

Chapter 1

Introduction

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CHAPTER 1

Introduction

Many East Asia Summit (EAS) countries show a growing trend in energy demand. The role of natural gas in energy supply becomes more and more important in several aspects which include the effective use of domestic resources, diversification of energy supply, and reduction of environmental load. However, since the share of natural gas in total primary energy supply is relatively low in the region, except in a few countries, there seems to be much room to expand the use of natural gas and thus gain maximum benefit from its use.

To make the use of natural gas sustainable, appropriate actions shall be taken throughout the supply chain, such as exploration and production, import if necessary, transmission, distribution, and consumption. For instance, specific actions are needed to maintain investment for developing gas fields to enhance natural gas supply, increase the efficiency of natural gas use to avoid wasting resources and expenditure, and develop the required infrastructure for natural gas supply. There is also a need to strengthen the capability of adjusting supply–demand balance and enhance the transparency of the gas market by improving liquidity in the natural gas/liquefied natural gas (LNG) market.

As such, in the EAS region where natural gas demand seems to increase in the future, formulating the ground for sustainable growth of natural gas market is desired.

Rationale

The rationale of this study is derived from the 18th ECTF¹ meeting held in Bali, Indonesia on June 27, 2013. In this meeting, Japan proposed new ideas

¹ Energy Cooperation Task Force under the Energy Minister Meeting of EAS countries.

of study, namely, Sustainable Development of Natural Gas Market in the EAS Region. The participants of the ECTF meeting exchanged views and noted to commence the proposed new study.

As a result, the Economic Research Institute for ASEAN and East Asia (ERIA) has formed the working group for the study. Members from EAS countries are represented in the working group with Mr. Ichiro Kutani of the Institute of Energy Economics, Japan (IEEJ) as leader of the group.

Objective

This study aims to have suggestions for formulating better market conditions for natural gas in the future in the EAS region. Natural gas market in said region is facing increased demand and import dependency for supply. In the meantime, outside the region, instability in the Middle East still exists. On the other hand, there is also high expectation for new supply from North America. It is, therefore, necessary to investigate how the region could address these changing circumstances

Work Stream and Working Group Activity

The study is designed to be conducted in two years.

In the first year, the study will focus on estimating natural gas outlook in the region to grasp possible changes in future market, and on assessing the current policy directions in each country. In the second year, the study will discuss market and infrastructure issues that seem to be critical under the future market conditions. Finally, the study will draw out policy implications with the above considerations.

Figure 1-1 Study Flow

