

# ASIAN ENERGY SECURITY NETWORK DAILY REPORT, Wednesday, March 23, 2005

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## LATEST REPORT

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## 1. Investments in Gas and LNG Infrastructure and Energy Security

Fondazione Eni Enrico Mattei (P. Cayrade et al., "INVESTMENTS IN GAS PIPELINES AND LIQUEFIED NATURAL GAS INFRASTRUCTURE. WHAT IS THE IMPACT ON THE SECURITY OF SUPPLY? 2004) released this paper in connection with the INDES Project (Insuring against

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Disruption of Energy Supply). In this paper, the authors examine how, on the one hand, energy market liberalization and international economic interdependence have affected governments' ability to react to security of supply challenges and, on the other hand, the frame of reference for supply security has increasingly become the EU in which liberalization increases security of supply mainly by increasing the number of markets participants and improving the flexibility of energy systems. In this logic, security of supply becomes a risk management strategy with a strong inclination towards cost effectiveness, involving both the supply and the demand side. Security of supply has two major components that interrelate: cost and risk. The paper focuses on costs in the attempt to develop a market compatible approach geared towards security of supply.

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## **2. Energy Security Policy - US and Australia**

The U.S. State Department (Economic Perspectives, An Electronic Journal of the U.S. Department of State, "CHALLENGES TO ENERGY SECURITY," May 2004) released this journal report which reflects the international aspects of U.S. energy strategy derived from an ongoing national and international debate of energy objectives, priorities, and policies. The journal presents insights from key government officials, industry representatives, experts and leading scholars on how best to use the world's energy resources to meet growing demand and fuel sustainable development.

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The Energy Taskforce of the Prime Minister of Australia ("SECURING AUSTRALIA'S ENERGY FUTURE," 2004) released this report as a response to the need to secure Australia's energy future. The report covers resource development, stationary energy markets, transport energy markets, fuel excise reform, energy efficiency, energy security, energy and climate change, energy and the environment, and energy innovation. Securing Australia's Energy Future identifies a number of major new initiatives, including a complete overhaul of fuel excise arrangements, a longer-term climate change strategy, including substantial support for technology development and demonstration activities and the introduction of 'solar cities' trials, and policies to improve Australia's energy efficiency performance.

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## **3. IGES Environment and Development Report**

The Institute for Global Environmental Strategies (IGES), ("THE ASIA-PACIFIC FORUM FOR ENVIRONMENT AND DEVELOPMENT (APFED) FINAL REPORT," 2005) released the final report for the APFED project. Officially launched at ECO ASIA 2001 in October 2001, the Asia-Pacific Forum for Environment and Development (APFED) aims to address critical issues facing Asia and the Pacific region and to propose a new model for equitable and sustainable development of the region. The Forum consists of twenty-six eminent persons who have been nominated by countries and international organizations in the region. Moreover, in order to create effective dialogues with all

stakeholders, Multi-stakeholder Meetings have been held and effective usages of the Internet has been made. To establish scientific bases for Forum deliberations, Expert Meetings have been organized.

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#### **4. Energy and Nanotechnology**

The Baker Institute at Rice University ("ENERGY AND NANOTECHNOLOGY: STRATEGY FOR THE FUTURE," February, 2005) released this report of a joint workshop with Rice's Center for Nanoscale Science and Technology, the Environmental and Energy Systems Institute, and the Rice Alliance for Technology and Entrepreneurship, held at the Baker Institute on May 2-4, 2003. The conference, Energy & Nanotechnology: Strategy for the Future, was held to address the potential of nanotechnology to help solve the challenge of developing cheaper, more efficient, and environmentally sound energy supplies. The conference, based on input from 50 leading U.S. scientists who gathered at Rice in May 2003, found that key contributions can be made in energy security and supply through fundamental research on nanoscience solutions to energy technologies. The group of experts concluded that a major nanoscience and energy research program should be aimed at long-term breakthrough possibilities in cleaner sources of energy, particularly solar energy, while providing vital science backup to current technologies in the short term, including technologies for storing and transmitting electricity. Read the conference report here.

