

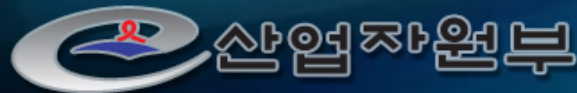
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Energy and Security in Northeast Asia

Current Status and Prospects in Intergovernmental Collaborative Mechanism for Energy Cooperation in Northeast Asia

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Kyung-Hwan Toh, Ph.D.

**Director for Energy & Recourses Policy Division
Ministry of Commerce, Industry and Energy**



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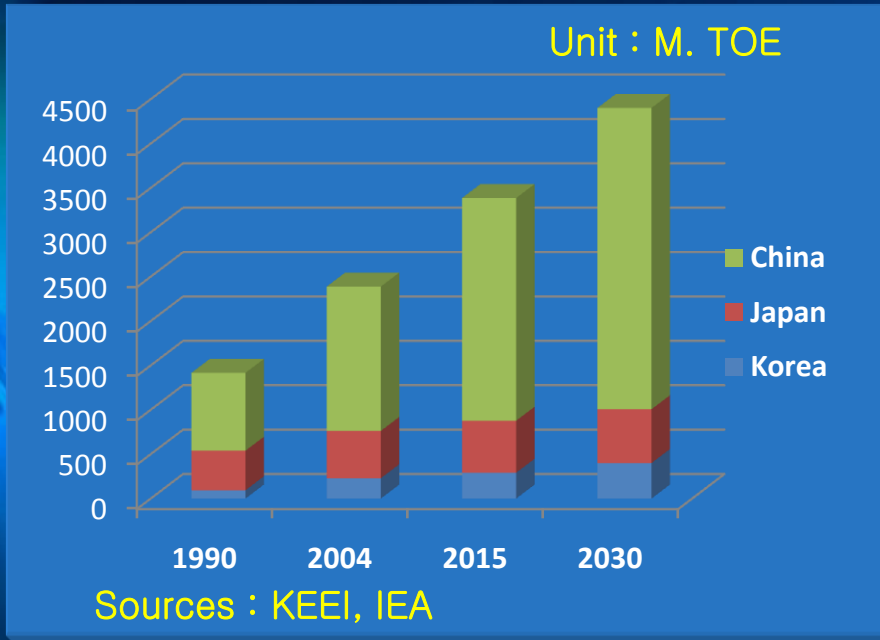
Development Strategies for ICM in NEA

I Necessity of Energy Cooperation in NEA



1. Energy Profiles in NEA

Rapid Increase of TPES In Korea, Japan, China



Abundant Russian Oil & Natural Gas Resources (2006)

