

Arctic-Asia Energy Partnership for Transition to Low Carbon Economy

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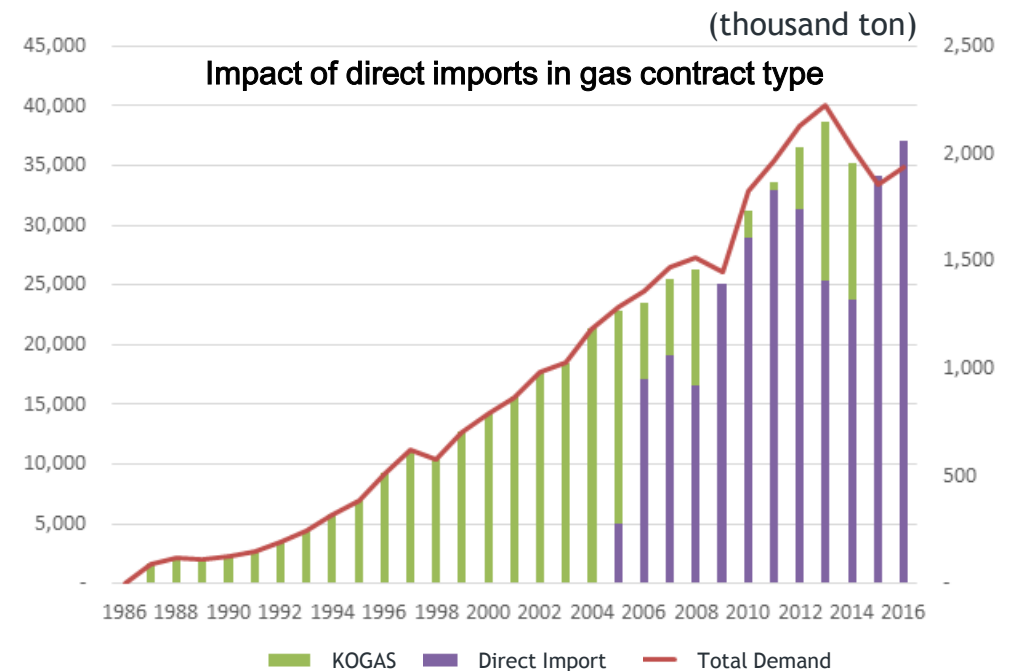
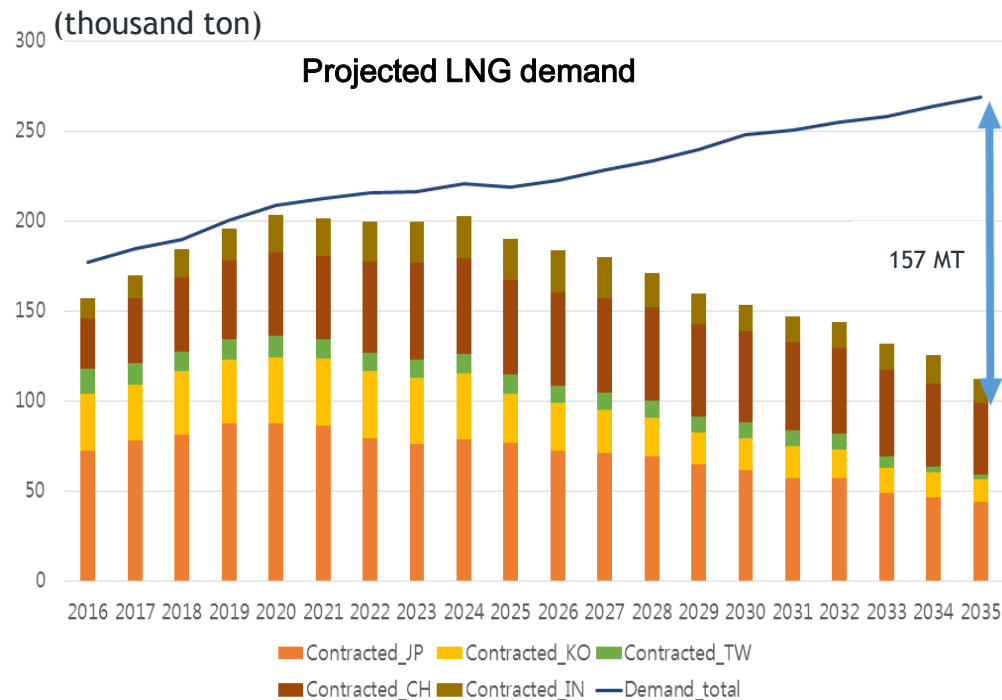
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Background

