



**Dr. Shamshad Akhtar,
Under-Secretary-General of the United Nations & Executive Secretary of
The Economic and Social Commission for Asia and the Pacific**

Keynote Speech at 7th Asian Ministerial Energy Roundtable

2 Nov 2017, 9:20 – 9:30

Your Excellency, General Anantaporn Kanjanarat, Minister of Energy, Thailand;

Your Excellency, Khalid Al-Falih, Minister of Energy, Industry and Mineral Resources, Saudi Arabia and President of the OPEC Conference;

Your Excellency, Sun Xiansheng, Secretary General, International Energy Forum.

Excellencies,
Distinguished delegates,
Ladies and gentlemen,

The transition in global energy markets is well underway, albeit at different pace and sequence. This has implications for how Asia shapes its transition and given the growing regional energy demand, Asia's energy transition has implications for the overall global scenario. Our Region can adopt and adapt to new energy architecture and technology, and its benefits would depend on how effectively and speedily Asia fosters regional cooperation and integration, while harnessing clean energy options.

Asia is now an economic powerhouse and forecasters predict its share in global GDP and energy demand will rise to 52 per cent and 48 per cent by mid-century respectively. Today Asian economies have access to modern and affordable energy, albeit with some experiencing severe energy deficits, as evidenced by over 400 million people remaining

without electricity. Barring several hydrocarbon rich economies, the region is largely import dependent. Negative economic, environmental and social externalities of coal, gas and oil use are evident in the region's high greenhouse gas emissions of 25 billion tonnes in 2014, impacting both people and planet.

With 21st century development of alternate and new energy technologies, there are many choices now to change the energy mix; but it requires political will, the right blend of investment, appropriate pricing and effective regulation and governance to allow the region to make better energy choices. To facilitate this and to gear the region to deal with futuristic cyclical and structural up and down turns in the global economy and the energy sector, reflections on the three questions posed for deliberations today are timely. This is of particular significance as the Asia-Pacific consumes about 25 per cent of global oil, 45 per cent of coal and 10 per cent of gas. Boosting energy security calls for balancing energy mix and regional energy connectivity to ensure competitive, stable and reliable access to primary energy sources.

The first question posed for deliberation is the most pertinent for the Asia. Prudent management of oil sector turbulence and uncertainty are critical, as despite rapid efficiency enhancements and the development of electric vehicles, the region will continue to have high reliance on oil in key sectors such as aviation and sea, road and rail transport. The impact of price spikes and supply disruptions affect oil producers and exporters as well as oil importers. Low price swings impact upstream investment and set the stage for future price volatility. Upswings hurt importers' balance sheets and induce economic vulnerabilities.

Predicting sharp price swings is difficult but future volatility needs to be mitigated by timely and well calibrated investments in production capacities, including in smarter extraction technologies, to manage demand and supply. Temporary solutions such as development of robust strategic oil reserves and oil fund buffers (accumulated during the price turns) can offer short term relief but are difficult to sustain. There is, however, a need for transparency in data to improve price discovery. Concurrently, greater reliance of well-regulated but expanded hedging through financial markets will support risk management. Equally critical are well developed coping strategies for consumers and producers to deal

with price volatility consequences. A few other measures include enhancement of energy efficiency through strict fuel economy standards for vehicles and greater reliance on public transportation, along with the phasing out of fuel subsidies, while incentivizing investment in alternative technologies. Most of all, reduced import dependence, through energy diversification, will strengthen economic resilience to price shocks and diversification of oil production.

Expanding the role of the natural gas sector to provide an energy bridge for a world undergoing an energy transition is feasible for Asia but requires strategic realignments. Asia has potential to substitute gas for much of its oil. Asia's natural gas market is the fastest growing, reaching the second largest worldwide. Given the demand scenario the region could drive almost half of global gas growth to 2040. Gas, as a globally traded, flexible and lower carbon energy source, has potential as a cleaner power generation fuel to displace coal, and as a flexible, fast responding power source that can complement renewables in power grids. In addition to the growth of seaborne LNG, with ASEAN now catering for 66 per cent of the regional demand for LNG, Asia has enormous opportunities for the trade of gas through transboundary gas pipelines. For example, the TAPI pipeline, now under construction, will transport gas from Turkmenistan to Afghanistan, Pakistan and India. Together with imports from Central Asia and Myanmar into China these pipelines benefit both supplying and receiving countries. Greater penetration demands that Asian natural gas markets be more competitive within energy mix through investments in pipelines and developing trading hubs for more reliable pricing, along with third party access to regasification terminals.

Finally, investment in disruptive technologies has the potential to change the energy landscape as they can best deliver a transition to sustainable energy. The pace of innovation has increased as wind, solar and energy storage are already reshaping the investment landscape. Over the next decade we can expect smart grids, demand side management, big data, peer-to-peer energy trading and distributed energy to play a greater role in energy markets. Innovation in the energy space is opening doors for policy makers, providing an array of increasingly affordable and practical means of achieving national energy policy goals. But the attendant risks also require careful management. Rapid changes in energy markets and technologies can induce dislocations, repricing of

fossil fuel assets and stranded assets. We must achieve a managed energy technology transition, that allows markets and investors to adjust and minimize the financial stability risks.

Regional dialogue and cooperation on these three areas, particularly tapping clean sources and developing integrated power grids with potential to transact variable energy sources, will help address the key challenges facing energy transition. Effective regional investments for transmission of supplies from resource-rich belts to high-demand countries and fostering agreements on resource sharing and cooperative solutions are needed. Tapping the rich hydropower potential in Asia, close to 52,000 tera watt hours per annum should not be precluded. In moving forward, rather than sole emphasis on national planning, energy sector development plans should look at benefits from exploiting efficient transboundary solutions that minimize climate change and enhance energy trade and energy security. ESCAP's Intergovernmental Committee on Energy will help the region to strategize transboundary options for energy diversification and sharing, exchange of knowledge, policies and experiences among its members.

Next year we will convene the Asia-Pacific Energy Forum, a platform for the region's ministers to agree on key areas of energy cooperation.

To conclude, we look forward to this forum offering strategic direction on how to build on existing progress, guide future efforts and move from visions to actions. Any delays in sustainable energy development would mean climate risk moves from "distant horizon" to real and tangible impacts during our generation. Pressures to rapidly decarbonize the energy system are growing and will only intensify, so the driving forces behind the energy transition will not dissipate, but rather increase over time. Global and regional cooperation will be key in a climate-friendly energy transition focused on promoting sustainability and inclusivity.

I thank you.