

## **The Impact of Prospective Russian and African Oil Supply to the Asian Region**

Ayako Sugino

Researcher

The Institute of Energy Economics, Japan

Kachidoki 1-13-1, Chuo-ku, Tokyo 104-0054, Japan

Tel: 81-3-5547-0217

Fax:81-3-5547-0225

Email: [sugino@tky.ieej.or.jp](mailto:sugino@tky.ieej.or.jp)

This paper overviews the current and prospective possibility that the Russian oil supply to Northeast Asia and the African oil supply to Asia will promote the diversification of oil import sources for countries in Asia in the near future. At present, the Gulf States are dominant supplier in the Asian oil market including Japan. Not only does this heavy dependency on the Gulf States make the Asian region vulnerable to political and military tensions in the Middle East, but also forces the region to accept higher pricing than North American and European countries would accept.

As for the Russian oil supply to the Asian market, there is concern over economic viability of the East Siberia and Far East Development Projects, for which foreign capital is indispensable. It is generally expected, however, that these development projects will get started sooner or later, because the Putin administration views the development of East Siberia and Far East as one of its important policy agendas, which could have national security implications. Russia is very cautious in choosing partners to participate in oil related ventures. China's economic infiltration into Eastern Siberia could also pose a serious threat to internal security in Russia. Behind the report that Japan's Pacific Route Plan is more promising at this stage is Russia's perception of China as a geopolitical threat, in addition to Russia's unwillingness to depend fully on a single customer. Yet, it should be noted that the Pacific Route would not exclude China's involvement altogether. The most desirable solution for all interested parties is a tri-lateral system that allows Japan to act as an intermediary with China to secure energy supply from Russia to sate China's huge energy demand for Russia while alleviating Russia's perception of China as a threat.

Across the entire Asian region, including China, South Korea, Malaysia, and India etc., there is mounting concern over declining supplies of locally produced resources within the region and high dependency on Middle Eastern oil. Therefore, these countries are making active efforts to strengthen their ties with Africa, Latin America, and other regions by establishing upstream oil and gas interests in these regions or by signing oil and gas E&P agreements with these countries. In particular, African oil producing countries are expected to

rapidly increase production. Fearing that their traditional market in Europe will be saturated by a flood of supplies from the former Soviet republics, African oil producers are starting to express an interest in the Asian market.

In Summary, Russia and the African countries are already moving to supply energy to Asia. The prospect of market growth higher export revenue per barrel attracts these countries to the Asian market and motivates them to have stronger ties with countries in Asia. It is expected that diversified supply and increased competition between suppliers will eventually press the Middle East producers to reduce the Asian premium currently imposed on Asian consumer countries to maintain their competitiveness.