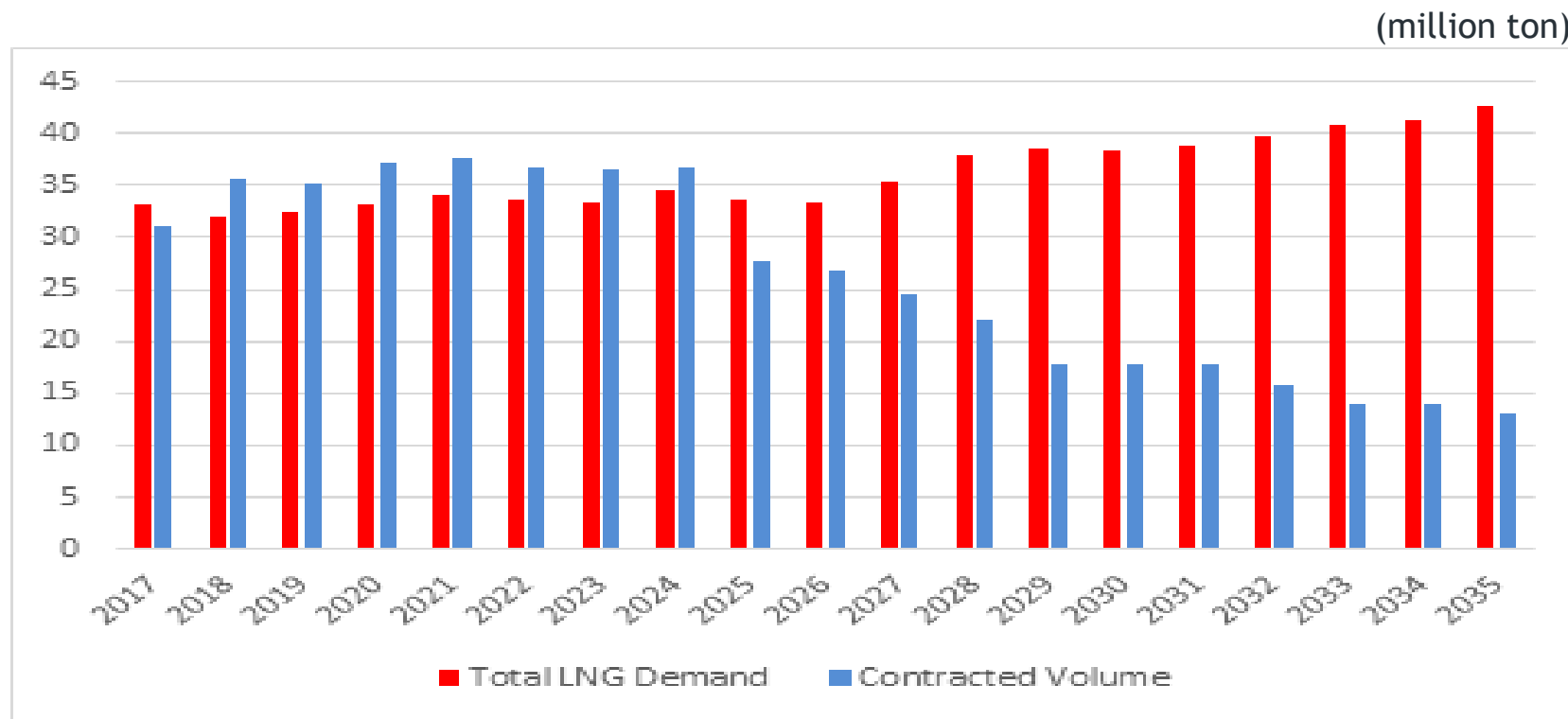
Rapid change of situation on Korean peninsula and New Government's political philosophy

- Require new energy security strategy to promote low carbon development (Korea in 22nd place for energy security)
- Urgently require to secure the North Korea strategy in response to the increase of security threats on the Korean peninsula
 - Increased military threats (e.g. ICBM) due to the economic growth of North Korea (Real GDP in 2016 increased by 3.9%)
- Require economic cooperation and energy diplomacy to achieve a harmonious balance with the national keynote of neighboring countries
 - Investment climate is created for promoting economic activity in the Pacific coastal countries, for examples, China's 'One Belt and One Road' initiative and Russia's East Asia Policy



Korea's Total LNG Demand Volume (red) vs. Contracted Volume (blue)

- Gap between total LNG demand and contracted volume is expected to grow further without secured alternative energy supply to ensure national energy security