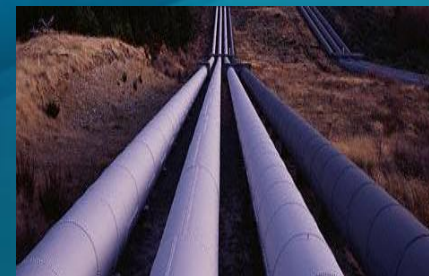
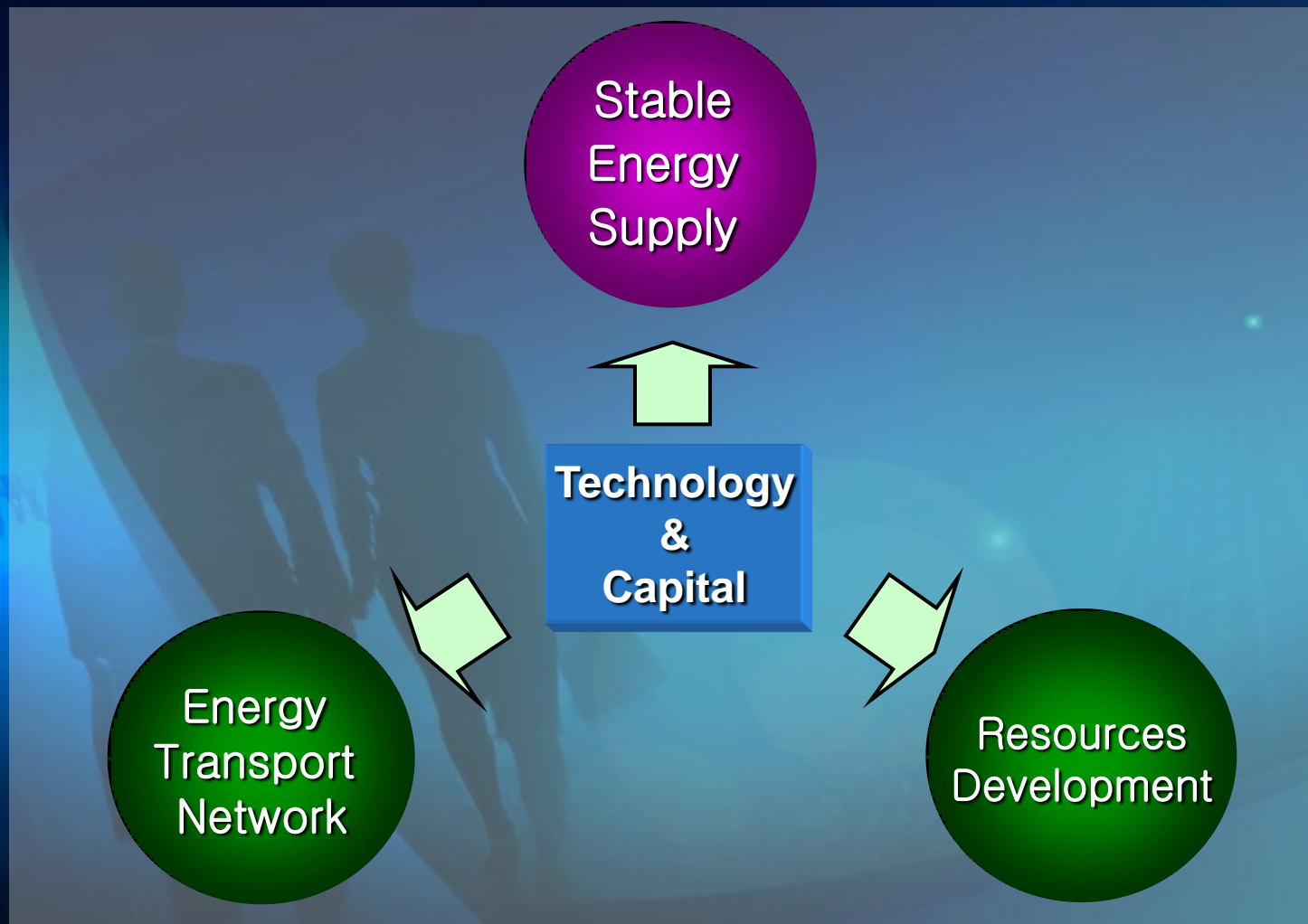
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	Proved Reserve	Share	R/P ratio
Oil	79.5 B. barrel	6.6%	22.3
Natural Gas	47.65 TCM	26.3%	77.8
Coal	157 B. ton	17.3%	Over 500 Y.

Sources : BP, Country Report of Mongolia



2. Opportunities for Technology and Capital Cooperation



3. Economic Common Prosperity of NEA Countries

“Peace and Prosperity” in NEA

Synergy Effect by Partnership

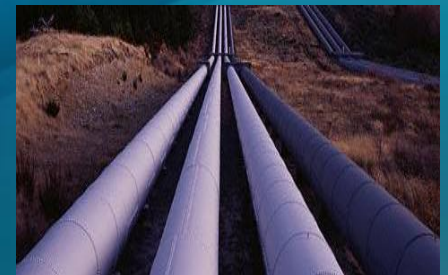
ROK, China
& Japan

Capital
Market
Technology



DPRK, Mongolia
& Russia

Energy
Resources



II New Energy Circumstances in NEA



1. Positive Change

Positive Change

● Establishing Regional Peace in NEA

- ➔ Positive progress of 6-Party Talk and South-North Korea Summit Meeting

● Russia's Eastern Gas Program

- ➔ Diversification of gas export market: share of export to Asian-Pacific region to 30% ↑
- ➔ Development of 4 gas fields and construction of 3 gas pipelines

● China's Northeast Region Development Plan

- ➔ Aug. 20, China published a comprehensive Revitalization Plan of Northeastern China
- ➔ Include energy development plan including construction of pipeline & additional development of Daqing oil field
- ➔ Chinese government acknowledges the importance of energy cooperation in NEA

