

APEC EGCFE Oil & Gas Meeting
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Update of Oil & Gas Security Initiative (OGSI)

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**Asia-Pacific
Economic Cooperation**

- In the 10th APEC Energy Ministers' Meeting (EMM) in St. Petersburg, Russia on June 2012, the Ministers discussed **the energy security challenges** and strategic choices they faced.
- The Ministers emphasized the importance of **the Energy Security Initiative (ESI)**, adopted by APEC Leaders in 2001, and charged **the Energy Working Group (EWG)** to strengthen its position and to take measures to further implementation of the ESI.
- As such a measure, the Ministers instructed **EWG** and **APERC** to work on activities to improve the response to oil and gas emergency situations, including **emergency responses exercises**, in cooperation with IEA and ASEAN.
- In response to the EMM Mandate, APERC carried out "**two Oil and Gas Security Fora**" and "**two Oil and Gas Security Exercises (OGSE)**" in 2013/2014 in cooperation with the APEC member economies, international/ regional organizations including IEA and ASEAN, and also IEEJ Headquarters.

OGSI Background

- 1st Oil & Gas Security Forum (**Tokyo**) 2013/4/18-19
- 1st Oil & Gas Security Exercise (**Joint Southeast Asian Economies**) at Bangkok, **Thailand** 2013/9/17-19
- 2nd Oil & Gas Security Exercise (**Indonesia**) 2013/10/22-24
- 2nd Oil & Gas Security Forum (**Tokyo**) 2014/3/25



- In the 11th EMM in Beijing, China on September 2014, APEC Energy Minister instructed “the EWG, including through APERC, to **continue cooperation on emergency response**, with the International Energy Agency (IEA), ASEAN, the Economic Research Institute for ASEAN and East Asia (ERIA) and other international organizations”.
- The Ministers also encouraged member economies to conduct oil and gas security **exercises** on a voluntary basis, establish an APEC oil and gas security **frameworks** and do **research** on oil and gas security, so as to improve the capacity of the APEC region to **respond to emergencies** such as disruptions in oil and gas supply”.

- In order to respond to this Ministers' instruction, APERC proposed **APEC Oil & Gas Security Initiative (OGSI)** which was approved as an APEC Self-Funded project in EWG 48 in November 2014 in Port Moresby, Papua New Guinea.
- APEC Energy Ministers endorsed **OGSI** in **the 12th EMM in Cebu**, the Philippines on October 2015.
- 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.

New Launch of APEC Oil and Gas Security Initiative (OGSI)

1. Voluntary Implementation of Oil and Gas Security Exercise (OGSE) by APEC Economies

- To establish "Oil and Gas Security Exercise Model Procedure (EMP)".
- To assist voluntary exercises by dispatching APERC researchers and/or registered experts from IEA, ASEAN institutions, IEEJ, etc. upon the request of each Economy.

2. Establish APEC Oil and Gas Security Network (OGSN)

- Members: In principle, government officials responsible for policy related to oil and gas security in each Economy
- Secretariat: APERC
- Major projects
- ◆ **Information Sharing and Transmission through Mailing List**

To transmit updated information on oil and gas security through publishing "Newsletter".

◆ **OGSN Forum**

To hold the OGSN Forum for delegates from each Economy once a year in principle, in order to share information and exchange views on oil and gas security and also jointly discuss how to improve emergency preparedness.

3. Publish Oil and Gas Security Studies (OGSS)

- To research on issues related to oil and gas security and publish one or two reports per year as part of an Oil and Gas Security Studies (OGSS) series.
- The OGSS series will be presented at OGSN Annual Forum and uploaded to APERC's homepage. A limited number of prints will be distributed to APEC EWG members.
- Examples of research themes for the OGSS Series include:
 - a. The potential impact of political and social instability in the Middle East on APEC's oil and gas security.
 - b. The impact of Arctic melting on new opportunities for oil and gas resources and trade routes.
 - c. The current situation of oil and gas storage in the APEC region and possibility of building a stockpile system.

EWG47 8.b. APEC Oil & Gas Security Exercises 6/8

Progress of OGSE (Exercise)

- 3rd Oil & Gas Security Exercise (**the Philippines**) 2015/12/7-9
- 4th Oil & Gas Security Exercise for Regional Capacity Building (**Australia w/Indonesia, the Philippines & Thailand**) 2017/3/29-30
- 5th Oil & Gas Security Exercise (**Peru**) 2017/11/6-8
- 6th Oil & Gas Security Exercise (**Malaysia**) 2018/9 [TBA]



Progress of OGSN (Network)

- Networking of **officials in charge of oil and gas security** in APEC Economies through **OGS Newsletters** and **OGS Network Forum**.
- **20 bi-monthly OGS Newsletters** were already issued and circulated since December 2014.
 - Oil Update
 - Gas Update
 - Middle East Update
 - Interview with Expert
 - Upcoming Event
 - Highlights (Oil/Gas Prices)

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APEC Oil and Gas Security Newsletter

Natural Gas Shortage in China
by Yoshikazu Kobayashi

As the coldness of winter is getting severe, natural gas shortage becomes an acute problem this winter in China. In order to prioritize the supply for heating demand in northern provinces of the country, a number of industrial gas users cut off their gas supply and are forced to reduce their business activities.

