

# PROSPECTS FOR MULTILATERAL ENERGY COOPERATION IN NORTHEAST ASIA

*Sang-Gon LEE and Ki Joong KIM*  
*Korea Energy Economics Institute*

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# WHAT IS MULTILATERAL ENERGY COOPERATION?

Multilateral cooperation is:

*“international cooperative relationship such as an agreement or a treaty involving more than two countries without discrimination for achieving common subjects like commerce or arms control.”*

# WHAT IS MULTILATERAL ENERGY COOPERATION?

- Dimensions of NEA Energy Cooperation
  - Geographical scope: NEA (open regionalism)
  - Shared goal/aim: Sustainable development of countries involved thru cooperation on energy and environment related policy coordination, joint energy resource development and use, energy network interconnection, R&D, etc.
  - Responsible entities: Governments of member countries
  - Formality: Secretariat, SOM, Working Groups and R&D body
    - Formal, but not binding (e.g. APEC)
    - Policy consultation and coordination (ensued actions from discussions – distinguished from an international forum)

# WHAT IS MULTILATERAL ENERGY COOPERATION?

- Dimensions of NEA Energy Cooperation (con'd)
  - Size: Only SIX countries but a significant grouping
    - 24% of world population
    - 19% of world GDP
    - 16% of world energy consumption for S. Korea, Japan and China
    - 18% of world CO<sub>2</sub> emissions
    - Faster growth of economy & energy demand than any other regions

# WHAT IS MULTILATERAL ENERGY COOPERATION?

- Examples of Multilateral Energy Cooperation
  - APEC EWG (1991): Asia-Pacific, non-binding
  - IEA (1974): OECD countries, binding
  - ASEAN HAPUA (1981): ASEAN members, non-binding
  - OLADE (1973): Latin America and the Caribbean, non-binding
  - ECT (1994): open membership, binding
- ♣ Examples of Bilateral Dialogues on Energy-Related Projects in the Region
  - Russia-Japan: Siberia-Nakhodka Oil Pipeline
  - Russia-China: Siberia-Daqing Oil Pipeline

⇒ Conflict of interests between bilateral and multilateral cooperation

# WHY IS IT NEEDED FOR NEA?

- Resource Endowments of NEA Countries

	Oil & Gas	Coal & Minerals	Labor	Capital	Tech.	Mgt. Expertise
China	B	A	A	D	C	C
Japan	D	C	C	A	A	A
S. Korea	None	C	C	B	B	B
N. Korea	None	B	B	D	D	D
Russia	A	A	D	D	C	C
Mongolia	B/C	B	C	D	D	C

# WHY IS IT NEEDED FOR NEA?

- Solution for Sustainable Future
  - Economic Benefits
    - Resource development
    - Improvement in facility use
    - Spillover Effects: market liberalization, FTA
  - Environmental Benefits
    - Utilization of abundant environmentally friendly energy: natural gas and hydro
  - Emergency Preparedness
    - Less vulnerable to external shocks
    - Enable emergency swap of energy supply



# WHY IS IT NEEDED FOR NEA?

- Means of Improving International Relations
  - Multilateral characteristic of energy issues of DPRK
    - Traditional close relationship with China and Russia
    - Inter-Korean dialogue on economic cooperation is part of Northeast Asian one: DPRK located at the center of energy logistics in NEA
  - Coupling inter-Korean dialogue on economic cooperation and NEA energy cooperation can:
    - help detour or unravel current political difficulties like nuclear standoff; and
    - make it easier to maintain continuity and direction of bilateral cooperation through rigidity of multilateral relationship

# NEA ENERGY COOPERATION AND ENVISAGED STRATEGIES

- Potential Areas for NEA Energy Cooperation
  - Policy coordination
  - Data and information
  - E-Commerce
  - Cross-border energy projects
  - Multilateral energy projects
  - Joint R&D
  - Cooperation on energy-related environmental issues

# NEA ENERGY COOPERATION AND ENVISAGED STRATEGIES

- Envisaged Strategies toward NEA Energy Cooperation
  - Consensus building
  - Consultative process
    - Consultative mechanism: governing and working institutions, formalities, rules and procedures, etc.
    - Cooperative agenda and roadmaps for implementation
    - Policy development and coordination
  - Establishment of legal and institutional bases
  - Implementation and investment

# RECENT DIAGLOGUES TOWARD NEA ENERGY COOPERATION

- Communiqué adopted at the North-East Asia Expert Group Meeting, Khabarovsk, Russia, 23-24 October 2001
- Vladivostok Statement adopted at the Senior Officials Meeting (SOM), Vladivostok, Russia, 10 April 2003

# RECENT DIALOGUES TOWARD NEA ENERGY COOPERATION

- Khabarovsk Communiqué: Objectives
  - Increase supply of energy from NEA region
  - Optimize efficiency of supply and use of energy
  - Minimize environmental impact of energy projects through improved energy mix

# RECENT DIALOGUES TOWARD NEA ENERGY COOPERATION

- Khabarovsk Communiqué: Principles
  - Recognition of sovereign rights over energy resources
  - Development of free and fair trade
  - Free and non-discriminatory transit of energy products
  - Special support to DPRK and Mongolia in recognition of disparate economic development
  - Investment promotion and protection
  - Environmental protection

