

CHAIRMAN'S REPORT
THE TRACK II NADI WORKSHOP ON ENERGY SECURITY
“TOWARDS ENHANCING REGIONAL HARMONY AND
PROMOTING ENERGY SECURITY IN SOUTHEAST ASIA”

10 - 12 JUNE 2014
LOMBOK, WEST NUSA TENGGARA, INDONESIA

INTRODUCTION

1. The Track II Network of ASEAN Defence and Security Institutions (NADI) Workshop on Energy Security “*Towards Enhancing Regional Harmony and Promoting Energy Security in Southeast Asia*” was organized by Indonesian Defence University, Ministry of Defence of the Republic of Indonesia at Santika Hotel, Lombok, West Nusa Tenggara, Indonesia, from 10 – 12 June 2014.
2. Representatives from Brunei Darussalam, Cambodia, Indonesia, Lao PDR, Malaysia, Myanmar, Philippines, Singapore, Thailand and Vietnam attended the Meeting in which the list of participants appears as Annex I. Colonel Danardono Sulistyoadji, Head of Defence Management Study Program of the Indonesian Defence University and Colonel Dr. Arwin D.W. Sumari, Head of Defence Economics Study Program of the Indonesian Defence University, chaired the Meeting.

ADOPTION OF AGENDA

3. The meeting adopted the agenda as attached in Annex II and noted the programme for the meeting which appears in Annex III.

WELCOME REMARKS BY CHAIRMAN OF NADI WORKSHOP

4. Colonel Danardono, Chairman of the NADI Workshop welcomed NADI participants to the Meeting and expressed pleasure in hosting the NADI.

OPENING REMARKS

5. Opening remarks by the President of the IDU, Vice Admiral Dr. D.A. Mamahit, M.Sc was delivered by Brigadier General Haryoko Sukarto, Chief of Centre for Strategic Studies of Indonesian National Defence Forces, Indonesia. In his remarks, the President of the IDU highlighted:

- a. The objective of this workshop is to have an exchange of views among delegates on the optimization of the use of fossil energy and the further development of renewable energy potential in the region. The workshop also aims to explore new breakthroughs in enhancing energy security in the region.
- b. Regional cooperation in energy security especially in conducting joint research on energy technology and management is important in order to get the most appropriate energy sources for the future. This effort is necessary as energy security is clearly one of the new frontiers in ASEAN cooperation.

KEYNOTE SPEECH

6. In his keynote speech, Major General Sonny E.S. Prasetyo, M.A, addressed that energy security is of importance to ASEAN. As such, ASEAN energy security cooperation is essential. A good management of energy resources and a conducive environment would be needed to attain energy security. Some ASEAN energy programs like the ASEAN Petroleum Security Agreement (APSA) must be implemented soon.

EXPERT SPEECH

7. Expert speech was given by Prof. Dr. Ir. Herman Agustiawan, MSEE. In his speech, he emphasized the following:
 - a. ASEAN today is already the centre of growth in the world. In 2012, the average GDP growth in ASEAN was 5.5 percent, higher than the world average of 2.3 percent, due to higher growth rates in Laos and Cambodia. Consequently, this strong growth rate means that ASEAN will consume more energy. At the latest count, ASEAN's energy consumption grows at 3.1 percent per annum.
 - b. ASEAN's energy consumption is still relatively very low. ASEAN's combined primary energy consumption in 2011 was 444 MTOE, which is equal to Japan's primary energy consumption for the same period. With a population of more than 600 million people, ASEAN's per capita energy consumption was only 0.9 TOE, far below the world's average of 1.7 TOE. That being said, ASEAN's thirst for energy will only increase in the future.
 - c. ASEAN countries must work together to ensure the availability of future energy supply, especially crude oil. One measure that ASEAN has been working on together in creating the Joint Oil Stockpile (JOS). The APSA signed in 2009 had laid out the foundation for JOS mechanism.

- d. ASEAN had rolled out several partnership frameworks like Trans ASEAN Gas Pipelines (TAGP) and ASEAN Power Grid (APG) to address its infrastructure deficit.
- e. Indonesia is both a producer and an exporter of coal and natural gas. Indonesia is also the largest energy consumer in ASEAN, accounting for around 40 percent of the total energy consumption, despite Indonesia's per capita consumption of only 0.75 TOE.
- f. Implementation of ASEAN Community in 2015 will have a positive impact in addressing the energy security challenge in the region.
- g. A proposed ASEAN Energy Bloc can determine policy direction and objectives as well as address the underlying challenges to enhance energy partnership among ASEAN countries. An ASEAN Energy Bloc can promote better energy utilization in individual countries as well as the region as a whole.

