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# East Asia Science & Security Network Report, 21 June 2006

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### 1. Cooperation in NE Asia Natural Gas Sector

The 2006 Working Group on Energy Cooperation in Northeast Asia (Kyung-Hwan TOH, "SUGGESTIONS FOR BETTER COOPERATION IN NATURAL GAS SECTOR IN NORTHEAST ASIA," February 6, 2006) released this presentation from the February 5-7, 2006 meeting organized by NEAEF and in cooperation with JCPAEC and KEEI. The presentation, written by Kyung-Hwan TOH, director for Gas Industry from the ROK Ministry of Commerce, Industry and Energy, pinpoints the need for energy diversification through increased natural gas and nuclear power use in Northeast Asia. The author suggests the realization of cooperation on cross-border projects for diversification.

### 2. US-Russia Cooperation for Nuclear Non-proliferation

James A. Baker III Institute for Public Policy and the Carnegie Endowment for International Peace (R. Gottemoeller, "ON THE ROLE OF COMMERCIAL PROJECTS IN US-RF NON-PROLIFERATION COOPERATION," March 2006) released the summary of a workshop held at Rice University on March 10, 2006. "This one-day workshop explored how commercial projects have contributed to the resolution of nuclear proliferation problems in the past, in the context of U.S.-Russia cooperation. The workshop also examined how such precedents might be applied to resolving the nuclear standoff with Iran. In particular, the workshop examined how commercial approaches to the nuclear fuel cycle might facilitate this effort, with a focus on the back end of the fuel cycle and international storage of spent fuel in Russia."

### 3. Japanese Long Term Energy Outlook

The Institute of Energy Economics Japan (IEEJ, "JAPAN LONG-TERM ENERGY OUTLOOK: A PROJECTION UP TO 2030 UNDER ENVIRONMENTAL CONSTRAINTS AND CHANGING ENERGY MARKETS," June 2006) released this report in response to the need to produce a long-term forecast of Japan's energy supply and demand as the economy emerges from a 10-year period of stagnation and readies for long-term stable growth. In this study, the author's employed a quantitative approach to study several scenarios up to 2030. Implications for the best mix of fossil fuels, energy

markets, environmental protection and the Kyoto protocol are detailed.

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#### **4. PRC Strategic Oil Reserves**

Agence France Presse ("CHINA'S FIRST STRATEGIC OIL RESERVE FACILITY TO BE READY IN AUGUST," June 17, 2006) reported that PRC will complete construction of its first strategic oil reserve facility in August, state press reported Saturday. The plant, which will have the capacity to hold 5.2 million cubic meters (32.7 million barrels) of crude oil is located in the coastal city of Zhenhai in PRC's eastern province of Zhejiang, the China Daily reported. Huge tanks are also being constructed at three other sites.

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#### **5. PRC Regional Energy Cooperation**

Xinhua News Agency ("CHINA TO IMPORT ELECTRIC POWER FROM RUSSIA, MONGOLIA AND KAZAKHSTAN," June 19, 2006) reported that PRC will import electric power from bordering countries by building power plants overseas, according to Liu Zhaoshao, Chief Economist of the State Grid Corporation of China. The projects in Russia, Mongolia and Kazakhstan are being researched, Liu said at a recent forum on strategic development and investment of energy. Agreements with the three countries have been signed and details are under negotiation, he said. The preliminary plan in Mongolia is to build three power plants, each with an installed capacity of 3.6 gigawatts.

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#### **6. PRC Renewable Energy Fund**

Asia Pulse ("CHINA TO SET UP SPECIAL FUND FOR RENEWABLE ENERGY," June 14, 2006) reported that PRC's Ministry of Finance (MOF) and State Development and Reform Commission (SDRC) are in talks to establish a special fund for the development of renewable energy, the China Securities Journal reported on Tuesday. Citing anonymous sources with China's Wind Power Association, the Beijing-based newspaper said the fund would speed up the development of renewable energy resources, although the size of the fund was unavailable.

#### **7. PRC Coal-to-Liquids Technology**

Asia Pulse ("CHINA HAS EIGHT COAL-TO-OIL PROJECTS IN THE PIPELINE," June 16, 2006) reported that PRC's biggest coal producer, Shenhua Group, plans to convert coal into 30 million tons of oil by the year 2020 in four northern provinces. Three of eight projects planned will be completed by 2010, Zhang Yuzhuo, in charge of Shenhua's coal liquefaction business, told an energy forum hosted by the China Energy Research Society in Beijing yesterday. The first three plants are expected to have a total capacity of 4 million tons a year, said Zhang.