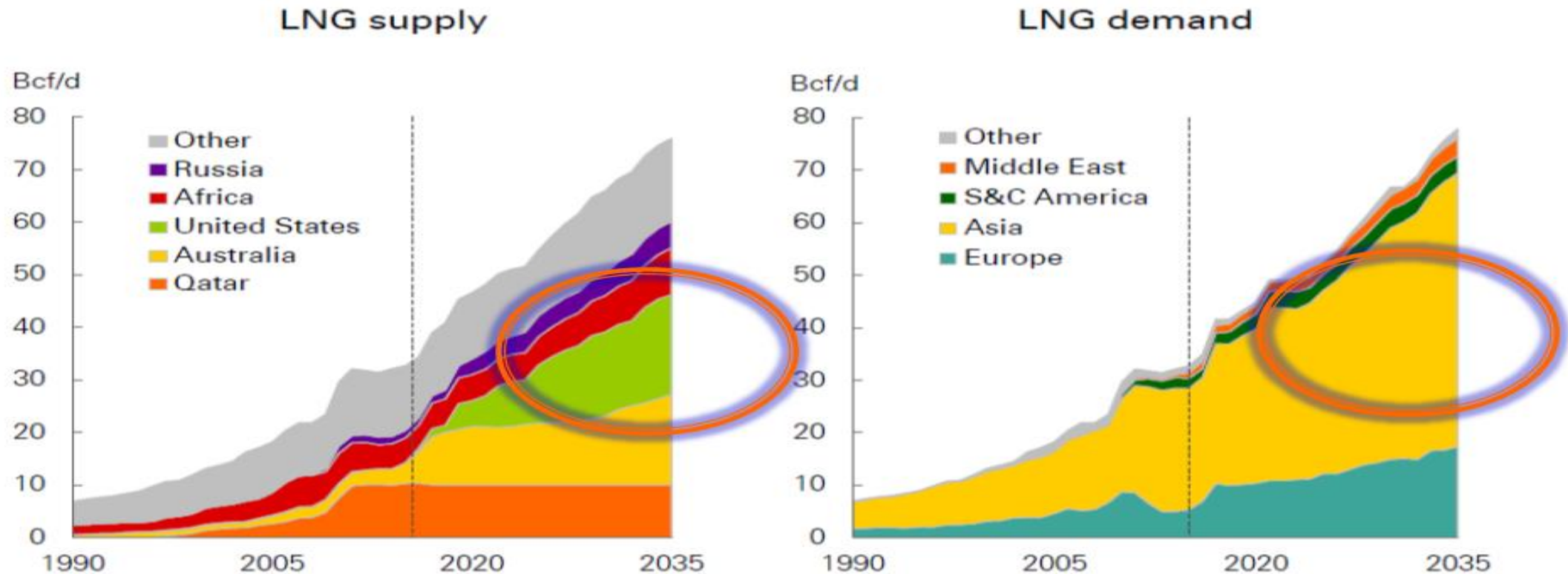
Background

Importance of Arctic Partnership for a soft landing in Climate-Energy Security

- Prepare policy measures to ensure gas market stability (supply-demand balance and price risk control) to support the denuclearization policy
 - Diversify LNG providers to secure gas supplies : Growing concerns on increasing dependence on Qatar and US
 - Qatar accounts for 37% (2016) of the total domestic imports and supply volume is expected to increase by 30% by 2024 due to the enlargement plan of production facilities
 - Releasing rigidity of contract (e.g. price formula) before 2020, by taking advantage of the current LNG market which is a buyer's market in LNG trade
 - Exploring alternative transportation routes for Asian LNG importers to prepare strategy against the possibility of increase in US LNG import price due to Panama Canal toll fee rise
- Secure market flexibility by promoting East Asia LNG hub function led by Russia-Korea public and private partnership
- Revitalize price competitiveness of natural gas in energy mix using price signal of carbon market and promote normalization of electricity price

The World's Top LNG Exporter (US) vs. Top LNG Buyer (Asia)

- Increasing dominance of Qatar and US in Global LNG market as well as in Korean LNG imports (over 50% in 2030)
- Exponential growth of LNG demand in Asian market is expected within the next 20 years, led by China



What Arctic-Asia Energy Partnership means to Korea

- Korea wish to ensure energy security through diversification
- Mr. Moon announced 9-bridge(gas, railway, harbor, electricity, northern sea route, shipping, job, agriculture, fishing) policy with launching the Northern Economy Cooperation Committee
- Buyers are seeking favorable pricing: two cards are always better than one
- Arctic energy can be competitive through Arctic-Asia partnership lessening risks on project financing
- The energy cooperation between Arctic and Asia will act as a trigger to reduce North Korea risks