

IEA - KEEI Joint Conference on
Northeast Asia Energy Security and Regional Cooperation
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Opening Remarks

By
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Your Excellency Chairman Soon-Hoon Bae, Vice Minister Chil-Doo Kim, Our Co-host and President of KEEI, Prof. Sang-Gon Lee, and all the Distinguished Session Chairs and Speakers, ladies and gentleman.

It is my great pleasure to head the IEA delegation to this important Conference on Northeast Asia Energy Security and Co-operation. I am particularly pleased to hold this Conference as it is the first IEA Conference on Northeast Asia and also the first IEA Conference held in Korea since becoming a Member of the IEA in March 2002.

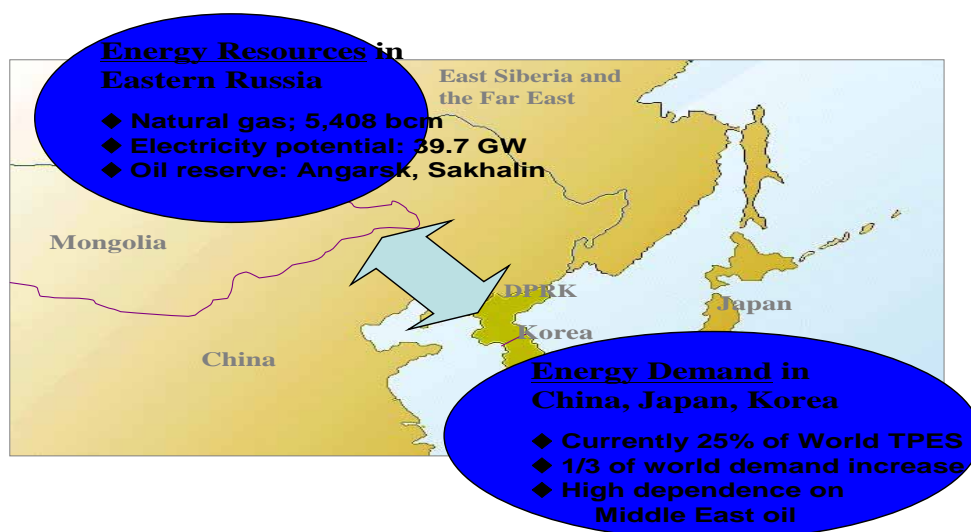
Growing Importance of Northeast Asia and its Implication on Global Energy Security.

The Northeast Asian region is indeed quite an important region for the world energy security, comprising China and Russia, Mongolia, Republic of Korea, Democratic People's Republic of Korea and Japan. This region is characterized as holding both immense energy demand and abundant energy resources. About one fifth of the world's energy is consumed in these countries as a group. China, Japan, and Republic of Korea together are expected to account for one third of the world energy demand increase over the next three decades, while the Eastern part of Russia holds significant amounts of reserves of oil, gas, coal as well as hydropower. Among these countries, the rapid increase of energy demand in China is quite striking. About 20% of the incremental energy demand between 2000 and 2030 is projected to come from China.

Most of the developing countries in this region¹, however, have been isolated from global energy markets and left behind in energy development, lacking investment and infrastructure to connect them to the markets. But in recent years, we have seen positive steps in oil and gas development.

- Sakhalin oil project has been on stream since late 1990s;
- Sakhalin2 LNG project will be operational by 2010;
- Feasibility study for Kovykta gas project in East Siberia was completed in November 2003;
- Oil and gas exploration and development in East China Sea have been getting positive results.

Based on these developments, the potential strategic benefits that can be obtained by the regional trade have gradually been recognized between suppliers and consumers of energy in the region. The concern on energy security and the need for co-ordinating cross-border gas and oil trades are also growing in this region. Further demand increase in this region that could be activated by regional energy trade in the coming years will certainly have significant implications on global energy markets and world energy security.



¹ East Siberia, Mongolia and North Korea are largely landlocked and isolated from the regional and global markets.

Introduction of the IEA

Let me offer you a little history of the IEA by highlighting how the IEA can contribute to the sustainable energy future in Northeast Asia. The IEA was founded in 1974 by 16 OECD countries to defend the interests of major energy consuming nations in the aftermath of the OPEC oil embargo. At that time, our Member countries' concerns focused almost exclusively on the security of the oil market.

Over the last thirty years, however, the IEA has grown to 26 members. Energy security remains our core mission, but our mission has broadened. While we still strive to ensure a reliable supply of oil, we have been diversifying our concept of energy security to other energy sources - such as natural gas and electricity - and in regions outside of the OECD. In addition, environmental and social concerns have made us realize the importance of achieving a balance among what we call the “3Es:” energy security; economic growth; and environmental protection. These missions of the IEA and experiences would certainly contribute to the energy security policy development in this region.

