

Chapter **1**

Introduction

September 2015

This chapter should be cited as

ERIA (2015), 'Introduction', in Kutani, I. and Y. Li (eds.), *Sustainable Development of Natural Gas Market in East Asia Summit Region*. ERIA Research Project Report 2014-31, Jakarta: ERIA, pp.1-3.

CHAPTER 1

Introduction

Many East Asia Summit (EAS) countries show 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 for a few countries, there is much room for expanding 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 (i) maintain investment for developing gas field to enhance natural gas supply, (ii) increase efficiency of natural gas use to avoid wasting resources and unnecessary expenditures, and (iii) develop required infrastructure for natural gas supply. There is also a need to strengthen the capability of adjusting the supply–demand balance in some importing countries, and enhance the transparency of gas market by improving liquidity in natural gas/liquefied natural gas (LNG) market.

In the EAS region, where natural gas demand is expected to increase in the future, it is important to formulate the framework for the sustainable growth of the natural gas market.

1.1. Rationale

The rationale of this study is derived from the 18th Energy Cooperation Task Force (ECTF)¹ meeting, held in Bali, Indonesia on 27 June 2013. In this meeting, Japan proposed new areas of study, namely, Sustainable Development of Natural Gas Market in EAS. The participants of this meeting exchanged views and agreed to commence work on the proposed new study.

As a result, the Economic Research Institute for ASEAN and East Asia (ERIA) has

¹ The ECTF is under the Energy Ministers Meeting of EAS countries.

formulated the Working Group (WG) for the study. Members from EAS countries are represented in the WG with Mr Ichiro Kutani of the Institute of Energy Economics, Japan (IEEJ) as the leader of the group.

1.2. Objective

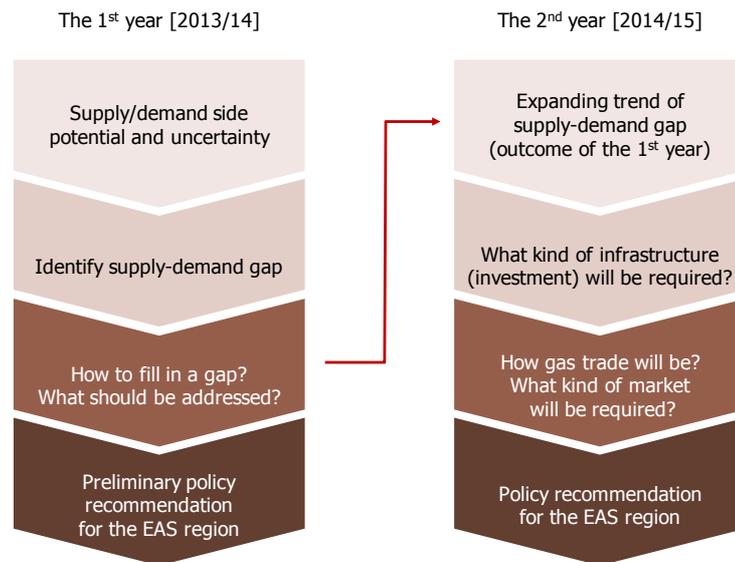
This study aims to generate suggestions for formulating better future market conditions for natural gas in the EAS region. Natural gas market in the EAS region is facing supply increases in both demand and import. In the meantime, outside of the region, the unstable condition in the Middle East region still exists. On the other hand, a high expectation for new supply from North America is also there. Therefore, it is necessary to investigate how the EAS region could address the issues and adapt to these changing circumstances.

1.3. Work Stream and Working Group Activity

The study is designed to be conducted for two years.

During the first year, the study will focus on estimating natural gas outlook in the region to identify possible changes in future market, and on assessing the current policy direction in each country. On the second year, the study intends to discuss market and infrastructure issues that may be required under future market conditions. Finally, the study will draw out policy implications based on these analyses.

Figure 1.1: Study Flow



Source: The Institute of Energy Economics, Japan (IEEJ).

