



### **Promoting Energy Cooperation, Searching For Win-Win Achievement**

---Speech at the 4<sup>th</sup> high-level conference on Asian Economic Integration

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Dear Mr. Chairman, dear distinguished participants and friends,

Ladies and Gentlemen:

It is my great honor to be invited to be here to present my personal view on energy cooperation among Asian countries. Asian Energy Integration is now on the highway, from inauguration to enforcement, as a very important part of Asian Economic Integration. Here, I would like to present some of my personal views on propelling the energy cooperation among Asian countries.

After stepping into the new century, we can find that energy issue is now playing a more and more important role in the national strategy, both in developed economies and developing ones. To the Asian countries, we are not only facing a blooming energy demand and market size in the coming years, but continuing uncertainty of energy security and high oil price as well. Integration and cooperation, both in the field of economy and energy, are the right way to meet and deal with the challenges. In the past few years, China along with other Asian countries has been playing an active and effective role in the energy integration and cooperation. I believe that our cooperation will proceed into the operational phase, covering energy security, gas exploration, market research, strategic petroleum reserve, exploration and utilizing of renewal energy, technology transferring of energy saving, etc. Now, I would like to present my personal understanding of our cooperation towards energy integration and cooperation.

Firstly, it is urgent for Asian countries to establish an effective mechanism to lead collective actions as soon as possible. In the past few years, Asia-Pacific region grows up as the biggest energy consuming center in the world. It recorded 9 percent of growth rate of energy consumption in 2004, while the world average is only 4 percent. It is estimated that Asian oil demand in 2010 will take about 20 percent of the total world demand.

But meanwhile, most of Asian countries always felt themselves in weak position when the world oil price soars, why can we do very little about it? We always accept a higher oil price than

Europe and North America. Asia as a whole is a giant buyer in the world energy market, but not a strong one. Besides, we often compete with each other in the world market, in obtaining untapped reserves. One of the most important reasons is that, we are in short of an effective collaborative mechanism to search for the common interests, to secure stable and successive energy supply from outside of the region, to obtain lower oil price through strong bargains. In most cases, each Asian country has its own energy strategy and policies, we act independently, not only in the energy trade bargain, but in transportation security, pipeline infrastructure investment across boundary, exploration in the controversial area, R&D in energy-saving technology, etc. By contrast, Europe has shown us a very good model to act collectively.

In recent years, many Asian countries have inaugurated various bilateral and multilateral energy cooperation programs and proposals. Besides, I think that Asian countries should speed up establishing the Asian Energy Community, which is a periodical discussing mechanism, a constant, stable, transparent and high-level institutional framework. It can be promoted by the high-level leaders of each member country. Under this framework, members can periodically coordinate with their energy strategies, policies, disputes, the fields of cooperation etc. In short term, “10+3” or “10+4” may be a good framework, in the long run, it can be expanded and involved into Asian Economic Community. Through discussions, like this high-level conference, we can gradually map out the common targets, principles, rules, regulations of the community, rights and obligations of members, mechanism of dispute settlement.

Secondly, Asian Strategic Petroleum Reserve (ASPR) would be the effective system to cope with oil supply interruption and oil price shock. In East Asia, Japan, Korea has established over 100 days of SPR at national and commercial level, but some more others have not. Establishing a well functioning regional SPR system is a complicated cause, not only covering the technical issue, but touching upon investment and financing issues as well. For example, some member find itself not suitable to build enough reserve facility, how can it invest on reserve, furthermore, how to secure the overseas oil reserve when necessary. Upon ASPR, the strategic and mutual-trust partnership is the basis, but it needs more negotiations and compromises.

Thirdly, jointly exploring worldwide energy reserve and integrating energy infrastructure. To diversify the energy import should be enrolled into the projects of Asian energy cooperation. In Asia nowadays, most countries are facing the same situation, high dependency on outside oil import, mainly from Middle East, increasing the instability and risk of oil supply. The Strait of Malacca holds the bottleneck of oil transportation from Middle East to East Asia, transportation capacity and piracy make the situation complicated. To deal with this problem, many countries tend to move emphasis on exploring the untapped reserves of oil and gas, it inevitably increases the possibilities of frictions and conflicts with others. Laying aside the disputes, jointly exploring is the only and best way to deal with this problem. On integrating the energy infrastructure, integrated electricity network and gas pipeline across the boundary, base on the bilateral and multilateral agreement, the stakeholders including government, enterprises, consortium both domestic and abroad, should establishing a well-devised cooperation mechanism to cope with the technical and financial problems.

Fourthly, promoting the technological communication of energy among Asian countries is another field for cooperation. Renewable energy, as the good substitute to the conventional fossil energy, has shown its promising prospective, more and more Asian governments put it into the national energy strategy. For example, China has decided to elevate the proportion of power

generation capacity of renewable energy by 10 percent to the total power generation capacity in 2010, nearly doubling the figure up-to-date. In Asia, the exploration and utilizing of renewable energy is not balanced, some countries have the mature technology and strong manufacturing capacity of devices, but lack of resources and market, some reverse. That provides a broad space for cooperation. Besides, the advanced technologies in energy-saving should be listed on the agenda of energy communication with Asian countries. Japan is the good model in energy saving, not only in industrial and transportation sectors, but in construction and household sectors. The World Bank has been promoting many advanced technologies in power generation (such as IGCC) and other energy saving projects in Asia. We need a better communication within Asian nations in this field.

Finally, it is necessary for Asian countries to establish a good information exchange mechanism. This information mechanism covers the several different levels or sub-systems: level one focuses on establishing an organization independent of governments, gathering, disseminating and analyzing the relevant information about energy supply and demand, price and policy, technology and innovation, review and forecast of individual country. Level two focuses on the experiences on the reform and development of energy sector within Asian countries. How to form an effective energy market, to reform the monopolistic industrial structure and enhance the efficiency of state-owned energy companies by introducing new private and foreign investment, to regulate the energy sector, to deal with environmental problem, etc. Level three focuses on the policies to stimulate energy-saving technology and innovation.

Dear friends, there are great potentials in Asian energy cooperation. This conference presents a very good opportunity to exchange our ideas, to boost the cooperation in the field of Asian energy. Here finally, I would like to give my cordial thanks again to the excellent organization by RIS and ISEAS, great support by Sasakawa Peace Foundation and UNDP Regional Center.

Thank you all.