

6th Asian Ministerial Energy Roundtable

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Japan**

Session 2

Gas and coal in Asia's energy mix: interactions and uncertainties

Thank you, Chairman.

In the coming decades, the gravity of global energy demand will shift to Asia and other emerging countries. Energy demand in Asia is set to grow by 50% in next 30 years. To meet Asia's rising energy demand, choosing either gas or coal is not a prudent or realistic option.

There is no ideal fuel that could solve all of the "3E" challenges. We need to use all energy sources including oil, gas, coal, nuclear, and renewable energy, in an effective and well-balanced way, reflecting the respective circumstances of each country.

Let me touch upon Japan's situation. The guiding principle of our energy policy is "3E plus S." We will ensure safety, secure a stable supply of energy, provide energy at low cost, and with environmental sustainability in mind. The Government of Japan announced its Long-term Energy Mix toward 2030 in July of this year. We will reduce the use of nuclear power by promoting ambitious energy saving, maximizing renewable energy, and enhancing high efficiency thermal power generation. Japan's 2030 energy mix in terms of total primary energy supply is expected to consist of around 10 to 11% of nuclear energy and 13 to 14% of renewable energy. Fossil fuels will remain important, with natural gas representing 18%, coal 25%, and oil 30% of the nation's primary energy demand.

Now, let's take a look at the role and challenges of natural gas and coal for the future development of Asia.

Natural Gas, LNG in particular, will become an important energy source in Asia. US shale gas will finally cross the Pacific Ocean to Asia next year. Global LNG supply will be more diversified. The Natural gas market is also changing significantly. We observe the creation of a "well-functioning market," including flexible contracts, increasing short-term transactions, and new pricing formulas.

A flexible, liquid, and competitive market will accelerate LNG transaction and investment, and increase its attractiveness as an energy source, which will bring mutual

benefits to both producers and consumers. Towards the further nurturing and growth of a “well-functioning market,” stronger cooperation between producers and consumers is more indispensable than ever before.

In September, Japan hosted the “LNG Producer-Consumer Conference” in Tokyo with 1,000 participants from 50 producing and consuming countries, covering 90% of the world’s LNG market. At the conference, participants discussed many ideas towards a stable, competitive, and flexible global LNG market. I deeply appreciate Minister Al Sada’s participation in this conference for four consecutive years. As the world’s largest LNG consumer, Japan will continue to provide platforms for open discussion on LNG, and add momentum towards further developing a well-functioning global natural gas market.

Next, the challenges on coal use. Power generation in Asia will more than double in the next 30 years. Coal, which is abundant and at low cost in Asia, will remain an important source for stable and affordable energy in the region.

Knowing this, we need to step up our efforts to reduce its negative environmental impacts. In particular, improving efficiency of thermal power generation will have significantly positive environmental outcomes. If the efficiency rate of all thermal power plants throughout the world is improved by just 1%, then fuel costs will be reduced considerably, and CO₂ emissions could be reduced by 340 million tons per year, which is equivalent to one third of Japan’s total emissions level.

Encouraging the use of high efficient and low emission coal-fired power generation technology is a realistic and effective measure to meet climate change challenges. Japan will contribute to improving energy efficiency in Asia by transferring cutting-edge coal-fired power generation technology to the region.

Member countries of the Asian Ministerial Roundtable account for over 50% of the world’s primary energy demand. As Asia becomes the center of global energy demand in the near future, our discussion on energy policies will have significant meaning to global energy security.

In addition to the excellent ideas and information developed in this room, our common aspirations to improve the energy market will serve as a further catalyst to ensuring the sustainable future of energy. Thank you for your kind attention.