# RECENT DIALOGUES TOWARD NEA ENERGY COOPERATION

- Khabarovsk Communiqué: Suggested Institutional Arrangements
  - Senior Officials Meeting
  - Secretariat
  - Working Groups on:
    - Energy Planning, Programming and Restructuring
    - Emerging Energy Technology and Scientific Cooperation and Their Financial, Social and Environmental Impact
    - Electric Power Interconnection
    - Interstate Transit of Fossil Fuels
    - Development of a North-East Asian Energy Charter

# RECENT DIALOGUES TOWARD NEA ENERGY COOPERATION

- Vladivostok Statement: First Agreement of Senior Officials
  - Endorsement of objectives and principles of Khabarovsk Communiqué
  - Periodical meetings of Senior Officials
  - Establishment of Working Groups on:
    - Electric Power and Interconnection
    - Interstate Transit of Fossil Fuels
    - Prospective Energy Planning and Programming
  - Immediate establishment of a Task Force on Energy (TFE) to draft an Inter-governmental Consultative Mechanism
  - Further consultation for founding a Research Center for Energy Cooperation in Northeast Asia



# RECENT DIALOGUES TOWARD NEA ENERGY COOPERATION

- Vladivostok Statement: Annex on Inter-Governmental Consultation Mechanism
  - Geographical coverage
  - Objectives and principles
  - Envisaged collaborative multilateral energy projects
  - Establishment and formality of a Senior Officials Committee for Energy Cooperation in Northeast Asia
  - Establishment and formality of Working Groups and a Secretariat
  - Financing consideration

# KEEI ACTIVITIES FOR NEA ENERGY COOPERATION

- Present Research Activities
  - Four Research Teams on:
    - Country and regional market analysis
    - Regional cooperation
    - Cross-border energy project analysis
    - Data base management
  - Comprehensive approach to NEA energy cooperation since 2001, conducting some 10 small projects a year
    - Particularly, a special immediate attention paid to establishment of an inter-governmental dialogue channel

# KEEI ACTIVITIES FOR NEA ENERGY COOPERATION

- Preparation for Wider and Deeper Regional Energy Cooperation
  - Enlargement of existing research teams
    - Center for Energy Cooperation in Northeast Asia
    - Reinforced manpower, especially thru inviting foreign experts and human resource networking
  - Execution of joint studies and activities for regional energy cooperation, based on the progress of inter-governmental consultation

# RECENT DEVELOPMENTS SURROUNDING NEA

- Economic changes in DPRK
  - Currency and wage reform: introducing elements of market economy
  - Open-air circulation of US dollars reported
- Reconnection of severed roads and railways
- Agreed construction of Gaesung Industrial Complex and discussions on natural gas supply to the Complex
- Establishment of a family reunion place in Mt. Kumgang

# RECENT DEVELOPMENTS SURROUNDING NEA

- Nuclear standoff and KEDO impasse
- DPRK-Japan diplomatic problem: abduction issue
- China-Japan competition for oil pipeline in Russia
- Six-Party Nuclear Talks
  - U.S. strategy for engaging more countries to reduce financial burden (“two plus alpha” framework)
  - Sakhalin gas emerged as an alternative to nuclear power
  - Desperate need of energy and safety of regime for DPRK
- Desire for a leading role in NEA by Korea’s new administration

# IMMINENT ISSUES AND SUGGESTED DIRECTION

- Participation of China and Japan in SOM and TFE encouraged
- Good working relationship with other international / regional organizations
  - WTO
  - UNDP (TRADP), UNCSD (WSSD)
  - APEC (EWG)
  - ASEAN+3, OPEC
  - EU (ECT)
  - Others?

# IMMINENT ISSUES AND SUGGESTED DIRECTION

- Follow-up to the Vladivostok Statement
  - Responsibilities of the Task Force on Energy (TFE)
    - Formulation of a draft Mechanism for Inter-Governmental Consultation
    - Recommendations for promotion of regional energy cooperation, in particular, joint activities including joint studies
  - Meeting of first Senior Officials Committee
    - Review and adoption of the Mechanism
    - Review of overall approach to energy cooperation, and preparation for and implementation of a mandate for work plans of selective Working Groups

# IMMINENT ISSUES AND SUGGESTED DIRECTION

- Inter-Governmental Consultation: KEEI's View
  - Goals and strategies to foster cooperative environment
    - Human resources networking
    - Infrastructure for enhanced and common use of data, information and knowledge
  - Review of policies and measures (PaMs) of individual countries, and formulation of coordinated PaMs
  - Formulation of roadmaps and implementation strategies



# CONCLUSION

- There are huge gains from NEA energy cooperation.
- We have taken big important steps.
- Basic concepts and strategies are agreed upon.
- Some political and economic hurdles lie ahead.
- But the envisaged strategies and framework could work out with more active participation in and more dialogues through Inter-Governmental Consultation Mechanism.

**THANK YOU**