



The 52nd Meeting of APEC Energy Working Group (EWG)

Moscow, Russia, 19-20 October, 2016

6.a. Oil and Gas Security Initiatives (OGSI)

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**Asia-Pacific
Economic Cooperation**

6.a. (1) Introduction of OGSi

- **APEC Oil & Gas Security Initiative (OGSI)** was approved as an **APEC Self-Funded** project in **EWG 48** in **November 2014** in **Port Moresby, Papua New Guinea**.
- **APEC Energy Ministers** instructed “the **EWG**, with the support of **APERC** and other organizations such as **IEA** to strengthen oil and gas emergency response mechanisms in the **APEC** region through **OGSI**” in the **12th EMM** in **October 2015** in **Cebu, the Philippines**.
- **OGSI** consists of three pillars:
 - **Oil & Gas Security Exercise (OGSE)** on a **voluntary** basis;
 - **Oil & Gas Security Network (OGSN)** by officials in charge of oil and gas security policy in each **Economy**; and
 - **Oil & Gas Security Studies (OGSS)** on research topics related to oil and gas security in the **APEC** region.

6.a. (2) Progress of OGSI: OGSE



APEC Oil and Gas Security Exercise The Philippines Exercise

Department of Energy, Philippines

07-09 December 2015

Final Report

Energy Working Group

June 2016

- **OGSE in the Philippines** was held in **Taguig City** on **7-9 December 2015**.
- **Results of the OGSE** was presented in the **2nd ERTG** meeting during **EWG51** week.
- **The report of OGSE in the Philippines** is available on **APEREC** website.
http://aperc.ieej.or.jp/file/2016/8/22/OGSE_Philippines_Final_Report_APEC_Secretariat.pdf
- **The 2nd OGSE** is under planning to be held in **Australia**.

6.a. (2) Progress of OGSI: OGSN

- **Eleven bi-monthly OGS Newsletters were already issued and circulated since December 2014.**
- **The 3rd Oil and Gas Security Forum is under planning to be held in Irkutsk, Russia, for the first time outside Japan.**



August 2016
Issue No. 11

APEC Oil and Gas Security Newsletter

Falling Oil Prices and Its Implication to APEC Economies
by Tetsuo Morikawa

Oil prices are falling again. As of early August, crude oil futures price at CME (NYMEX) was \$39 per barrel, the lowest since mid-April. The direct trigger is increasing rig count and the less-than-expected gasoline demand growth, both in the US. While concerns over continuing oversupply in the US certainly have a significant impact on prices, oversupply is not exclusive in the US. OPEC produced as much as 33.4 million barrels per day in July, the highest ever. Major non-OPEC producers like Russia maintains historical high production level. And the US production that has been decreasing since April 2015 could finally turn upwards in 2017. On the demand side, there are several downside risks. The most obvious one is uncertain macro economy. IMF predicts in its World Economic Outlook published in July that the world GDP growth will be 3.1% in 2016 and 3.4% in 2017, 0.1% less for both years from the previous outlook in April.

What does this all mean to APEC economies? Obviously the implication differs between oil importers and exporters. In the short term, importers can enjoy low prices and exporters will suffer. However, given the magnitude of oil price fluctuations to any economies and long lead time of upstream development, long term perspective is essential. Upstream investment fell by 13% in 2015 and will be even lower in 2016. Underinvestment could result in price spike in the future. Maintaining adequate investment is important to prevent oil market from destabilizing in the years to come. It is meaningful that importers look into upstream investment opportunities too. This low price era is also offering a good opportunity to phase out energy subsidies and develop strategic oil reserves especially in energy-hungry Asian economies.

CRUDE OIL SPOT PRICE



WTI—USD 46.8 (Aug 22)
Source : US Energy Information Administration

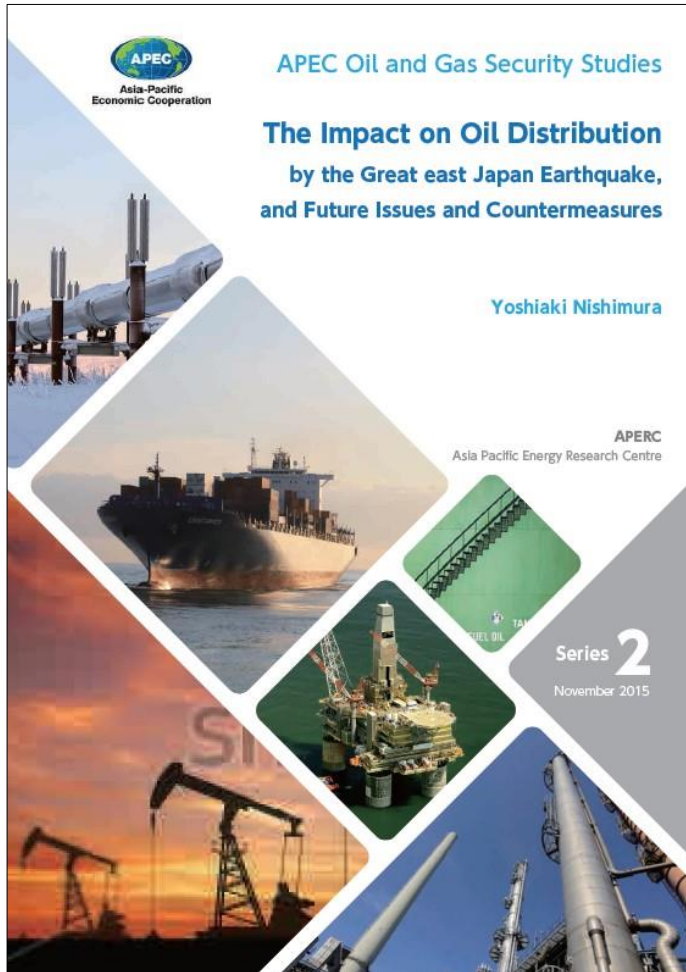
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Highlights

- Upcoming Event - LNG Producer-Consumer Conference 2016
- Crude Oil Spot Price (WTI and Brent)
- Natural Gas Spot Price (Henry Hub)
- Photo and Photo Story

6.a. (2) Progress of OGSI: OGSS



- In addition to Six studies already published, **two studies** are completed and will be published after endorsement by EWG.
 - **ISIS and Its Risk for APEC**
 - **Plans for the Fuel Supply during Mega Disasters**
- **One study** is continued.
 - **Energy Security Indexation**
- **Four new topics** are chosen.
 - **Influence of Low Oil Price on Energy Security**
 - **Gas Security in APEC**
 - **Geopolitical Implications of Iran Nuclear Agreement**
 - **Advantages of LPG in Case of Disaster**

1. OGSE

- **The 2nd OGSE will be held in Australia in March 2017, focusing on regional capacity building by inviting several APEC economies.**
- **Peru has shown interest in hosting OGSE in 2017.**

2. OGSN

- **The 12th issue of OGS Newsletter will be released in October 2016.**
- **The 3rd OGSN Forum will be on 29-30 June 2017 in Irkutsk, Russia.**

3. OGSS

- **5 studies now underway will be completed in the first half of 2017.**

**APERC welcomes all eligible economies to volunteer
hosting **future OGSE and OGSN Forum.**
If interested, please contact: master@aperc.iecej.or.jp.**



Thank you for your kind attention

<http://aperc.ieej.or.jp/>