2. Negative changes

Negative changes

- **Intensification of resource nationalism(Russia)**
 - ➔ Take-over of private companies and foreign companies' shares by state-run companies (Yukos, TNK-BP)
 - ➔ Intensification of barriers to foreign companies (Subsoil Law)
- **Possible strengthening of consolidation among producers(Gas OPEC)**
 - ➔ Possible development of Gas Exporting Countries Forum to Gas Cartel
 - ➔ It can be a barrier to Russian natural gas development and trade
- **Lack in trust between producers-consumers**
 - ➔ Russia's political use of energy resources : Interruption of gas supply to Ukraine(Jan,'06)
 - ➔ Delay of Sino-Russian cooperation because of disagreement in gas export pricing
- **Conversion from buyer's market to seller's market**



Current Status of Energy Cooperation in NEA



1. Current Status of Energy Cooperation

ICM on Energy Cooperation in NEA

- **ROK leads its establishment to realize complimentary opportunities in NEA**
 - ➔ Coexistence of energy consumers(ROK, China, Japan)
producers(East Siberia, China, Mongolia)
 - ➔ ROK initiative in June, 2001.
- **Holding 1 meeting of SOC, 2 meetings of WE-EPP and Workshops per year**
- **Inter-state sharing of energy market information, coordination of energy policies, and improvement of energy investment environment**
- **4 member states(ROK, DPRK, Russia, Mongolia)**
2 observers(Japan, China)
- **The third SOC will be held in Dec. 07**
 - ➔ Government–Business Dialog will be also held to develop concrete cooperation projects

1. Current Status of Energy Cooperation

Tumen River Area Development Plan (TRADP → GTI)

- **Part of UNDP to improve economic development of Tumen River ('96~'05)**
 - ➡ Member States : Russia, China, ROK, DPRK, Mongolia (Deputy of Minister)
 - ➡ Energy cooperation is one of diverse economic cooperation sectors
- **Renaming TRADP into GTI, Reaching an agreement in expanding business area and establishing secretariat operation fund ('05)**
 - ➡ Under consideration to establish energy board to strengthen energy cooperation
 - ➡ In the 9th 5-countries commission of TRADP, the conclusion of GTI agreement and the establishment of Energy Board. (Vladivostok, Russia, Nov. 15~16, 07)

1. Current Status of Energy Cooperation

Five-Country Energy Ministerial Roundtable

- **Five-Country Energy Ministerial** including ROK, China, Japan, U.S.A., India
 - ➡ 5 participants account for 48% in global energy consumption.
 - ➡ According to China's initiative, the 1st meeting was held in Dec., '06, the 2nd meeting will be held in Japan, in June, '08.

Dialogue channel of high energy consumers

Mitigation of competition for energy security

Proposals of cooperation measures in 4 sectors



1. Current Status of Energy Cooperation

APEC EWG

- Establishment for regional energy cooperation
- 5 sectors of coal, efficiency/conversation, information/analysis, new & renewable/technology, mineral resources/development
- Recent cooperation improvement in energy security, market structure reformation & regulation mitigation, environment, sustainable development

ASEAN+3 (ROK, China, Japan begin to participate in Dec. '97.)

- Launching of SOME(Senior Official Meeting on Energy, July, '02)
- Searching for concrete cooperation measures through EPGG under SOME
- Intensifying action through EAS(East Asian Summit)
- Japan's initiative to strengthen regional energy security capacity

2. Evaluation of Energy Cooperation Mechanisms

Problems in energy cooperation in NEA

- **Difference of institutions and ideas among NEA countries**
 - ➔ Potential of dispute factors like history, Russian–Japanese & Chinese–Japanese territorial dominium, fishery problems, etc.
 - ➔ Especially, NEA is vulnerable to each state's political flow
- **Lack in concrete projects attractive enough for all countries to participate in**
 - ➔ Requiring improvement of relevant institutions such as energy business procedure
 - ➔ Improving financing capacity and establishing an organization for large-scale improvement projects
- **APEC, ASEAN+3 face difficulties in coordination of member states' interests**