SESSION ONE: PRESENTATIONS BY BRUNEI DARUSSALAM, INDONESIA (IDU), LAO PDR, SINGAPORE AND THAILAND

Presentation by Ms. Ampuan Yura Kasumawati DP Adnan, Head of Research Division at the Sultan Haji Hassanal Bolkiah Institute of Defence and Strategic Studies (SHHBIDSS), Ministry of Defence, Brunei Darussalam

- 8. Ms. Ampuan Yura Kasumawati DP Adnan shared the general energy security outlook in Southeast Asia. As projected by the International Energy Agency (IEA) and the Economic Research Institute for ASEAN and East Asia (ERIA), Southeast Asia's energy demand would increase by over 80% by 2035 thereby increasing the reliance on oil imports. There remains considerable untapped potential for renewable energy sources, particularly in the Greater Mekong Sub-region. She also shared that Brunei recognises the need to diversify its energy sector. As outlined in its recently published Energy White Paper, Brunei has introduced policy initiatives to reduce wastage in production and consumption of energy in both residential and commercial sectors.
- 9. In addressing the region's energy security concerns, a cooperative policy is essential. While policies and measures per country might vary, it remains important for them to contribute to energy, economic and environmental security. On the regional level, there already exists an ASEAN regional framework to address energy security concerns. This includes the ASEAN Plan of Action for Energy Cooperation (APAEC) in which the current APAEC 2010-2015 contains seven program areas – including the Trans-ASEAN Gas Pipeline and the ASEAN Power Grid - each put under the responsibility of a specialised ASEAN energy body. She stressed that in ensuring adequate and uninterrupted supply, it is crucial to maintain the safety and security of offshore oil platforms and Sea Lines of Communication (SLOCs).

Presentation on “Development of Renewable Energy for Support Energy Security” by Dr. Rudy Laksmono, Head of Energy Security Study Program, Indonesian Defence University, Ministry of Defence, Indonesia

10. Dr. Rudy Laksmono highlighted that Development of new renewable energy sources would contribute to energy security. Therefore, there is a need for research programs having mutual support from ASEAN member countries.
11. The formulation of policies on renewable energy will create an important benchmark. The development of new renewable energy could determine the success or failure of energy security in ASEAN. To ensure the success of this program, regular meetings should be held to monitor the progress.

Presentation by Major Bounmy Visethsinh, Department of Science and Military History, Ministry of National Defence, Lao PDR

12. Major Bounmy Visethsinh highlighted that energy has played a significant role in human life for a long time and some of those energy sources are decreasing because of economic growth and the increase of the world population. Therefore, the Lao government has a plan to explore more renewable energy sources to replace conventional energy sources that will run out in next few decades. In general, Laos uses less energy compared with other countries. However, the government promotes both public and private sectors to invest in renewable energy projects in the country, particularly hydropower project.
13. Laos proposed the following recommendations to enhance energy security in the region:
 - a. Strengthen cooperation to secure energy self-sufficiency within ASEAN;
 - b. Enhance an effective Power Network in ASEAN;
 - c. Encourage all ASEAN member countries to develop their potential to produce renewable energy resources;
 - d. Decrease imported fossil fuel or gas from other countries which is estimated to run out within next few decades for sustainable development in the region if possible;
 - e. Discourage the building of nuclear plants for energy production in the region.

Presentation on “Energy Security in ASEAN: the Economic and Political-Security Dimensions” by Ms. Sarah Teo, Associate Research Fellow, Multilateralism and Regionalism Programme, S. Rajaratnam School of International Studies (RSIS), Nanyang Technological University (NTU), Singapore

