

Perspectives of the Russia - APR cooperation (in expert's opinions)

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Abstract - During International project “Dialogue partnership as factor of the stability and integration” we preparing international expert polling and interview (from 2005 - till 2010) about economic and security situation in Far East and Asian Pacific Region, risks, threats and energy potential in Far East and Asia Pacific Region, possibility war conflicts in APR, optimal routes for export of the Russian hydrocarbons etc.

In these international interviews (expert polling) participated high qualities specialists from 13 APR-States: Russia, USA, China, Japan, Republic of Korea, India, Mongolia, Philippines, Singapore, Malaysia, Vietnam, Indonesia and Thailand.

We conduct international expert polling and interviews as «non-stop» monitoring (with 70%-longitude) and content-analysis of the energy publications and analytical materials.

Index Terms – energy cooperation, eastern route.

1. INTRODUCTION.

Why export to the Asia-Pacific Region?

The Asia-Pacific region is the most rapidly developing region in the world. It consumes about 30 % of world energy resources. The crude oil and natural gas market is very dynamic.

Since 1965, crude oil consumption increased by a factor of six in the Asia-Pacific region and less than twofold in the world. During the last 15 years, production of crude oil rose by 17 % and demand by 50 %.

Oil and gas demand in eastern and southeastern regions of Asia will grow under the influence of economic, technological, population and environmental factors caused by sweeping industrial development of Asia-Pacific countries.

In world oil extracting - 38% is APR extracting, in world oil demand - 56% is APR demand.

As Russian President Vladimir Putin remarked at the 2003 APEC business summit:

“Russia is prepared to make its contribution to creating a new energy configuration in the APR. This will allow consumers of energy resources, which are widely represented in the APEC, ... to diverse deliveries of energy, and, which is especially important, to ensure their safety.”

2. ENERGY SITUATION IN THE FAR EAST AND APR.

2.1. *Characteristic of the situation in APR*

One of the main problems of the transportation of oil is the problem of communication. Through the path of transportation of oil, two fundamental moments must be taken into account: the loss of the realization of the project and the guarantee of security.

The main characteristics of routes are the capacity, cost of building and modernizing the pipelines, and the foremost, the security of the transportation.

In expert opinions, geo-strategic, military and economical situation in APR is stable - 65%. Very stable – 36%, not very stable – 29% (it is possible local conflicts), and unstable – 10% (states in APR are very different in economical and political spheres, with different ethnic and religions. Region has very much discussion question, for example: in south-eastern Asia regions.

The results of the expert interviews. 1-th question was about Security situation in APR:

“Is it possible today a military conflict in the region or the situation is relatively stable? “

Answers: 1 group – “No” (an possible) – 42% - 2005, 40% - 2006, 39% - 2007, 58% - 2008, 67% - 2009.

2 group – “Yes” (it is possible) – 54% - 2005, 52% - 2006, 51% - 2007, 22% - 2008, 16% - 2009, including

- North Korea,
- China-Taiwan,
- Energy competition.

What are risks and threats in APR?

Answers:

- Nuclear Weapons of NK -56 %,
- China-Taiwan - 37%,
- Migration of the population to Russia – 31% ,
- Japan-China (East China Sea and Senkaku) -25%,
- Militarization of China – 19%,
- Militarization of Japan – 13%

Results of the interview 2005 and results of the interview 2006 - 2009 are very different. For example, answers for question “Who is leader in Far East and APR now”? In 2005 in answers of majority from experts from all States at first place stay USA, second place – China, Japan at the third and Russia at the 4 only.

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2.2. Development of the energy sphere in APR

In 2005 Brad Glosserman, Research Director Pacific Forum, told:

“Energy lies at the heart of NEA integration. There will be – and already is -- economic integration, but energy supplies and distribution

will be a large part of that package. Energy is also at the heart of the North Korean problem and will be part of any solution. Both provision of resources and distribution. Economies of the scale suggest that region wide solutions make sense”.

Prognosis of the oil demand in APR:

- in 2010 – 1100-1110 millions t,
- in 2020 – 1570 – 1580 millions t,
- in 2030 r. – 1860-1870 millions t.

Import of the energy resources in 2020 will be around 18,6 % per year.

Presently, major oil producers in APR are China (180-190 million t per year), Indonesia (50-55 million t per year), and Malaysia, (30 million t per year).

Total gas production is about 300 billion cu m a year, 30 billion cu m are imported.

Major gas producers in APR are China (more 80 bcm per year) Indonesia (70-75 bcm per year), Malaysia (60-65 bcm per year), and Thailand.

According to data of the Asia-Pacific Research Center, the capacity of crude oil market will grow to 1,000 million t by 2010, including up to 550-600 million t (55-60%) in China, Japan, and South Korea. These three countries are expected to import about 950 million t of crude oil in 2020.

In China, Japan and South Korea gas demand is expected to increase by a factor of three by 2020, to 350-390 billion cu m from 134 billion cu m in 2002.

A natural gas resources in the HC structure of Asia-Pacific countries is small (4%) as compared with that of the world (24%).

