

# New Energy Security Realities: Implications for Japan and the U.S.

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*The Future of Energy: Choices for Japan and the United States*

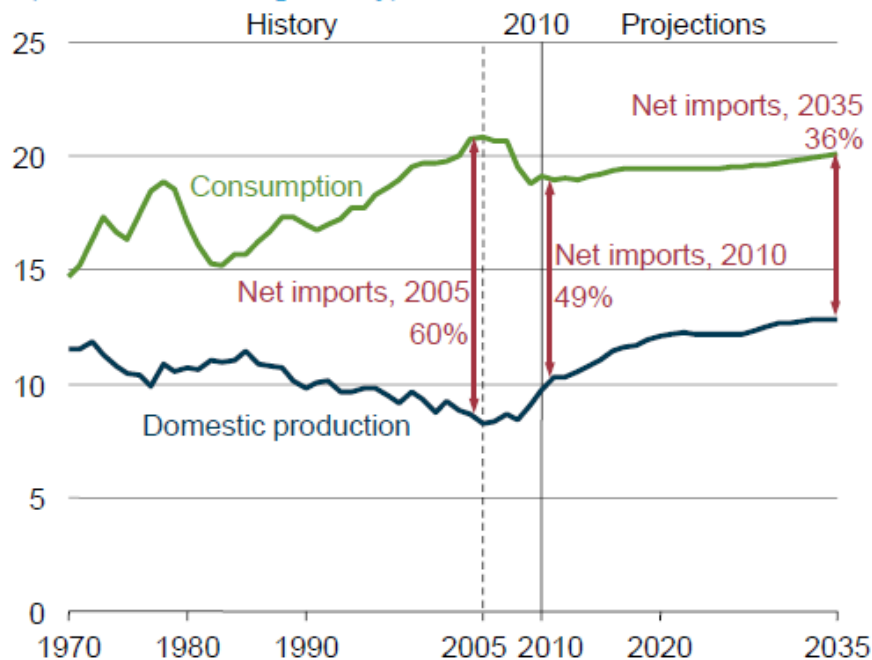
Sasakawa Peace Foundation and the Woodrow Wilson International Center for  
Scholars

Tokyo, Japan

October 31, 2012

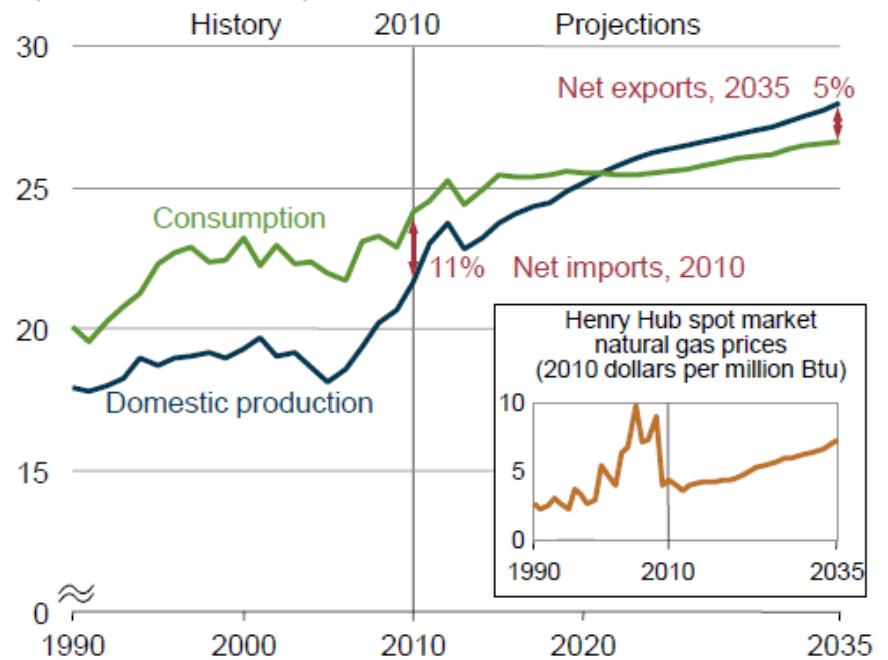
# U.S. Oil and Gas Import Dependence Falling Sharply, Gas Exports Likely

**Figure 3. Total U.S. petroleum and other liquids production, consumption, and net imports, 1970-2035 (million barrels per day)**