Development Strategies for ICM in NEA



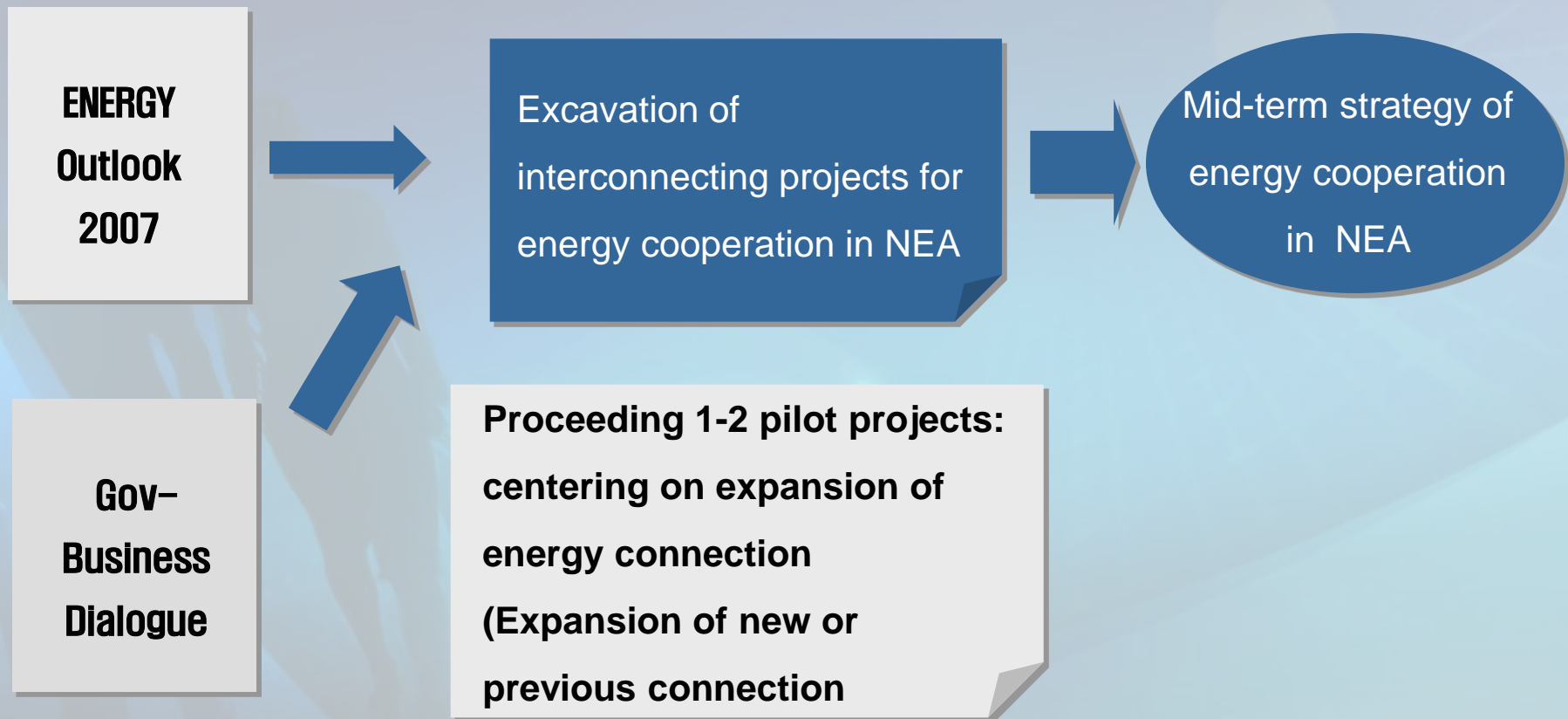
1. Basic Direction of Development

Basic Principle

- **Securing energy resources and creating common interests of regional countries**
- **Expanding roles of governments in establishing cooperation relationship of regional countries**
- **Establishing an interdependence relationship by participating in energy resources development projects jointly**

2. Future 5-Years (2008-2012) Development Strategy

Short-term strategy(2008-2009)



2. Future 5-Years (2008-2012) Development Strategy

Mid-term Strategy (2010-2012)

- **Implementing projects to examine cooperative mechanism**
- **Implementing market development activities**
 - ➔ **Implementing production, consumption, transport, selling of energy products**
- **Coordination of each state's policy, regulation, law to increase energy trade in NEA**
- **Strengthening interconnection with other bi-lateral, multi-lateral energy cooperation proceeded in NEA**

3. Prospects and Implication

Prospects and Implication

- **Need to prepare to make the previous ICM more advanced mechanism**
 - ➔ Building up concrete conference basis by expanding the scope of present WG or setting up new WG by sector
 - ➔ Extending the membership by inducing China and Japan's active participation
 - ➔ Establishing the identity of ICM by realizing early pivotal projects among active member states in present
- **Maintaining flexible international cooperation relationships by enhancing interconnection with other energy cooperation bodies.**

Thank you.

