4. APEC Oil and Gas Security Initiative

4-3. Oil and Gas Security Network Report (Newsletter and Forum)

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OUTLINE OF PRESENTATION

Newsletter
- Background
- Progress
- Way Forward

1st OGS Forum
- Background
- Next Steps
BACKGROUND

- **Newsletter** is one of the important projects under the pillar APEC Oil and Gas Security Network (OGSN);

**OBJECTIVE:**
- Generally, aims to report on the development of oil and gas security initiatives in the APEC region;
- The coverage was expanded to include global oil and gas issues;
- The APERC Secretariat monitors the development by initially establishing a network within the region;
- Published every other month.
PROGRESS

Three Issuances to date

- 1\textsuperscript{st} Issue – December 2014
- 2\textsuperscript{nd} Issue – February 2015
- 3\textsuperscript{rd} Issue – April 2015
- 4\textsuperscript{th} Issue – June 2015

Editorial Board Composition

- APERC
- IEEJ

Meetings

- Once a month
APEC Oil and Gas Security Newsletter

APEC's President Message

Energy security has been a global concern and will remain to pose a great challenge for the APEC region. With tremendous economic expansion of the APEC region, energy demand is expected to speed up and thus securing energy supply would be a serious issue that needs utmost attention and priority. As we all know, oil and will not be a major fuel particularly for the transport sector and will continue to have significant portion in the primary supply mix. On the other hand, natural gas, being relatively a clean fuel compared with other fossil energy resources, is becoming a popular fuel in the region with increasing share in the supply mix of most countries.

It is in this context that the Oil and Gas Security Initiative (OGSI) has been launched in order to strengthen the preparedness of the APEC economies to emerging challenges in the area of energy security. OGSI, which is composed of 11 APEC member economies: Australia, China, New Zealand, Japan, Republic of Korea, Malaysia, Singapore, Indonesia, Thailand, Russia and the United States, has been actively working to improve the level of preparedness and the capacity of energy security issues.

The newsletter will be a monthly update to capture latest events in oil and gas markets including Middle East updates that may have some impacts on supply security of APEC member economies. It is a feature section that will present new ideas and perspectives on energy security, as well as important developments in related policy and political issues, and new research findings on energy security and related issues.

Mr. Takahiro Usui, the President of the Asia Pacific Energy Research Centre (APEC), has served as important parts in Japan’s Ministry of Economy, Trade and Industry.

He has a lot of international working experiences in such organizations as APEC, the International Energy Agency (IEA), and the United Nations Development Programme (UNDP) in Tokyo. He is also serving as APEC Secretariat Official for Japan.

He graduated from Keio University (BE) and from Commerz University, UK (MBA) (Photo courtesy of Mr. Usui)

CRUDE OIL SPOT PRICE

WTI—USD 60.82 (Dec. 12) (Source: US Energy Information Administration)

Supply and Asia

In the early 2000s, transportation cost was about 3.0% to 5.0% of total crude oil acquisition cost. Now, it is below 3.0% because, while all price levels have increased, carrier tonnage has a surplus balance which has become lower. Non-traditional long-distance transportation from West African countries to Asia is now less of a revolution. The increased demand in oil is putting more and more pressure on refining capabilities to supply the increases in crude oil.

Indonesia, which is the second largest crude oil producer in Asia, is now a net importer of crude oil. The Indonesian government is working on its policy to increase crude oil production. It is expected that the production will increase by 2016. Indonesia is also increasing its condensate production. The government is working on the development of the condensate from the East Kalimantan Province. The product will be exported to Japan and Singapore.

The U.S. insists on its right to oil and gas supplies from the Middle East. The U.S. National Security Council has stated that the U.S. will continue to be a major oil and gas supplier.

There are several countries that produce oil and gas, such as Saudi Arabia, Iran, and Iraq. These countries have been supplying oil and gas to the U.S. and other countries.

The U.S. National Security Council has stated that the U.S. will continue to be a major oil and gas supplier.

1st Issue Sample
Positive and Negative Impacts of Rapid Oil Price Drops

Positive and Negative Impacts of Rapid Oil Price Drops

He mentioned that oil prices are unlikely to turn upward until 2022. APEC (Asia-Pacific Economic Cooperation) decided on an emergency production cut in response to an excessive price fall. APEC oil prices are paid in US dollars, so this weak demand is paying for the US dollar's weakness. Oil producer countries are consuming countries with higher propensity to consume, becoming a factor in the world economy. Oil demand countries, oil price drops bring about an increase in energy prices. APEC's oil prices also affect the world economy, with higher oil prices increasing the cost of goods.
APEC Oil and Gas Security Newsletter

Chinese Economy and Oil & Gas Market

During the National People’s Congress held in early March, the government announced that China aims to target a 7% GDP growth rate in 2015. China enjoyed a high GDP growth rate of around 10% for over 20 years before the economic stagnation in the early 1990s following the Tiananmen Square incident. Factors, such as the smuggling export industry affected by economic situation of developed economies, worsened the situation. Even China’s economic growth at 7.4% in 2014 (Ministry of National Economic, October, 2014). The 2015 goal that the National People’s Congress announced early this year is even below the 2014 level.