According to the report by Nikkei, two thirds of Chinese provinces are affected by gas supply shortage this winter. Gas supply rationing extends beyond northern provinces to inner provinces such as Sichuan or central coastal provinces such as Jiangsu.

The biggest reason of gas supply shortage was regarded as due to the Chinese government's fuel-switching policy from coal. Local governments in northern cities and provinces such as Beijing and Hubei promoted natural gas use by banning coal-fired boilers for industry and residential use and closing local coal mines to improve air quality. Thanks to this policy initiative, air quality in northern areas has certainly increased; but because the fuel switching from coal to natural gas was too rapid in some locations, so that the development of supply capacity and transportation infrastructure have not been able to catch up with the demand growth.

The supply shortage naturally increases the country's LNG import demand. China's LNG import in November 2017 increased by more than 50% compared to the same month last year and the utilization of LNG receiving terminals in northern China is reported to exceed 100%. The sudden increase of China's LNG procurement also becomes one of the major reasons for the surge of spot LNG price in Northeast Asia from \$6/mmbtu in September last year to more than \$11/mmbtu in January this year. (next page)

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Highlights

- Upcoming Event • The 4th Oil and Gas Security Network Forum
- Upcoming Event • SOCFE Oil and Gas Meeting
- Crude Oil Spot Price (WTI and Brent)
- Natural Gas Spot Price (Henry Hub)

CRUDE OIL SPOT PRICES

Change from previous day

WTI (USD) ↑
Brent (USD) ↓

WTI—USD 61.91 (Feb. 20)

Source : US Energy Information Administration

Progress of OGSN (Network)

- **4 Oil and Gas Security Network Fora** were held annually since 2015.
- **1st Oil & Gas Security Network Forum (Kitakyushu) 2015/4/23-24**
- **2nd Oil & Gas Security Network Forum (Kagoshima) 2016/3/10-11**
- **3rd Oil & Gas Security Network Forum (Irkutsk) 2017/6/29-30**



Progress of OGSN (Network)

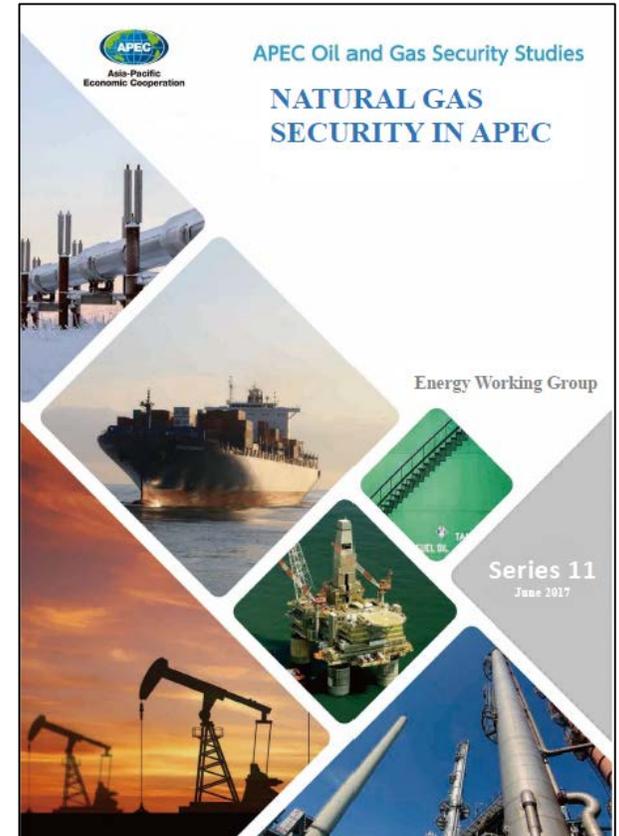
- **4th Oil & Gas Security Network Forum (Tokyo)** **2018/3/7-8**
 - **Delegates** from **16 APEC Economies**
 - **Experts** from **IEA, ACE, ERIA** and **OLADE**
 - **Reports** on **OGSE in Peru** and **OGSS 2017/2018**
 - **Update** on Oil & Gas emergency preparedness by **Economy delegates**
 - **Site Visit** to **Chiba Refinery, COSMO Oil Co., Ltd.**



Photo: Cosmo Co., Ltd. Oil HP

Progress of OGSS (Studies)

- **Eleven studies** were published after endorsement by EWG.
 1. Oil Supply Security and Emergency Policy in the APEC Region
 2. The Impact on Oil Distribution
 3. The Energy Reform in Mexico
 4. Prospects and Compromise Points of the Arab Spring
 5. Petroleum Product Trading and Security
 6. Melting of the Arctic Sea Ice
 7. Oil and Gas Security Indexation
 8. Superiority of LPG: A Disaster-Resistant Energy Source
 9. Impact of Low Oil Price on Energy Security
 10. Natural Gas Security in Plans for the Fuel Supply during Mega Disasters
 11. Energy Security Indexation
- **Three studies** are currently undertaken.
 - Energy Security Indexation 2018 Annual update
 - Energy Security of APEC Economies in a Changing Refinery Environment
 - Investments in the Natural Gas Supply-chain in Asia Pacific





Thank you for your kind attention!

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