Main oil and gas consumers in APR:

China (nearly 400 million t oil per year and 80-85 billions cub. m of the gas), Japan (230 – 240 million t oil per year and 90-95 billions cub. m of the gas), India (more 130 million t oil per year and more 40 billions cub. m of the gas) and

Republic of Korea (nearly 105 – 110 million t oil per year and 40 billions cub. m of the gas).

In present time consumption of the energy resources in China and in Japan and Republic of Korea is very different. China use more much coal – 70%.

Prognosis of the gas demand in APR (import from different regions):

- in 2010 - 170-190 bcm,
- in 2020 – 410-420 bcm,
- in 2030 – 680-690 bcm.

Prognosis of the gas demand in China in 2010 - 311,3 bcm per day.

Situation in APR with LNG in 2009:

APR – it is 2/3 of the gas-market and leader between gas. From 2000 grows of the LNG-demand is 50% from all grows of the world LNG consumption.

Major regional LNG-producers and exporters in APR are Indonesia, Malaysia, Australia, Myanmar, Brunei, and exporters from Neigh East – Oman, Qatar, UAE and from North and West Africa – Algiers, Egypt, Nigeria.

In present time major LNG-consumers are Japan and Republic of Korea – 50% from world LNG- consumption.

So, APR is great energy market and Russia has great energy-potential for eastern HC-export.

2.3. Resources and export-possibilities of the Russian Federation

Russia's subsoil assets comprise

- 30 % of world natural gas reserves,
- nearly 10 % of crude oil reserves.

Accordingly, Russia occupies leading positions in mining of main types of minerals being the largest producer and exporter of MRC production.

In world oil extracting in 2000 - 9% was Russian extracting, in 2009 - 13%. In 2007 Russia extracted 491 millions t oil, in 2008 - 488,5 millions t, and in 2009 г. - 494,2 millions t with gas-condensate.

Russia has HC-resources for effective eastern oil export to North East Asian Regions.

The resource base of the region allows increasing annual gas production on the basis of its largest fields up to 105 billion cu m by 2020, including up to 70 billion cu m in Eastern Siberia and the Republic of Sakha (Yakutia) and up to 35 billion cum m in the Far East.

In Eastern Siberia and Far East locate big HC-resources:

21 % oil resources и 27 % gas resources. 15 gas fields (1.8 bill. cu m) and 7 oil fields (396.2 millions ton) in Eastern Siberia are ready to extracting. In Verkhnechonsk, Takakan, Chayanda and Kovykta fields contain 80% of the prospected oil- and 65% gas-supplies.

In 2020, with total production in the East of Russia being 70-75 million t of crude oil and 105 billion cub. m of natural gas, not less than 70 million t of crude oil and about 85 billion cub. m of natural gas are proposed to be exported. The resources are enough to cover both the internal crude oil and natural gas requirements of the East of Russia and HC export to the Asia-Pacific countries.

From Verkhnechonsk and Takakan fields received first million ton of oil.

In academic A. Kontorovich opinion, for Russia is more profit - oil and gas chemical production high quality.

For realizing this goal Russia must built new modern oil and gas chemical manufactures in Far East and different regions and coast and develop of the system of the oil and gas product transportation [1].

Expert opinion – optimal for Russia is preparing in East Siberia and Far East united oil and gas chemical complex, includes system of the oil and gas extracting, oil and gas chemical

manufactures, good communication – oil and gas pipeline, oil, gas and chemical bases and very active invasion to industry and petroleum market in different country [2].

Similar opinions about this problem have academic A. Makarov, A. Bardal', P. Borodavkin, A. Grizenko, A. Kontorovich, A. Korzubev, A. Mastepanov, I. Sokolova, L. Eder and different scholars.

Experts opinion:

Optimal for Russia is export to APR not only crude oil and gas, as former USSR, but oil and gas chemical production high quality.

2. *Optimal routes for transportation Russian oil and gas to APR.*

What are optimal routes for export of the Russian hydrocarbons?

1) To Pacific Ocean (it is better for Russia – more profit) – 54% - 2005, 43% - 2006, 44% - 2007, 30% - 2008, 42% - 2009.

2) To Daqing (very short) – 17% - 2005, 8% - 2006, 8% -2007, 13% - 2008, 15% - 2009.

3) To Pacific Ocean with branch to Daqing - 9% - 2005, 30% - 2006, 30% - 2007, 19% - 2008, 36% - 2009.

4) This decision must politic, not economic only (with profit for partners to) - 4% - 2005, 6% - 2006, 6% - 2007, 15% - 2008, 9% - 2009.

Expert opinions – for effective oil and gas export to APR Russia need new geo-strategy.

3. CONCLUSIONS.

As optimal routes for Russian HC-export to NEA experts recommend China, Republic of Korea and Japan. With SEA-countries (oil and gas producers) experts recommend to Russia develop of the cooperation in joint HC-extracting and prospecting of the oil and gas fields, building joint oil and gas manufactures, communications for transportation oil, gas and chemical production.

President of the Russian Federation Dm. Medvedev told in September 2009 at the International Conference “Modern State and Global Security”, that Russia will one from leading state in production, extracting, transportation and using of the energy (3).

For realizing this goal and preparing effective eastern HC-export Russia need export policy present situation in APR.

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