U.S. Energy Information Administration | Annual Energy Outlook 2012

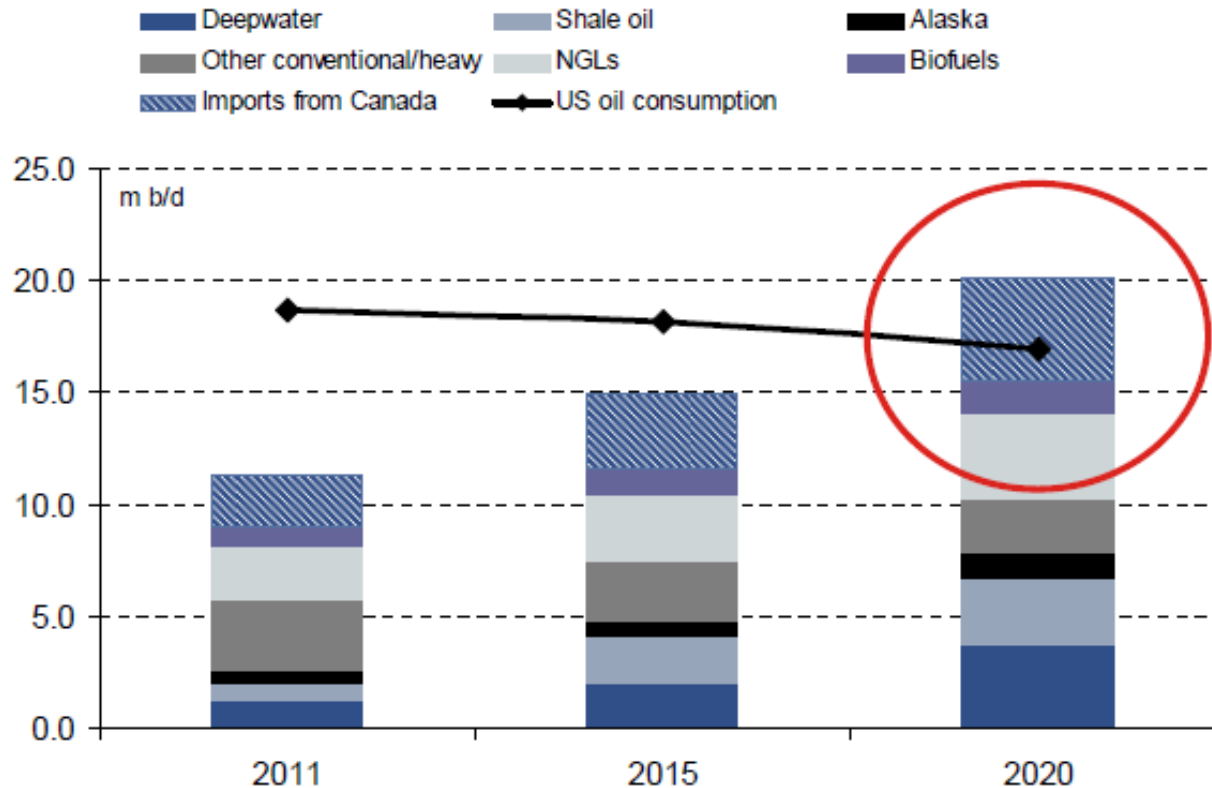
**Figure 4. Total U.S. natural gas production, consumption, and net imports, 1990-2035 (trillion cubic feet)**



- *Oil Imports could be even lower assuming implementation of planned stronger U.S. fuel economy standards*

# North America Could Potentially Become a Net Exporter of Oil

The US could see a 3-m b/d surplus of crude supply over consumption, putting on the pressure to export crude out of the US Gulf Coast