<http://www.rice.edu/energy/publications/energynanotechnology.html>

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#### **5. DPRK-ROK Electricity**

The Associated Press ("SOUTH KOREA SUPPLIES ELECTRICITY TO NORTH KOREA FOR FIRST TIME," March 16, 2005) reported that ROK supplied DPRK with electricity for the first time Wednesday, switching on current across the heavily armed border with its northern rival to provide power for an industrial park despite tensions over the North's nuclear program. The electricity will power a joint North-South industrial complex in Kaesong, just north of the mine-strewn border, initially providing 15,000 kilowatts per hour and eventually supplying a total of 100,000 kilowatts per hour by 2007, the government-funded Korea Electric Power Corp. said.

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#### **6. US and PRC Energy Policies**

Financial Times (Ian Bremmer, "CHINA AND AMERICA'S COMMON ENERGY INTERESTS," March 16, 2005) reported that together, US and PRC policies are distorting global energy markets. The differing perceptions in Washington and Beijing of the strategic importance of energy supply are pushing prices ever higher. According to the author, unless the US and PRC align their interests as

energy consumers, this distortion will intensify a growing geopolitical rivalry.

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## **7. PRC-Russia Trade and Economic Ties**

BBC Monitoring ("CHINESE PM SAYS BEIJING TO TIGHTEN TRADE, ECONOMIC TIES WITH RUSSIA," March 14, 2005) reported that PRC Premier Wen Jiabao said Monday (14 March) he would discuss with his Russian counterpart Mikhail Fradkov about trade and economic cooperation, particularly that in oil and gas exploration, when they met in the second half of the year. PRC and Russia have reached a consensus on energy cooperation, Wen said, citing Russia's promise to enlarge oil export to PRC to 10m tons for 2005 and 15m tons for 2006, based on last year's 9m tons.

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## **8. Asian Conversion Capacity**

The Energy Intelligence Group, Inc. ("RELIANCE SEES NEED FOR MORE CONVERSION CAPACITY IN ASIA-PACIFIC REGION," March 14, 2005) reported that Asia will need an additional 2 million barrels per day of conversion capacity over the next decade -- a 50% increase from current levels -- according to Ashok Dhar, vice president of India-based Reliance Industries Limited. Asian demand will be critical to the oil market for the next 10-15 years, Dhar said, addressing the Hart World Refining and Fuels Conference in San Francisco last week. Falling regional production, the declining availability of light, sweet crude, the move to low-sulfur products, lower demand for residual fuel oil, and incremental barrels of sour crude in the market have intensified the need for more conversion capacity in Asia-Pacific.

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## **9. Silver Contamination from Asian Coal Burning**

Environment News Service (ENS, "SILVER FROM ASIAN COAL BURNING POLLUTES NORTH PACIFIC," March 14, 2005) reported that the highest levels of silver contamination ever observed in the open ocean were found in samples collected during a survey of the North Pacific conducted in 2002 and made public today. Researchers from the University of California-Santa Cruz, measured silver concentrations 50 times greater than the natural background level. This pollution of what had been considered clean ocean waters demonstrates the global impact of industrial emissions from Asia, the researchers said.

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## **10. Sakhalin and Sustainable Development**

The Yomiuri Shimbun (Isamu Mishima, "SAKHALIN DEVELOPMENT MUST BE SUSTAINABLE," March 15, 2005) reported that environmental organizations and experts warn that large-scale development of natural resources on Sakhalin will not only endanger rare species of wildlife, but also seriously affect the ecology of the whole region. Resources on Sakhalin are being developed in nine areas, with each area allocated to companies licensed by the Russian government. Two projects--Sakhalin I and Sakhalin II--are currently under way off the northeastern coast. At Sakhalin II, which is the more advanced of the two projects, oil rigs have been set up and tankers have already begun shipping oil.

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## **11. Lasting Power of Alternative Energy Sources**

The Asahi Shimbun (Yoichi Masuda, Norifumi Tanaka, "POWER TRIPS: ALTERNATIVE ENERGY SOURCES ARE LOSING STAYING POWER," March 27, 2005) reported that natural energy sources have a foothold in Japan, but their groundwork now seems to be crumbling. A major factor behind the spread of solar-powered systems in Japan until now has been central government subsidies. Since the 1990s, 130 billion yen in subsidies has been distributed to promote the installation of solar-powered generating systems in homes. However, the subsidy will be eliminated in fiscal 2005.

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