14. Ms. Sarah Teo noted that with rapid economic and population growth leading to increasing demand for energy sources, energy security issues will rise in importance for ASEAN countries. She addressed two aspects of energy security: the economic and political-security dimensions. Economically, as domestic production becomes unable to meet rising demand of energy such as oil, coal and natural gas, ASEAN countries are likely to increasingly rely on imported resources and renewable energy including solar, wind and bio-energy. The region is unlikely to face a severe energy shortage in the foreseeable future – instead, access to energy will mainly be a matter of cost. In this regard, there is potential for ASEAN cooperation for efficient distribution and consumption of energy.
15. In terms of the political-security dimension of energy security, ASEAN has to ensure freedom of commercial navigation through the region for trade and energy to transit through Southeast Asia. This can be achieved by maintaining regional peace and stability through ASEAN unity and cooperation, as well as ASEAN centrality. Major power dynamics in the region have the potential to heighten tensions which will affect energy security. Conflict over energy is not in the interest of any ASEAN member. The militaries of the ASEAN countries should enhance cooperation and confidence building measures through the ADMM and ADMM-Plus to ensure regional peace and freedom of navigation for energy trade in Southeast Asia.

Presentation by Major General Chaianan Jantakananuruk, Director for Strategic Studies Center, and Sr. Gp. Capt. Poomjai Leksuntarakorn, Director, Regional Studies Division, National Defence Studies Institute, Thailand

16. Major General Chaianan Jantakananuruk and Sr. Gp. Capt. Poomjai Leksuntarakorn highlighted that Thailand is proposing a greater use of bio-fuel for ASEAN since there are plenty of resources available such as sugarcane, cassava, palm oil, etc. Furthermore, sugarcane is an efficient crop in terms of a high net energy rate and the cheapest raw material for renewable energy production. In addition, the use of other plants and technologies, i.e. solar, hydropower, etc., are being experimented. It should be encouraged that ASEAN should emulate Brazil where bio-fuel is utilized at its best, hence, reducing dependency on fossil fuel, enormously.
17. Thai national planners and policy makers are pushing for high percentages of renewable energy usage from the total energy consumptions, possibly up to 20% - 25% within the next decade. However, there are some obstacles needed to be handled, effectively, in order to push the renewable energy forward at reasonable time frame. The obstacles are as follows:
 - a. Planning and Strategy: The lack of strategic integration in Thailand's energy policies and measures serve as an impediment to renewable energy growth in Thailand as a whole.

- b. Policy and Regulatory framework for Feed-in-Tariffs (FiT): Although Thailand has made advances in putting in place an attractive feed-in tariff measure, the implementation of the FiT faces increasing barriers over time due to ad-hoc responses to problems as they arise.
 - c. Financing options: The financial support does exist from both the private and public sectors, both domestically and from international investors. In order for renewable energy to expand in a continuous and sustainable manner, there is a need for an increase in capacity building in private and public financial institutions to evaluate risks and opportunities in renewable energy.
 - d. Supportive technical environment: Renewable energy deployment in Thailand faces eventual technological limitations, due to inadequate research and development.
18. Furthermore, it was found that Thailand's renewable energy framework is supply-side oriented. Policy measures have been designed to focus on incentivizing the increase in renewable energy supply, i.e., in the forms of financial incentives (FiTs and loans) and regulations. Renewable energy remains a remote and abstract concept for many Thai electricity-power producers. Hence, continuous support for renewable energy in Thailand should include initiatives to call for more strategic planning, better regulatory support, better governance, and better public communications.

SESSION TWO: PRESENTATIONS BY INDONESIA SSC, MALAYSIA, PHILIPPINES

Presentation by Brigadier General Haryoko Sukarto, Chief of Center for Strategic Studies of Indonesian National Defence Forces, Indonesia

19. Brigadier General Haryoko Sukarto highlighted that in order to enhance sustainable economic growth, the region's energy needs will increase. This is because the majority of economic activity depends on energy. Ensuring the availability of energy to support sustainable economic activity for ASEAN countries is of strategic importance. Therefore, the availability of energy in the region should continue to be pursued. Increased energy requirements will have an impact on the complexity of "Trilemma Energy" in the region, namely: prices will go up, emissions will increase and security conditions will decline. It is necessary to anticipate strategic measures related to energy security, which must be a shared commitment between the member states of ASEAN. Otherwise, the complexity of the ASEAN Energy Trilemma is likely to occur. Furthermore, ASEAN will be trapped and get into an "Emergency Situation", as a result of the ASEAN member states being not prepared to deal with oil supply shortages or being disaster-stricken due to the effects of climate change.