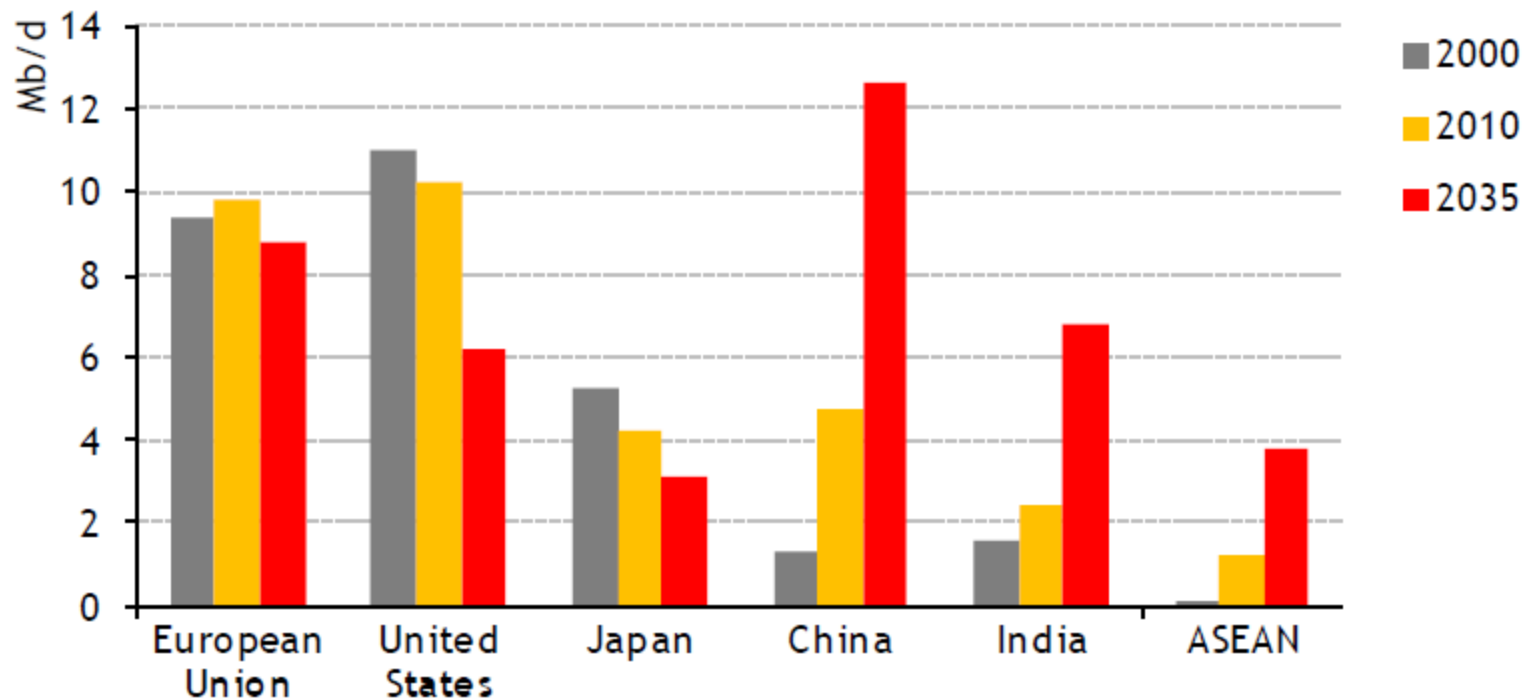


Source: Ed Morse, Citi Commodities Research, "North America: The New Middle East", March 2012

# Oil supply security is particularly the issue for Asia in the 21<sup>st</sup> Century.

Net imports of oil

IEA WEO 2011



*US oil imports drop due to rising domestic output & improved transport efficiency:  
North American Energy Independence is coming! ( WEO 2012 )*

# What are the Implications of this Historic Reversal in U.S. Energy Import Dependence?

- The foundations of U.S. strategic commitment to the Persian Gulf are rooted in:
  - Ensuring reliable U.S. access to Gulf crude supplies
  - Ensuring reliable Gulf oil supplies to the world economy to prevent damaging oil price shocks
- But:
  - U.S. reliance on Gulf crude is disappearing
  - European demand declining, will be supplied by Russia, Central Asia, Africa, will not need more Gulf supplies
  - The direct beneficiary of Gulf supply security is now virtually entirely Asia and China