In fact, at the IEA Ministerial meeting in April 2003, the IEA Secretariat was encouraged by some Energy Ministers (Korea, Japan and Russia) to contribute more to this region. Responding to this Ministerial guidance, the IEA decided to hold a joint conference with KEEI to contribute to the energy security and regional cooperation in Northeast Asia as the first IEA project in Northeast Asia.

Specific Issues for Discussion in the Conference

The topics of this Conference are wide-ranging. Among these topics, I would like to touch on several issues that could be the stimulus of discussion during the conference.

First, as for the energy demand in Northeast Asia, the most critical issue of the three major energy consuming countries in the region-China,

Japan and Korea- is oil supply security and their high level of dependency on imported oil, especially from the Middle East. Oil market instability during the War in Iraq last year and oil disruption in Venezuela and Nigeria in 2002 and 2003 reminded this region of the need for preparedness in energy security. The regional oil security systems are supported by emergency stocks in Japan and Korea, but the rest of the region would still be vulnerable.

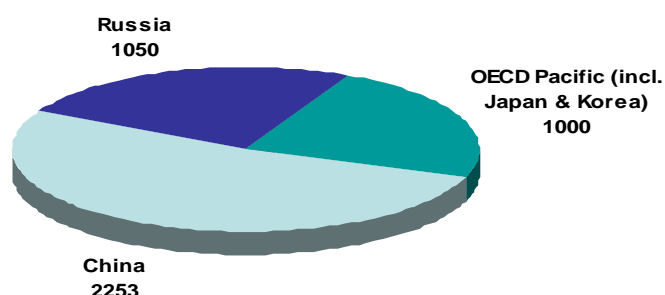
In this Conference, the future geopolitical or energy security changes which new supplies of Russian oil and gas might bring to this region will be discussed. These new supplies would help major consuming countries in this region to enhance their energy securities. I welcome such a discussion.

Second, I understand that one of the common interests of the Northeast Asian energy consuming countries is the diversification of their energy sources from oil to other energies such as natural gas and electricity. In this pursuit, the energy reserves in the eastern region of Russia are critical. To date, most discussions on Russian energy have focused on the trade between West Siberia and Europe, but as described in the Russian Energy Strategy 2003, Russia recognises the importance of East Siberia and Far East Russia as new frontiers for the coming decades. No doubt, initiation of Sakhalin projects will provide good commercial models for energy development projects which may follow in East Siberia and Far East Russia in the coming years.

Third, for energy exporting countries like Russia and other developing countries in this region, energy investment and finance are the key challenge.

It is encouraging to see a number of private sector proposals and business interests in building natural gas pipelines, electric power links, and other types of cross-border energy trade. However, most of their preliminary findings have suggested that enormous investment needs to take place before we can see energy development.

Northeast Asia Energy Investment by Country/Region 2001-2030 (US\$ billion)



The region will account for about 26% (\$4,303 billion) of world total energy investment (\$16 trillion) during the projection period

The Role of the IEA : Sharing of Information and Experience of the OECD countries.

All the issues in this conference will be harmonious with IEA's goals and the aforementioned "3Es". I believe the consolidation of the energy security of this region would perfectly match the IEA's mission: contribution to global energy security. During the past several years, the IEA has been invited to a number of international conferences and meetings in Northeast Asia to provide our thoughts on the regional and global energy future, and share our experiences in energy security. The IEA has also organized a series of international conferences and workshops - both in and outside Paris - on oil emergency stocks, natural gas and electricity security and cross-border energy trade. Most of these events have certainly provided good opportunities for policy makers and industry players - both in the IEA and non-IEA countries - to share opinions and develop mutually beneficial best practices for energy co-operation. All these elements assist Northeast Asian countries in building a better foundation for a regional energy security framework and future regional co-operation.

Finally, in building a regional energy framework, it would be useful for the Northeast Asia countries to learn from the experiences of other regions that have already developed regional energy co-operative networks. Examples may be found in the cases of ASEAN, EU, OLADE, APEC and NAFTA.

The experience of the Energy Charter and many other distinguished speakers from OECD Member countries gathered here today will provide information and share experiences about regional energy co-operation for Northeast Asian colleagues.

Conclusion

I hope this conference will become a significant step for Northeast Asia towards a sustainable future of its energy security and development. Northeast Asian energy security is not just a regional issue- it has a significant impact on world energy security. The IEA will remain at the disposal of our Northeast Asian colleagues for any further discussions on issues for building a sound and co-operative energy security framework, which will also contribute to enhancing world energy security.

I would like to express my appreciation to the experts from all over the world who have responded to our invitations and travelled from far away to attend and speak at this conference. I am sure that we will all benefit from their participation.

I would also like to thank the Co-host, Korea Energy Economics Institute(KEEI) and the sponsors of this Conference; the Ministry of Commerce, Industry and Energy(MOCIE) in Korea and UNESCAP for their efforts in organizing this Conference.

Thank you for your kind attention.