20. The implementation of APSA needs the support of all parties, including the Armed Forces as a security actor, to enable the realization of energy security. In order to keep and maintain ASEAN regional energy security and support the implementation of the APSA, measures should be considered from the military aspect, as follows:
- a. The need to build military cooperation mechanism of ASEAN member countries, both for operations and exercises in order to cope with a possible petroleum supply disruption;
 - b. The need to specify the mechanisms of ASEAN military operations to support Coordinated Emergency Response Measures (CERM);
 - c. The need to determine the engagement mechanism of the Armed Forces of ASEAN member countries in the International Cooperation on Energy Security / International Security Energy Cooperation;
 - d. The need to determine the mechanism of the involvement of representatives of the Armed Forces of ASEAN member countries in the Institutional Framework for the CERM; and
 - e. The need to determine what measures should and/or should not be done by the Armed Forces to support the Settlement of Disputes among ASEAN member countries.

Presentation by Colonel Nordin bin Rijaludin RMAF, Malaysian Institute of Defence and Security (MIDAS), Malaysia

21. Colonel Nordin bin Rijaludin RMAF highlighted that energy plays a very important role in sustainable development. Since energy consumption increased considerably with economic and population growth as well as infrastructure development, many efforts have been done to promote renewable energy. This will also reduce the environmental impact related to climate change. Currently, the quest for long-term energy supplies is becoming a matter of increasing regional competition within ASEAN with secure access to oil and gas as a matter of national strategic consideration.
22. The presentation by Malaysia suggests possible roles of APSA towards a unified energy security looking from two key issues i.e. development of sustainable energy and diversification to renewable energy. The strategy involves implementation of energy mix as consumption continues to outstrip production of traditional hydrocarbon by promoting diversification to renewable energy. A variety of mechanisms includes collaboration and cooperation, policy dialogue, investment, research, knowledge hub, expert exchanges, training and education, regulations, etc. Malaysia believes that energy cooperation could function as a confidence-building measure that prepares ways for a unified energy security in

ASEAN. This will invariably enhance regional harmony and promote energy security in Southeast Asia.

Presentation on “Regional Energy Security as a Platform for Cooperation” by Fermin R. De Leon, Jr, Ph.D, MNSA, President of National Defence College of the Philippines (NDCP), Philippines

23. Fermin R. De Leon, Jr, Ph.D, MNSA highlighted that the most likely scenarios in pursuing regional energy security will probably be guided by the ASEAN Way, characterized by non-interference, consensus-building, consultation, non-use of force, avoidance of conflict, and non-confrontational bargaining. ASEAN members participate on a voluntary and non-binding basis. Arguably, the ASEAN Way is a soft approach toward regionalism. For one, the ASEAN Way in itself is an implicit code of conduct, not an explicit set of rules and regulations. It is also regarded by some as a cause of the relatively slow pace of regional integration because it does not facilitate the institutionalization of efforts that compel national and regional action, not providing enough push, which tends to make member states rely only on self-motivation when it comes to regional cooperation. Thus, the reliability of the APSA in protecting member states from petroleum-related emergency situations and economic shocks has been a topic of contentions because of the voluntary nature of oil stockpiling. Historical accounts (Van Zandt and Bertrand) show, however, that provision of such type of good simply cannot survive that long in a voluntary system of contribution. A mandatory set of rules will have to be set.

24. As a way ahead, ASEAN members must harmonize their national interests with the broader regional interests to effectively enhance regional energy security. The Philippines’ interests in terms of its national energy security are already aligned with the broader regional interests of the ASEAN. As enshrined in the Philippine Energy Plan (PEP) 2012-2030, the Philippine Government will contribute to the fulfilment of the grand vision of the ASEAN for regional energy security. However, executing coordinated movements toward regional energy security is complicated mainly by technological, economic, and geo-political disparities among ASEAN states. Accordingly, ASEAN may want to apply a newer approach to regional cooperation to enhance the traditional ASEAN Way, and consider working on institutionalized and rules-based activities. The constant need for energy should be seen as an opportunity to establish a platform for regional cooperation.