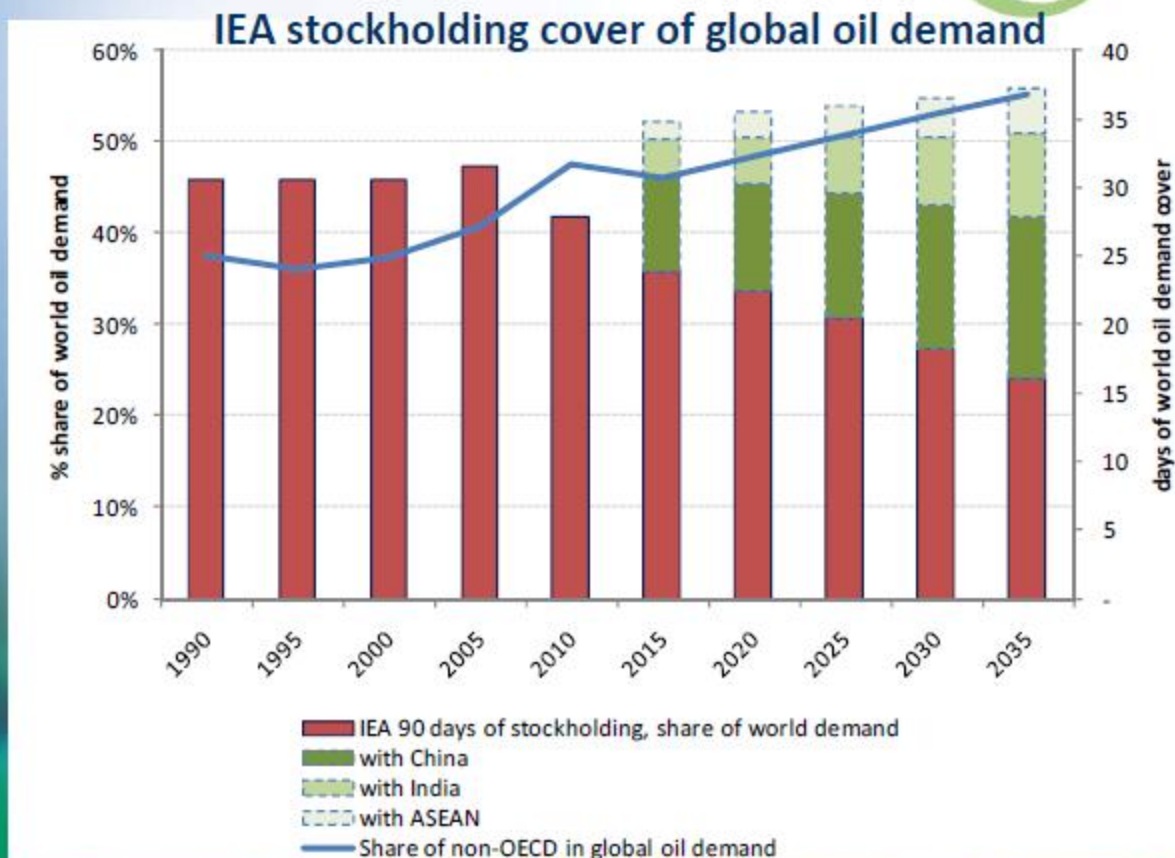
# Implications for U.S. Energy Strategy

- How long and under what conditions will the U.S. be willing to continue its costly commitment as guarantor of the sea lanes and protector of the major oil producers in the Gulf and elsewhere ....
  - When the direct beneficiaries are now Asia and China
  - And the U.S. is becoming “quasi-self sufficient” in oil and a potentially large gas exporter
- Other considerations:
  - U.S. public weary of Middle East wars
  - “Arab Spring” reducing U.S. ability to shape events in the region
  - Severe budget constraints will require difficult defense cuts
  - U.S. “pivot” to Asia will demand resources
- But.....global oil prices still depend on Gulf stability and the U.S. strategic commitment, especially sea lanes

# The Need for a New U.S.-Japan Energy Security Strategy

- Prudent to plan for new U.S. and Asian energy market and strategic realities
- Need for new strategies to reflect changing U.S. interests and commitment, as well as growing Asian responsibilities
- Requires partnership and leadership from the U.S. and Japan
  - Strengthen energy flows from North America to Asia, oil and gas markets, energy institutions such as the IEA, energy diplomacy with producers
  - Craft a collaborative strategic approach to Gulf stability and sea lanes, some form of burden-sharing
- What role can China play? What role is it willing to play?
- The “zero-sum” energy security and strategic environment in Asia will make this a difficult challenge

# Strategic Petroleum Reserve: Does the current IEA system continue to work?



*Growing share of non-OECD oil demand results in declining global demand cover from IEA oil stocks*