

Chapter 1

Introduction

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Chapter 1

Introduction

1.1. Background and Objective of the Study

Energy security is a key concept of energy policy in all East Asia Summit (EAS) countries. To ensure energy security, possible changes in domestic and overseas markets must be foreseen and appropriate policies with long-term viewpoint must be adopted.

The first thing that needs to be done is to analyse the measures to be used in the future under the assumption that the future will be an extension of the present trends. This analysis can be conducted by using energy supply and demand outlooks, and other relevant data, as was done in the FY2013 Energy Security Index (ESI) Study.

However, as past developments indicate, energy markets behave in a discontinuous manner, and changes occur due to various factors. While it is difficult to anticipate and respond to such discontinuous changes, it is possible, to some extent, to brace for such changes by anticipating possible future energy market changes and identifying their predictors.

In this study, the scenario planning approach will be used to analyse multiple possible scenarios and extract possible threats for energy security in the EAS region. Policies to avoid or prepare for these threats will also be investigated. This study aims to contribute to the efforts of improving energy security for the EAS region in the future.

1.2. Study Method

Study Method and Work Stream

Based on the results of the ESI study in 2011, it was decided that the study on energy security of the region has to be extended and deepened in the following manner:

- A. Reassess the energy security situation in the region.

This study will use indicators developed in the ESI study for reviewing energy security conditions in the region. Through this process, the study will reaffirm scenarios of the future as an extension of the present trends and energy security challenges.

- B. Extract future threats to energy security by using the scenario planning method.

Using scenario planning, this study will depict multiple energy-related environmental changes that could take place in the EAS region. Based on the depicted scenarios, the study will pinpoint possible threats to energy security in the region.

- C. Draw policy recommendations for avoiding/preparing for future crises.

The study will analyse and propose policy measures required to avoid or prepare for possible crises.

Country Coverage

This study covers all member countries of the Economic Research Institute for ASEAN and East Asia (ERIA).

What is Scenario Planning?

- The scenario planning method is a form of strategy preparation and organisation learning approach in which people make multiple scenarios of possible environmental changes in a bid to enhance their foresight and imagination and brush up on their organisational decision-making capabilities to respond to uncertainties. It is used for business strategy development, project planning, crisis and risk management, stock and economic analyses, reorganisation, consciousness reforms, and others.
- Enterprises and other organisations usually make business plans based on the latest results and trends. An approach in which the future is viewed as an extension of the past and present may fail to appropriately respond to discontinuous environmental changes. Scenario planning allows decision-makers to prepare (including mental ones)

for changes, identify predictors of changes, and respond to uncertainties by virtually experiencing possible future changes in the scenario development process.

- Scenario planning for enterprises' business plan development originates from the scenario method used for considering and working out military strategies and tactics, foreign policy, and others. Today, scenario planning is considered a group learning process in which enterprise administrators and leaders deepen their understanding of the uncertain actual world and share the understanding with others within their organisations.

Source: Author.

1.3. Working Group Activities in 2014

To conduct the abovementioned study, the Working Group was organised. The Working Group members consist of experts from the region and The Institute of Energy Economics, Japan (IEEJ) research team serves as the secretariat.

In 2014, the Working Group met twice. The first meeting was held in October 2014 in Jakarta, Indonesia, while the second was held in March 2015 in Bangkok, Thailand.

The first Working Group meeting lasted for two days. Past examples of energy security risks and the outline of scenario planning were reported on the first day. This was followed by presentation by participants of future uncertainties (issues) on the energy market, and discussions to put these issues in order and to cluster them. On the second day, the extracted clusters were mapped and, finally, two scenarios were created.

During the first meeting, many participants expected that the crude oil price would remain high. However, the possibility that the crude oil price would remain low arose after the first meeting. Therefore, low oil price scenarios were discussed at the second meeting. Finally, policy implications were discussed based on these scenarios.