



The 54th Meeting of APEC Energy Working Group (EWG)
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13.c. Oil and Gas Security Initiatives (OGSI)

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13.c. (1) Introduction of OGSII

- **APEC Oil & Gas Security Initiative (OGSI)** was first approved as an APEC Self-Funded project in EWG 48 in November 2014 in Port Moresby, Papua New Guinea.
- APEC Energy Ministers instructed “the **EWG**, with the support of **APERC** and other organizations such as IEA to strengthen oil and gas emergency response mechanisms in the APEC region through **OGSI**” in the 12th EMM in October 2015 in Cebu, the Philippines.
- **OGSI consists of three pillars:**
 - **Oil & Gas Security Exercise (OGSE)** on a voluntary basis;
 - **Oil & Gas Security Network (OGSN)** by officials in charge of oil and gas security policy in each Economy; and
 - **Oil & Gas Security Studies (OGSS)** on research topics related to oil and gas security in the APEC region.

13.c. (2) Progress of OGSI: OGSE in Australia

- **The Final Report of OGSE in Australia for Regional Capacity Building (29-31 March 2017) was published in October 2017.**
- **Sixteen participants** joined the exercise from **Australia** (Dept. of Environment and Energy and Dept. of Foreign Affairs and Trade), **Indonesia** (National Energy Council and Ministry of Energy and Mineral Resources), **Philippines** (Dept. of Energy), and **Thailand** (Ministry of Energy).
- **Seven invited experts** formed the **Expert Review Team – IEA, ERIA, ACE, IEEJ, Japan-METI, US-DOE, Australia-DoEE.**



13.c. (2) Progress of OGSI: OGSE in Australia

	Expert Review Team	Organization
1	Ms. Dagmar Graczyk	International Energy Agency
2	Dr. Phoumin Han	Economic Research Institute for ASEAN and East Asia
3	Mr. Christopher Zamora	ASEAN Centre for Energy
4	Mr. Jun Okunishi	Ministry of Economy, Trade and Industry
5	Mr. Douglas MacIntyre	U.S. – Department of Energy
6	Ms. Robyn Casey	Department of Environment and Energy
7	Dr. Ken Koyama	Institute of Energy Economics, Japan

	APERC Secretariat	
1	Mr. Takato Ojimi	President
2	Dr. Kazutomo Irie	General Manager
3	Mr. Michael Ochoada Sinocruz	Senior Researcher
4	Ms. Fang-Chia Lee	Researcher

13.c. (2) Progress of OGSI: OGSE in Australia

- **One common oil emergency scenario and three gas emergency scenarios – one each for participating economies based on individual domestic gas situation were provided.**
- **The team made 65 recommendations (including observations), such as:**

- Continue testing existing emergency policies, instruments and institutional setups, and revise them (if necessary) to reflect national, regional and global developments
- Consider a policy on floating price mechanism for “business-as-usual” and supply emergency situation to support faster market response and resolution of the supply shortfall
- Build capacities of all the agencies involved by sharing and reviewing actual fuel and gas supply-related emergency responses
- Undertake studies by Indonesia, the Philippines and Thailand on maritime oil supply routes and shipping arrangements in the event of supply emergency scenario
- Develop better-integrated domestic and international gas markets through government policies that support market transparency and supply flexibility
- Develop a more accurate modelling on gas infrastructure and surge capability since disruption in gas market has an impact on electricity supply
- Ensure adequate infrastructure and the need to finance such to meet future demand. This should be linked to medium- to long-term planning exercises
- Assess demand elasticity and the economic and financial cost of an emergency

13.c. (2) Progress of OGSI: OGSE in Peru

- **OGSE in Peru** was held in Lima on 6-8 November 2017. This is the first APEC OGSE held in **the Americas**.
- The **Expert Review Team** was composed of **6 members – OLADE, IADB, ERIA, US-DOE, Japan-JOGMEC, and a Peruvian Academic**.
- **Separate scenarios** for oil supply emergency and gas supply emergency were presented to Peruvian officials.
- **Around 30 representatives** from **government agencies, energy companies and academic institutions** participated the exercise.



