

Chapter **1**

Introduction

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Chapter 1

Introduction

South and Southeast Asia are experiencing some of the fastest-growing electricity demand in the world. Between 2016 and 2050, the Institute of Energy Economics, Japan (IEEJ) estimates that electricity consumption in Southeast Asia will grow by 2,093 terawatt-hours (TWh), which is an increase of roughly 245%.¹ Meanwhile, in South Asia, India alone will increase its consumption by 3,992 TWh on its way to becoming an electricity market rivaling the United States in 2050.²

Finding ways to meet this demand is essential to sustaining economic development and improving standards of living in the region. Yet the ways in which countries might seek to address their demand requirements can also raise new market, geopolitical, environmental, and energy security concerns. This report is the product of a larger project conducted by the National Bureau of Asian Research (NBR) for the Energy Research Institute Network (ERIN) on 'Strengthening Emerging Asia's Power Sector: Needs, Requirements, and Potential Roles for East Asia Summit Engagement.'³

The report builds on expert interviews and a workshop hosted in January 2021 (see **Appendix II**), as well as research conducted by NBR through other ongoing energy initiatives, such as the Energy Security Program and a project on the US government's Asia EDGE initiative. This research and programming complemented the ongoing efforts of ERIN's 'commitment to work on the next generation of energy policies that support the long-term energy sector aspirations of the EAS [East Asia Summit] countries' (see **Appendix III** for the full 1st ERIN Statement on the East Asia Energy Forum).

Activities in this project were designed to explore key challenges and strategic opportunities for strengthening the outlook for power sectors in South and Southeast Asia with the aim of identifying potential roles for enhanced US, Japanese, and EAS engagement. Given the notable shift in US policy following the election of Joe Biden as president, this report also includes specific context for how US engagement may change under the Biden administration. What are the major risks and obstacles that South and Southeast Asian efforts face? How can stakeholders from a wide range of country and professional backgrounds work together to catalyse inbound investment, promote

¹ IIEJ, 'IEEJ Outlook 2019,' October 2018, <https://eneken.ieej.or.jp/data/8122.pdf>.

² Ibid.

³ ERIN was established to support the Economic Research Institute for ASEAN and EAST Asia (ERIA) by providing data, information, and research on East Asia Summit countries' energy policies; disseminating research outcomes to policy and research leaders; and supporting ERIA's capacity-building programming. ERIN currently comprises organisations representing Australia, Brunei Darussalam, Cambodia, China, India, Indonesia, Japan, Lao PDR, Malaysia, Mongolia, Myanmar, New Zealand, Philippines, Republic of Korea, Singapore, Thailand, United States, and Viet Nam. Additional information on ERIN's goals and activities is available at <https://www.eria.org/about-us/eria-energy-research-institutes-network>.

market reforms, and heighten collective energy security? Who are the natural and necessary partners in this process?

Section one overviews major trends in South and Southeast Asia's growing demand for electricity, noting implications for efforts to strengthen the power sector in this region. Sections two through five then examines four challenges in greater depth. Building on this analysis, section six discusses several national and multilateral strategies that align with these concerns and that might be amplified or further refined to better address the expressed priorities of specific countries. Policy changes are occurring in the United States that are relevant to these issues and have implications for power sector development in Asia. These are examined further in **Appendix I**. Both the workshop and discussions during the previous six months emphasised that the new US administration will likely have a notable impact on how partnerships can achieve national strategies. The report concludes by considering policy options for new or enhanced EAS engagement.