China is currently importing a large amount of oil and natural gas. It is the second and ninth largest oil and natural gas importer of the world in 2012, respectively (EA, Energy Balance 2014). The decline of energy demand in China caused by the economic slowdown is expected to cause the decrease of import volume affecting the global market. Currently, crude oil price is a little less than 50% per barrel which is very low compared with the level that prevailed for the past four years. In reaction to the low crude oil price, the natural gas price which was linked with that of the crude oil has also declined. A change in import volume of oil and natural gas in China may become a factor that causes the continuing low price of oil and possibly the same to come as well.

Such low oil and natural gas prices in the international market can be good news to net importers like China as they can help to contain the overall of national wealth and bring benefits to their industries and people. On the other hand, the situation can be considered tough not only because it decreases the trade balance and adversely affects the oil and gas export related industry and consequently their respective economies.

This situation, however, does not always create benefits for net importers. First, the decline in oil prices, investment projects for oil and natural gas have been under reassessment all over the world. Some of them may even end up being cancelled. While this is a natural behavior based on market principles, excessive adjustments may cause shortages of supply in the future.

APPEC Oil Supply Security

For Pacific Rim Economic Countries (APPEC) and its Energy, Japan (JPEA) jointly made a special presentation of APPEC economy in the 1st APEC Oil and Gas Security Forum (JPEA) on April 20, 2015 in Tokyo, Japan. As the forum’s topic, a talk on energy security was presented.

LNG import

China has reached 25 Mt of LNG imports in 2013. As a result, China’s LNG import capacity is expected to increase up to 30 Mt in 2015. Therefore, the 2nd APEC Oil and Gas Security Forum will be held in Tokyo, Japan in April 2015. (This will be the event for the second year.)

The 1st APEC Energy Forum

The APEC Economic Leaders’ Meeting will convene in Indonesia in June this year, which is the first APEC Energy Forum (JPEA) held in Indonesia, May 26-27.

12th International JODI Conference

The 12th International Conference was held from 7-9 June 2013 in New Delhi, India. With the theme “Tensions Unravel and The Moving Forward”, the conference commemorates ten years of the JODI Oil Database and one year of the JODI Gas Database”. The conference was participated in by experts of approximately 20 countries along with 500 participants organized by the Conference Secretariat.

The forum was participated in by representatives of the APEC and Global Gas Security (APPEC-006) from 14 of the APEC member economies and experts from international/ regional organizations such as IEA, ASPO, NRAI and EPCA. It served as a venue to gather and share information and experiences from the members, relevant information on emergency responses to oil and gas supply disruptions.

The APEC Secretariat presented the current and future activities of the DIOC, including the APEC Oil & Gas Security Forum and the JODI Oil Database.

“Countries with indigenous oil and gas resources with small level of imports are more resilient than importers.”
WAY FORWARD

Interview
- Prof. Paul Stevens - 4th Issue
- Suggestions/Volunteers?

APEC Issues
- Written by Editorial Board and colleagues from IEEJ
- Suggestions/Volunteers?

Global Issues
- Middle East, Ukraine, Iraq
- Suggestions?
1\textsuperscript{st} Oil and Gas Security Forum (2015)
1st APEC Oil and Gas Security Network Forum (OGSF) held last April 23-24, 2015 in Kitakyushu City, Japan;
participated in by the representatives of the APEC Oil and Gas Security Network (APEC –OGSN) from 16 of the APEC member economies as well as experts from international/regional organizations such as IEA, ASCOPE, HAPUA and ERIA;
Served as a venue to gather and share information and experiences from the members, relevant information on emergency responses to oil and gas supply disruption;
APERC Secretariat also presented the current and future activities of the OGSI.
Shirashima National Oil Stockpiling Base - the world’s largest floating oil storage facility located about 8 km off the coast of Kitakyushu.

- Construction completed in 1996;
- Crude oil for about 10 days of annual consumption of Japan is stored;
- Total amount of storage capacity is 5.6 million kl (700,000 kl x 8 barges);
- No emergency experienced so far.

- Shirashima National Oil Stockpiling Base
**NEXT STEPS**

- OGSS: Requesting information and comments
  - Oil Supply Emergency Preparedness Policies and Procedure
  - Oil and Gas Security Exercise Model Procedure (EMP)

- OGSE: To be held in Manila, Philippines in December 2015

- OGS Newsletter: Issue No. 3 was released on May 1, 4th Issue coming by end of June 2015

- OGSF
  - Next Forum in 2016 - Venue (?)
  - APERC Website – OGS information including 1st and 2nd OGSE forum will be uploaded
  - OGSN Members - continue updating of the list
THANK YOU FOR YOUR ATTENTION