## **8. Natural Gas Exploration**

Agence France Presse ("LARGE NATURAL GASFIELD DISCOVERED OFFSHORE CHINA," June 16, 2006) reported that Canada's Husky Energy Inc has announced that it has discovered a significant deepwater gas reserve with its PRC partner in the South China Sea near Hong Kong. Based on preliminary analysis of drilling results, the discovery could contain a potential recoverable resource of four to six trillion cubic feet (120 billion to 180 billion cubic meters) of natural gas, the energy company said in a statement seen Friday.

Asia Pulse ("S. KOREAN ENERGY COMPANIES LOCATE NEW GAS FIELDS," June 19, 2006) reported that ROK energy companies have discovered new gas fields and won rights to seek for oil in Madagascar and in the North Sea, industry sources said Sunday. The exact size of the new find will be confirmed in August, but the company is already planning to develop the new deposit with those it discovered in April 2005 and in January of this year. Full scale production is expected to commence in 2009. The gas deposit found last year is estimated to hold 70 million tons of liquefied natural gas (LNG). This is enough gas to meet ROK's LNG requirements for 3.2 years.

## **9. World Economic Forum - "Creating a New Agenda for Asian Integration"**

Agence France Presse ("WORLD ECONOMIC FORUM OPENS IN TOKYO," June 15, 2006) reported that The World Economic Forum began a two-day Asian meeting in Tokyo on Thursday to discuss concerns ranging from the environment to regional integration. Some 300 people -- government officials, business leaders and academics -- from 27 countries gathered at the forum with the theme, "Creating a New Agenda for Asian Integration." The World Economic Forum on East Asia, the first such meeting held in Japan, is to discuss measures to build economic cooperation in Asia in a bid to maintain sustainable growth. Participants are also to discuss energy policies and environmental concerns, particularly in PRC, amid soaring global oil prices as well as the emergence of the Indian economy.

Kyodo News Service ("LEADERS FRET OVER JAPAN'S SOURED TIES WITH CHINA, S. KOREA," June 15, 2006) reported that Asian leaders from the business, government and academic realms showed pessimistic views over whether robust economic ties between the region's three biggest economies can trump their strained political relations as the World Economic Forum started a two-day regional meeting Thursday in Tokyo. Peter Beck, director of the International Crisis Group of South Korea, fretted that the threat of military clashes over territorial disputes and energy needs is a real one with a "statesmanship deficit."

## **10. DPRK Missile Threat**

Agence France Presse ("NKOREAN MISSILE THREAT A REPLAY OF 1998," June 19, 2006) reported that DPRK's reported plans to test a long-range missile have sparked fears of a replay of 1998 when the communist state fired a missile over Japan. One missile flew over northern Japan on the afternoon of August 31, 1998, crashing into the Pacific Ocean, while another fell into the Sea of Japan (East Sea) between the two countries. The missile launches shocked Japan and its allies, moving Tokyo closer to the United States but also creating momentum for new negotiations with the defiant regime.

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## **11. RFE-PRC Pipeline**

Russica Izvestia Information (A. Groholskiy, "GAZPROM STARTS BUILDING EASTERN EXPORT GAS ROUTE," June 16, 2006) reported that Russia's state-controlled natural gas monopoly Gazprom has agreed with Daltransgaz, a pipeline construction operator, to buy a 350 km leg of the Komsomolsk-on-Amur-Khabarovsk gas pipeline in Russia's Far East. This will be the first sector of Gazprom's eastern export route to PRC. With Sakhalin-3 being considered a resource base for gas supplies along this route, the Kovykta gas condensate deposit owned by TNK-BP will not be used by Gazprom for gas shipments to PRC within the next decade.

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## **12. Russian Energy Security**

The National Business Review (S. McMillan, "ENERGY SECURITY MEANS SOMETHING ELSE IN RUSSIA; RUSSIA WANTS TO BE ABLE TO INVEST IN THE FACILITIES OF EUROPE AND THE US) released this article covering energy security in the G8. The author argues, "Russia, as chairman of the G8, is making energy security the theme of the summit meeting that will be held in St Petersburg in July, but it became very clear, at the finance ministers' meeting last weekend preparing for the summit, that Russia has its own take on what energy security means and that this does not correspond with the other members of the Group of Eight."

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