

Executive Summary

The role of natural gas in energy supply is expected to become more and more important in many East Asia Summit (EAS) countries. To enable the use of natural gas sustainably, i.e., to gain maximum benefit from natural gas use, appropriate actions shall be taken throughout the supply chain.

This study examines the supply–demand outlook of natural gas in the EAS region. The analysis indicates that import dependency of natural gas supply is going to rise in the future as the pace of supply increase cannot catch up with that of demand increase.

Recommendation 1: Towards realising larger investments

It is important to consider here the investment for realising the required future supply of natural gas, including indigenous production and import. According to the International Energy Agency (IEA), the required amount of investment on natural gas-related infrastructure adds up to \$2.27 trillion for all of Asia. The following points out four items that may be required to realising large investment, that is, to promote private sector participation:

- a) Abolition of investment barriers.
- b) Rationalisation of gas prices.
- c) Financial support (risk share) by national and governmental organisations.
- d) Provision of investment signals.

Recommendation 2: Towards sustainably developing the natural gas market

There are still problems to be solved to achieving sustainable development for the Asian natural gas market. One is improvement of flexibility and another is the rationalisation of pricing in international natural gas trade (e.g. import and export). Improvement of trade flexibility is required because this leads to the expansion of profitable opportunities for the exporting countries, in addition to higher needs for more

flexible balancing tool of gas supply–demand for the importing countries. Rationalisation of pricing is an indispensable element in the functioning and in enhancing market efficiency. The following points out three items that may be required to achieve these goals:

- a) Understanding the possible benefits brought about by expanding market flexibility and rationalising the pricing.
- b) Formation of an intra-regional agreement on natural gas and liquefied natural gas (LNG) trade.
- c) Conduct of market monitoring based on the above agreement.

Conclusion

Natural gas is expected to play a more important role in energy supply in the EAS region. However, to gain maximum benefit from the well-balanced feature of natural gas, its supply stability, economic efficiency, and environmental friendliness, some issues, as pointed out, will need to be resolved. Increasing use of rationally priced natural gas may eventually contribute to the development of both countries—more revenue for exporting countries, while importing countries can enjoy a more balanced energy supply mix.