

## PRESS RELEASE (#2)

### Prospect for growth in energy trade from North America to East Asia

29 September 2011 (Washington D.C.) – Even though oil and gas is the most traded product in the Asia-Pacific region, there is virtually no energy trade across the Pacific. A new report released today in Washington, D.C. by the Pacific Economic Cooperation Council (PECC) suggests that this anomaly could be corrected in the foreseeable future. Yuen Pau Woo, coordinator of the *State of the Region* report said, “The emergence of transpacific energy trade could mean an export bonanza for North America, more secure supplies of energy for Asia, and lower greenhouse gas emissions for the region”.

A number of developments in recent years have raised the possibility of transpacific trade in oil and gas, including:

- a) the discovery of massive unconventional (shale) gas deposits in the United States and Canada which are creating a gas glut in North America,
- b) increased demand in Asian countries for less carbon-intensive energy sources, in particular a shift away from coal to natural gas,
- c) concerns about nuclear power following the Fukushima Daiichi disaster and the resulting search for clean alternatives to nuclear energy,
- d) the changing energy balance in Southeast Asia, particularly Indonesia and Malaysia, which could soon be net importers of natural gas, and
- e) rapidly growing investment by Asian national oil and gas companies in North American energy assets, especially in the Canadian oil sands.

Transpacific trade in energy products (oil, gas, and coal) accounts for only 1.4 percent of global trade in those products. The segmentation of energy markets between Asia and the Americas is seen in the steep price differential for natural gas between the two regions, and – more recently – in a price differential for crude oil as well. For example, the Japan contract price for natural gas could be as much as three or four times more than that of North America.

Although transpacific energy trade would make economic sense, there are political, regulatory, and environmental challenges to be overcome, as well as a need for substantial capital investment. Mr. Woo added: “The prospect of transpacific energy trade would be good news for Asia-Pacific regional integration, since it would lead to a more competitive energy market and more transparent pricing of energy products. It would also help Asian economies diversify their sources of supply and therefore improve energy security for the region as a whole”.

“The exports of natural gas would have a transformative impact on transpacific trade flows, now heavily dominated by manufactured goods exports from Asia to North America and could help alleviate some of the tension in US-China trade relations,” said Charles E. Morrison, co-chair of PECC.

The report on “Prospects for Transpacific Energy Trade” was commissioned by PECC for the *State of the Region* report.

For more on the *State of the Region* report, please visit:

[www.pecc.org/research/state-of-the-region](http://www.pecc.org/research/state-of-the-region)

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**About the Pacific Economic Cooperation Council**

The Pacific Economic Cooperation Council (PECC) is a non-profit international organization committed to the promotion of cooperation and dialogue in the Asia Pacific. Founded in 1980, PECC is a tripartite network of 26 member committees comprising individuals and institutions dedicated to this shared mission. Of the 26 member committees, 23 represent the economies of Australia, Brunei Darussalam, Canada, Chile, China, Colombia, Ecuador, Hong Kong (China), Indonesia, Japan, Korea, Malaysia, Mexico, Mongolia, New Zealand, the Pacific Islands Forum, Peru, the Philippines, Singapore, Chinese Taipei, Thailand, the United States of America, and Vietnam. The PECC also has one associate member, France (Pacific Territories), and two institutional members, the Pacific Trade and Development Conference and the Pacific Basin Economic Council. As the only non-governmental official observer of APEC (Asia-Pacific Economic Cooperation), PECC provides independent business and research input for the regional policy-making process. [www.pecc.org](http://www.pecc.org)