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JAPAN'S OIL POLICY SHOULD FOCUS ON BOOSTING RESERVES: PANEL

TOKYO, Asia Pulse May 19 - The focus of the nation's oil policy should be shifted away from market-oriented deregulation, with more emphasis placed on encouraging Japanese firms to develop energy resources and on building up national reserves, a government advisory panel recommended Thursday.

The report submitted by the Advisory Committee for Natural Resources and Energy calls for boosting the portion of energy imports from operations backed by domestic companies to 40 per cent in 2030, up from 15 per cent at present. The cap on capital contributions by Japan Oil, Gas and Metals National Corp. (JOGMEC) to private-sector resource development firms will be raised from the current 50 per cent, according to the report.

The risk of import stoppages from oil fields in which Japanese companies hold concession rights is seen as small.

The panel, which reports to Economy, Trade and Industry Minister Toshihiro Nikai, also recommended raising oil reserve levels "above the average of core International Energy Agency members." The Ministry of Economy, Trade and Industry says that national oil reserves stand at the equivalent of 90 days of domestic consumption, but sees the need to boost stockpiles to 120-130 days. Reserves for gasoline and kerosene will be established as well.

To promote the use of bio-ethanol as automobile fuel and for other applications, the committee said that the maximum percentage of ethanol mixed into the gasoline should be raised from 3 per cent to 10 per cent by 2020. Efforts to improve refining technology, such as extraction treatments for oil sand and sulfur-laden heavy oil, will also be supported, according to the report.

But the new policy does not outline a path toward easing the country's dependence on the Middle East, the source of 90 per cent of oil imports. Nor does the report outline any specifics or a target for reducing foreign energy reliance.

Furthermore, the extent to which the private sector would welcome government involvement remains unclear. Since its inception in 2004, JOGMEC has contributed funds solely to projects undertaken by predecessor Japan National Oil Corp. It has yet to finance any new initiatives.

Crude oil has surged to 70 dollars a barrel, and prices could rise 60 per cent by 2030 if demand continues to grow in Asia and elsewhere. The upturn in crude prices has made development efforts profitable, with a senior official at an oil developer pointing out that "JOGMEC has not had an opportunity to play a role in light of robust private-sector investments."