

Toward an Asian Oil & Gas Community

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The Asian continent, stretching from the eastern shores of the Mediterranean to the east coast of the Pacific, and from Eastern Siberia beyond the Urals to the north and the Indonesian archipelago to the south, is the largest producer and the fastest growing consumer of oil and gas in the world.

Yet, Asia is not united: the principal producers are grouped together in OPEC and some of the major consumers are grouped together under an energy forum based in Paris that limits its membership to OECD countries. The International Energy Forum recently set up in Riyadh is an international, rather than an Asian, organization.

To fill this lacuna, I, as India's minister of petroleum and natural gas, convened two meetings in New Delhi in January 2005 and November 2005 of Asian oil ministers representing Asian producers and consumers of oil and gas to jointly consider questions of energy security for our continent in recognition of the fact that the 21st century is likely to prove an Asian century, the century in which Asia as a whole is restored to the vanguard of the advancement of human civilization, a position it held till European imperialism displaced and subordinated Asia about two to three centuries ago.

In this article, I will attempt only to summarize the main points for the understanding of less specialized but deeply concerned readers.

The essential dilemma all of us are faced with is that at present levels of technology, fossil fuels are indispensable for economic growth while they remain the principal cause of climate change. Therefore, the conservation of oil and gas is necessary to protect our planet and the future of humankind; at the same time, there is little alternative to using more and more oil and gas (and coal) to pull nearly two billion of our fellow human beings out of the trap of abysmal poverty and to sustain the high standards of life to which people in the developed world and well-off citizens in developing countries have got used to and are loath to relinquish.

Mahatma Gandhi presciently observed that Nature had enough to meet everyone's need but not enough to meet everyone's greed. Unfortunately, the ethic of economic progress ignores this wise warning and it seems politically impossible to rein in the well-off sections of the world's population from pursuing the path of ever-rising living standards – a path destined to contribute to collective suicide.

The principal challenge before all of us at this juncture in human history is to find alternative nonpolluting sources of energy that can be cost-effectively harnessed to the twin causes of poverty eradication, on the one hand, and narrowing the gap between the developed and the developing world, on the other. Alternative energy sources do exist: solar power; wind power; tidal power; gas hydrates in the oceans; underground coal gasification; hydrogen hybrids for transportation; biofuels; and civil nuclear energy – to give but some examples of relatively nonpolluting and renewable alternative energy sources. But, worldwide, the technology that would result in the replacement of fossil fuels is still to be evolved. As of now, fossil fuels

are not only more easily exploitable, but they can also be used both for the generation of electric power and for transportation. Alternative renewable energy sources are either much more expensive or less reliable for continuous supply or cannot be stored and/or transported or, in the case of biofuels, might result in undermining food security by diverting cereals from the food market to the fuel market.

Therefore, whether we like it or not, at least for the next several decades, that is, the lifetime of most of us, there is no getting away from oil and gas.

Tragically, the history of the exploration and marketing of oil and gas is a history of ruthless colonial exploitation, unequal market access, cartelization not competition, and, lately, absurdly rising prices that have little to do with demand and supply and a great deal to do with speculation on commodity exchanges. We have already experienced an oil price level of \$148 a barrel. There are informed pessimists who expect oil prices to hit \$200 a barrel in the near future. How can we change this story of inequality into a story of equity and equal opportunity for all – producers and consumers?

As far as Asia is concerned, I believe the answer lies in forging continent-wide cooperation and solidarity between producing and consuming nations in the hope and expectation that, as Asia is both the largest producer and the fastest-growing consumer of oil and gas, pan-Asian cooperation will progressively lead to worldwide cooperation. After all, if we can have an International Monetary Fund for worldwide financial security, a World Bank to help any country, developed or developing, in need of international assistance, and a World Trade Organization for promoting global commerce, is it not strange that our continent and the world as a whole present such a divided picture when it comes to energy security for all?

Skeptics might hold that the interests of producers and consumers are inherently incompatible. But, in fact, all principal Asian producers and consumers accepted my invitation to New Delhi and agreed on a jointly drafted plan of action and actually determined venues for future biannual conferences from 2005 to 2013. This shows that there was in fact much common ground between producers and consumers to forestall excessive volatility in oil and gas markets and to progressively move away from a global oil and gas order weighted in favor of the dominant markets in Europe and North America toward a more global, more equitable and more open access to fossil fuels for all consumers, especially those in Asia.

