



# **Comment to the Session of Developing Russia's East**

Russia and the Caspian States in the Global Energy Balance  
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# Financial crisis has affected Asian energy demand

- Except for Chinese natural gas demand, Asia's energy demand has greatly affected by the current financial crisis.
  - ◆ While Chinese 4Q demand remains flat from 2007, its December demand in 2008 declined by more than 6% from December 2007.
  - ◆ Industrial sector has shown the largest decline among all sectors in all countries.
  - ◆ To what extent will the Chinese economic rescue package raise its energy demand?

|           | Japan  |        | China  |      | Korea  |       |
|-----------|--------|--------|--------|------|--------|-------|
|           | Annual | 4Q     | Annual | 4Q   | Annual | 4Q    |
| Oil       | -5.4%  | -11.0% | +4.2%  | 0.0% | -2.7%  | -8.2% |
| Gas (LNG) | +3.6%  | -2.5%  | +14.0% | n/a  | +4.9%  | -8.2% |

# Significance of Energy resources in Russia's East

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- While in the short term energy demand growth will be moderate in Asia, it does not change the long term picture.
  - ◆ Motorization, economic recovery, improving living standard will eventually lead to further energy demand growth in the region.
- Asia still has a strong expectations in energy developments in Russia's East (RE).
  - ◆ Appropriate investment in a timely manner is necessary to fill the gap between the regional energy demand and supply.
  - ◆ Commencement of LNG supply from Sakhalin will draw more expectations in future energy developments of the island.

# Russia will find more needs in developing RE.

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- Long-term goal in regional development of RE
  - ◆ Decreasing population
  - ◆ Impacts of financial crisis
- Growing uncertainties in European natural gas market.
  - ◆ Demand destruction by global financial crisis
    - Export to Europe is expected to decrease from 179Bcm in 2008 to 170Bcm in 2009, which may see a further decline.
  - ◆ Increasing share of renewable energy
    - Aiming to raise the share of renewable to 20% in 2020, Europe is aggressively adopting renewable energy.
  - ◆ Experience of gas supply disruption in January 2009
    - It may encourage some countries to divert natural gas supply sources or to import LNG.

# More regional coordination is required.

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- Energy resources in RE is important for all of Asian consumers.
- What is the most important is stability of market.
  - ◆ Exclusive behaviors / excessive competitions may result in political rivalries among Asian consumers and thus lead to the regional instability.
  - ◆ Utilization of market mechanism is the key.
- Multilateral approach as an option to develop RE energy resources
  - ◆ Government involvement
  - ◆ Lowering a hurdle for participation and investment
  - ◆ Avoid excessive competition among investors
  - ◆ Burden and risk sharing

# Conclusions

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- Asia's energy demand has been largely affected by the current financial crisis.
- Significance of energy resources in Russia's East (RE) for Asia, however, remains the same. Asia has strong expectations energy supply from RE.
- Russia will find more merits in developing energy resources in RE.
- To maximize the benefits of energy development in RE, more regional coordination is required.