13.c. (2) Progress of OGSI: OGSE in Peru

	Expert Review Team	Organization
1	Ms. Sylvia Larrea	Inter-American Development Bank (IADB)
2	Ms. Martha Vides Lozano	Latin American Energy Organization (OLADE)
3	Dr. Phoumin Han	Economic Research Institute for ASEAN and East Asia (ERIA)
4	Mr. John Powell	U.S. – Department of Energy
5	Dr. Pedro Gamio	Institute of Science of Nature, Territory and Renewable Energies, Pontifical Catholic University of Peru
6	Mr. Hiroaki Maruyama	Japan Oil, Gas and Metals National Corporation

	APERC Secretariat	
1	Mr. Takato Ojimi	President
2	Dr. Kazutomo Irie	General Manager
3	Mr. Diego Rivera Rivota	Researcher
4	Mr. Muhamad Izham Abd. Shukor	Researcher
5	Ms. Takako Hannon	Research Staff

13.c. (2) Progress of OGSI: OGSE in Peru

- A separated **blind oil emergency scenario** and **gas emergency scenario** were presented to the participants. Both scenarios were caused by natural disasters.
- **Some initial recommendations by experts were:**

- Experience from this exercise should be considered in the next Peru's energy plan.
- Future regulatory framework should be able to cover emergency supply.
- Clear roles for organizations in the event of an emergency have to be developed.
- Policies on energy efficiency should also be strengthened.
- Encourage Peru to look into imports during emergency. The government should have a cooperation framework with privates to import fuels during emergencies.
- Each organization needs to understand the system and be able to assess quickly their role in order to respond effectively.
- Ensure adequate infrastructure and the need to finance it, in order to meet future demand. This should be linked to medium- to long-term planning exercises
- Assess demand elasticity and the economic and financial costs of an emergency

- **The first draft report expected to be ready in late January 2018 for review.**

13.c. (2) Progress of OGSi: OGSN

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Issue No. 18

APEC Oil and Gas Security Newsletter

JFTC's Study on LNG Trade and Its Implications to Gas Security
Yoshikazu Kobayashi

Japan Fair Trade Commissions (JFTC) published the study on the practice of the international LNG trade in June 2017. The study found that the destination clause, which prohibits the buyer of LNG to resell its LNG cargo to a third party, may violate the Anti-Monopoly Act of Japan because it has an effect to limit market competitions. A similar decision was made by EU's Directorate General of Competitions in 2004, and the JFTC is not the first organization to find illegality in the destination restriction. In addition to its finding of the illegality of destination restriction, the JFTC study also provided a view that the take-or-pay provision, which obliges the buyer to pay for a certain volume of cargo regardless whether the buyer actually offtakes it, may violate the Anti-Monopoly Act after the seller collects the invested money.

Needless to say, liquid and flexible LNG market greatly enhances gas supply security. In many Asian countries, the domestic gas production becomes either stagnant or declining while its energy demand is growing. The role of LNG is surely growing and its supply security will become a concern for energy security. The existing LNG market is not liquid in the sense that most of the LNG trade is being done by long-term contract with rigid destination restriction and take-or-pay obligation. It may take a while until the effect of the JFTC's study become evident; however, the JFTC's findings will certainly help the buyer to negotiate to remove the destination clause and relax the take-or-pay obligation.

