakers and industry should expect to witness and shape a major re-orientation of oil flows over the next decade, marked by a dramatic fall in oil exports to the US and a rise to China, and more broadly Asia.

Shifts in trade patterns have already been impacting the competitive landscape for crude. It remains to be seen how consumers will evaluate new product from new suppliers versus that sourced through long-standing commercial relationships, and what the net impact will be on energy's competitive landscape.

### Middle East and Saudi Arabia Oil Exports by Destination

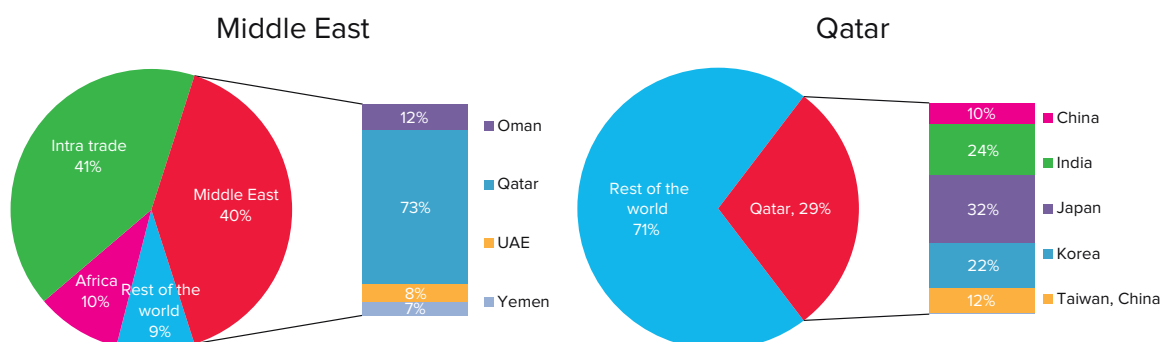


Source: BP Statistical Review of World Energy, June 2013

Asia's natural gas consumption has been rising strongly over the past decade, reflecting rising needs stemming from industrial demand and power generation. More than half of the increase in global LNG demand between 2002 and 2012, which reached 328 million cubic meters at the end of this period, came from Asia Pacific. A significant portion of that demand was met by supply from the Middle East. Nearly half the growth in global natural gas demand over the next two decades is expected to come from the Asia Pacific region.

What role might potential LNG exports from North America or other regions play in altering the current gas trade equilibrium? The impact of a rise in gas production and available LNG exports on global markets will depend on the extent to which massive supply comes on stream, and on the extent to which demand will be able to absorb that incremental supply to maintain a price level that justifies continued investment in production and exports.

### LNG Exports from the Middle East 2012 Qatar's Contribution to Asia Pacific LNG Imports in 2012



Source: BP Statistical Review of World Energy, June 2013

## KEY THEMES AND INSIGHTS FROM THE 5TH ASIAN MINISTERIAL ENERGY ROUNDTABLE



### ENERGY DATA TRANSPARENCY

Information such as that submitted to and disseminated by the Joint Organisations Data Initiative (JODI), which integrates oil production, consumption, exports, imports and inventory data from all corners of the world, can still be improved upon and made more broadly available with the co-operation of more governments and companies. This depends crucially on recognising the important role that transparency plays in making markets work better.

Energy data transparency with respect to storage continues to represent a major challenge. These data are hard to come by for some regions and countries, making it more difficult to identify the factors driving inventory and trading decisions. Great interest was expressed at the 5th AMER in better understanding inventory data, and in differentiating among the use of stocks for commercial, speculative or emergency purposes.

### ENERGY DATA TRANSPARENCY IN FOCUS

*"While locating and extracting new resources is one thing, getting it to people and industry requires long-term plans and large investments. Ultimately, stable prices are key to this. That is why the International Energy Forum has such a vital role to play, and why I call on all nations in Asia to continue to support the work of the IEF in helping increase transparency".* – **HE Ali Al-Naimi, Minister of Petroleum and Natural Resources, Saudi Arabia, 12 September 2013**

### UNCONVENTIONALS

While some market observers perceive the rise of unconventional oil and gas as a clear threat to established producers, top officials from some major producing countries noted at the 5th AMER that they welcome the advent of supply from these new sources. New reserves bring new depth to global oil markets by enriching the supply mix, and the rise of unconvensionals is further proof that the world is not running out of oil. It seems that the conversation has shifted quite rapidly from fears of limited supply to discussions of how much hydrocarbon supply will stay in the ground.