It is necessary to note that, whether we are developed consumers in Asia like Japan or developing Asian consumers like India, we pay more for oil and gas imported from Asian producers such as Saudi Arabia and Indonesia than do European consumers, including the European Union countries or the United States and Canada.

This is because, once upon a time, it was Western Texas and the North Sea in Europe, as well as Western oil giants based in the Gulf of Mexico, the Middle East and Iran, that dominated the world as

producers of oil and gas, thus obliging Asian suppliers to offer discounts to Western consumers in order to compete with Western output.

Now, all Western oil and gas fields are in precipitate decline and colonial control of Asian petroleum has also declined. It is Asian Russia east of the Urals, Central Asia, West Asia, including Iran, and southeastern Asia, specifically Malaysia, Indonesia and Vietnam, that are the major emerging energy producers. South Asia too, particularly Myanmar and Bangladesh and the rim of the Bay of Bengal that includes India, has considerable production potential. Equally, it is China, India and Japan, and even Pakistan, that constitute the fastest-growing global markets for oil and gas. That is why we should move toward an Asian Oil and Gas Community.

The precedent I have in mind is the European Coal and Steel Community, set up after the Second World War, principally to bind together French iron ore and German coal, competition between which was a principal economic cause of both the First and Second World Wars, leading to the death of more millions in the first half of the 20th century than in all wars ever before or since. The European Coal and Steel Community paved the way for the European Union, politically and economically uniting the most fractious continent in human history, ending millennia of mutual bloodletting, first in the name of religion and, after the Treaty of Westphalia in 1648, in the name of competing nationalism.

Asia does not need mutual warfare to come to its senses. Although it was the Asian Renaissance that led to the dismantling of colonialism, imperialism and other forms of racial and external exploitation and dominance, the Asian Resurgence is still awaited. We are, at the start of the 21st century, the most divided continent on Earth. The Americans, North and South, stretching from Chile to Canada, have long had their Organization of American States; the Africans were the earliest to establish the Organization of African Unity even as the continent was being liberated, and that has now graduated into the African Union; Oceania has ANZUS; and Europe, of course, now has the 27-nation European Union. Only Asia is left out.

While the Cold War divided the world, it was perhaps understandable that Asia should have remained divided because most of the proxy wars of the Cold War were fought on Asian soil – the Korean Peninsula and Indochina being perhaps the two most striking examples. But now that only the Palestine-Israel issue defies solution while the rest of Asia is liberated and sovereign, the time is ripe to realize the vision of the Asian Relations Conference convened by Jawaharlal Nehru in March 1947, even before India became fully independent.



In his capacity as Indian oil and gas minister then, the author (left) shakes hands with Japanese Economy, Trade and Industry Minister Shoichi Nakagawa after signing a joint statement on bilateral cooperation in the energy sector in September 2005.

Oil and gas constitute the most promising field for such pan-Asian cooperation. Oil and gas can play in Asia the role that coal and steel played in European unification. Nothing would more assure energy security in Asia, at least until nonconventional sources reduce or eliminate the need for fossil fuels, than an Asian Gas Grid that would cycle Asian surpluses to meet Asian demand, to the benefit of both Asian producers and Asian consumers, thus creating the sense of an Asian identity that could contribute to restoring Asia as a whole to its due place on the international stage during the course of this century. If Asia remains divided, this century will not be an Asian century even if it does become a century of America in Asia. For a true Asian resurgence, we need to make a beginning with an Asian Oil and Gas Community.

Energy security and the global environment are the most important issues in India to achieve economic development and prosperity. In this light, India is a great business opportunity for companies with energy-saving and environment-friendly technologies. European and US companies already started entering the Indian market. However, the Indian government increasingly expects Japanese companies with high-quality environment-friendly technologies to develop business in India. We expect Japan's government and industry to cooperate in entering the Indian market, just like the US and some European countries have already done. The idea of an Asian Oil and Gas Community will certainly encourage this. In preparation for this future, I would like all Japanese people to learn about India. **JS**

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