The trend of the current LNG market in fact, is moving toward a more liquid and flexible one. LNG supply from the United States, which does not have a destination restriction, will support the improvement of supply flexibility in the market. A growing number of private (next page)

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- Middle East Update 6

Highlights

- LNG Producer-Consumer Conference 2018
- Upcoming Event : OGSSE in Paris
- Crude Oil Spot Price (WTI and Brent)
- Natural Gas Spot Price (Henry Hub)

CRUDE OIL SPOT PRICES

Change from previous day

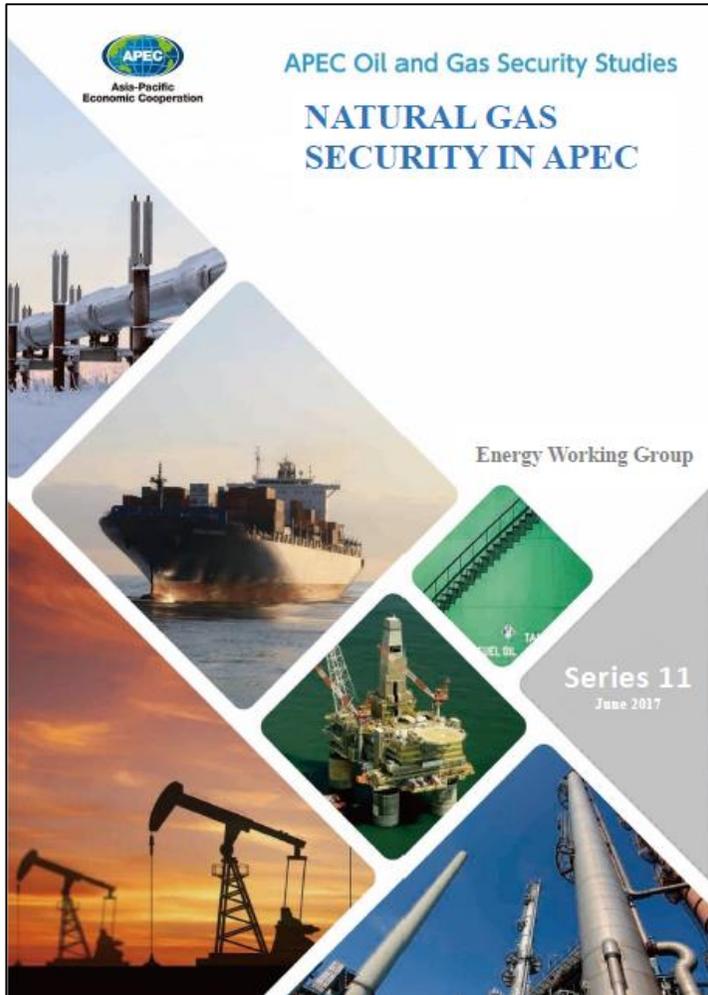
WTI (USD per barrel) Brent (USD per barrel)

WTI—USD 51.9 (Oct. 23)
Source : US Energy Information Administration

- **18 bi-monthly OGS Newsletters were already issued and circulated since December 2014.**
- **The 3rd Oil and Gas Security Forum was held on 29-30 June 2017 in Irkutsk, Russia, for the first time outside Japan.**



13.c. (2) Progress of OGSI: OGSS



- In addition to seven studies already published, **four studies** was published after endorsement by EWG.
 - Oil and Gas Security Indexation
 - Superiority of LPG: A Disaster-Resistant Energy Source
 - Impact of Low Oil Price on Energy Security
 - Natural Gas Security in APEC
- **Two studies** are currently undertaken.
 - Energy Security of APEC Economies in a Changing Refinery Environment
 - Investments in the Natural Gas Supply-chain in Asia Pacific

1. OGSE

- **Malaysia has shown interest in hosting OGSE in September 2018 [TBC].**
- **Update and revise the Emergency Manual Procedure (EMP) based on past exercises in Philippines, Australia and Peru.**

2. OGSN

- **The 19th issue of OGS Newsletter will be released in December 2017.**
- **The 4th OGSN Forum will be held on 7-8 March 2018 in Tokyo in conjunction with the EGCFE meeting on 9 March [TBC].**

3. OGSS

- **2 studies now underway and will be completed in the first half of 2018.**

**APERC welcomes all eligible economies to volunteer
hosting future OGSE.**

If interested, please contact: master@aperc.iecej.or.jp.



Thank you for your kind attention

<http://aperc.ieej.or.jp/>