### INTERDEPENDENCE AND PARTNERSHIPS

Producers and consumers continue to strike deals and co-operate closely. Witness how technology and capital from Asia (a net importer) has facilitated the expansion of output in the Middle East (a net exporter). This is a clear example of how embracing interdependence makes for good business and enhanced energy security.

### INTERDEPENDENCE AND PARTNERSHIPS IN FOCUS

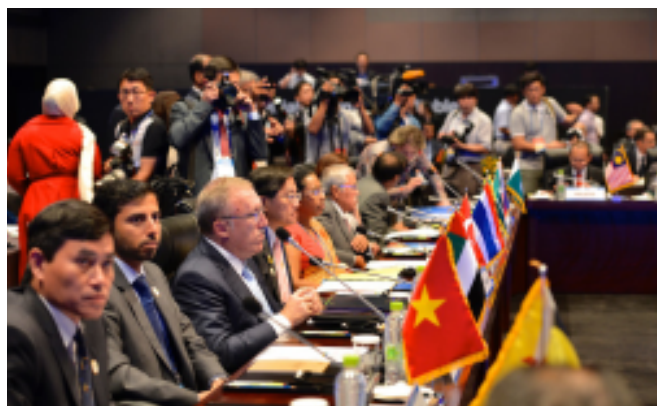
*"Iraq on 12 September 2013 signed a memorandum of understanding that includes the joint storage of Iraqi crude in some of South Korea's storage facilities. Platts reported that Iraqi Oil Minister HE Abdul Karim al-Luaibi told reporters in Seoul that the tank leasing was a 'win-win', giving South Korea first access to the foreign oil stored in its tanks in the event of an emergency, and giving foreign owners logistical advantages in tapping into the growing Asian market".* – **Platts, 12 September 2013**



### GAS PRICING

5th AMER participants discussed the structure of gas contracts and the need to better understand the merits of incorporating short- to medium-term market signals into pricing mechanisms. It was evident that consumers would like a more flexible natural gas market, and that producers are willing to work with consumers to find a solution that helps sustain costly investments over the long-term.





## KEY DIALOGUE DRIVERS

The IEF identified Key Dialogue Drivers intended to stimulate dialogue at the Fifth Asian Ministerial Energy Roundtable, and beyond:

- Different views and **assumptions related to expected oil demand growth in Asia**, especially in China, India and the Middle East merit on-going discussion, given their importance in scenario building and investment planning on a global scale.
- Future oil and gas **demand levels for transportation**—notably in non-OECD countries including China and India—remain a “known unknown”, or recognised variable, which warrants close monitoring and analysis in the near-term.
- Understanding **oil stocks data from non-OECD countries** such as China, India, and the Mideast Gulf nations is becoming more important for oil markets than understanding OECD stocks data.
- In the advent of a significant upswing in the share of unconventional in the global energy mix, the relevant question is not whether **strategic reserves or spare capacity** will be needed. Instead, the question is how to determine their adequate size, given their costs and impacts on global energy security.
- Despite the so-called “**re-regionalisation**” of **gas markets**, they remain interconnected and interdependent. Developments in regional gas markets have global consequences, as coal to gas switching in the US engendered gas to coal switching in Europe. The energy mix in one region depends on the mix in another.
- More dialogue is required to analyse the merits of proposals to adjust the **structure of gas contracts**. Long-term contracts help ensure security of supply and demand, but for some observers there may be room for these contracts to incorporate more short- to medium-term market signals.
- A scenario in which greater gas trade might cause **regional prices** to converge towards one global price is to an extent a function of future trade volumes in the Pacific Basin, which will in turn depend on the region’s energy policies, its capacity to absorb additional supply, and expected supply levels from Canada, Australia and the US, which will add to streams coming from the Middle East and Africa.
- Despite impressive investment levels and falling costs for some categories of **renewables**, in numerous cases the economics of renewables still do not work vis à vis the fossil fuel alternatives.
- It is important that all market actors comprehend the degree to which **renewables require gas** as a back-up fuel.

## THE FOLLOWING COUNTRIES HAVE GENEROUSLY OFFERED TO HOST/CO-HOST FUTURE ROUNDTABLES:

**6<sup>th</sup> Roundtable in 2015:** Host **Qatar** and co-Host **Thailand**

**7<sup>th</sup> Roundtable in 2017:** Host **Thailand** and co-Host **United Arab Emirates**

**8<sup>th</sup> Roundtable in 2019:** Host **United Arab Emirates** (co-Host confirmation pending)

**The IEF's Vision.** To be at the leading edge of the global energy dialogue and the platform of choice for the promotion of global energy security.