SESSION THREE:

Review of Presentations and Discussions, Consideration of Recommendations for ADMM Track; Updating Core NADI’s Institutions List; and Updating the Upcoming NADI Activities

RECOMMENDATIONS TO ASEAN DEFENCE MINISTERS' MEETING (ADMM)

25. The Meeting had an extensive exchange of views and proposed the following recommendations for consideration of the ADMM:
- a. At the respective national levels, the energy policies of the ASEAN countries share similar strategies, focusing on optimising the use of fossil energy, as well as the development of alternative and sustainable sources of energy including renewable energy. The Meeting is of the opinion that this initiative should continue.
 - b. At the regional ASEAN level, there is also a mechanism in place to deal with this issue such as APSA, which focuses on optimising the use of energy sources in the region, including the establishment of oil stockpiles and the sharing of energy resources. However, ASEAN should examine the challenges facing APSA. Currently, the sourcing of external energy sources has not been discussed. This option should also be considered.
 - c. Additionally, most countries are working in isolation to develop their own energy sources. This situation can be improved by getting ASEAN countries to streamline their efforts, for example by identifying which countries could develop which type of energy. These countries should be appointed as centres of excellence and develop the necessary technology. As sustainable energy sources are presently not cost effective to export, this cooperation should focus on technology sharing rather than exporting the energy.
 - d. In addition to economic cooperation with the Gulf Cooperation Council (GCC), ASEAN could also develop an arrangement with the GCC for the latter to give priority to ASEAN in supply of energy in times of emergency.
 - e. Energy issue has a geopolitical dimension, and thus it can be exploited by the major powers. Given concerns that major power rivalry can destabilise the region, cooperation under the ADMM and ADMM-Plus frameworks, based on ASEAN unity and centrality, are necessary to ensure peace in the region. Cooperation among the maritime law enforcement agencies of the ASEAN countries on energy security is important to ensure regional peace and stability. A network of inter-coast guard agencies may be established.
 - f. The militaries of the ASEAN countries should work together with their related maritime security agencies, to ensure freedom of commercial navigation through the region for energy trade. Thus, maritime cooperation should be deepened, particularly in terms of boosting on-going cooperation to counter terrorist and piracy attacks along the

vital sea lines of communication (SLOCs). Confidence building measures should be enhanced to alleviate lack of trust and promote cooperation.

- g. Energy security cooperation could act as a platform to enhance regional cooperation. As the maritime territorial disputes in the South China Sea are unlikely to be resolved in the near future, it might be more beneficial for ASEAN countries to consider joint development of resources without prejudice to sovereignty. Meanwhile, ASEAN should continue working towards resolving energy security disputes through peaceful negotiations in accordance with international law, including UNCLOS, DOC and the COC when completed.
- h. Given the abundance of other sources of energy, nuclear power plants should be discouraged and should be considered as a last option. Considering the hazards of the possible mismanagement of nuclear energy, ASEAN countries should be encouraged to adopt very strict management measures of nuclear energy to contribute to confidence building and regional safety. There should also be an ASEAN legal and regulatory framework to govern any nuclear power plant and its operations so that the region can be safe.

UPDATING THE LIST OF CORE NADI INSTITUTIONS

- 26. Each delegation rechecked the updated core NADI institutions list given by NADI Secretariat. There were some corrections and additional information regarding the contact persons of the institutions. The latest updated list as attached in Annex IV.

UPCOMING NADI ACTIVITIES

- 27. The meeting noted the updates on upcoming NADI activities as follows:
 - a. NADI Workshop on “The Role of Military in Enhancing Human Security,” 25-28 August 2014, hosted by Strategic Studies Center, National Defence Studies Institute in Pattaya, Thailand
 - b. NADI Workshop on “Integration of the Three Pillars of ASEAN Community Focusing on HADR,” January 2015, hosted by Strategic Studies Center, National Defence Studies Institute in Chiangmai, Thailand
 - c. NADI Workshop on “New Trends in Terrorism: Challenges and Responses,” hosted by RSIS in the fourth week of February 2015, Singapore
 - d. 8th NADI Annual Meeting, March 2015, hosted by MIDAS in Kuala Lumpur, Malaysia

- e. 2nd NADI Retreat, June 2015, hosted by MIDAS in Genting Highlands, Malaysia
- f. NADI Workshop on “Peace, Conflict Management and Conflict Resolution: Experiences and Best Practices,” August 2015, hosted by MIDAS in Port Dickson, Malaysia
- g. NADI Workshop hosted by the IDU and SSC of TNI in Manado, North Sulawesi on October 2015. – The theme will be provided later.

ANY OTHER MATTERS

- 28. The Thai representative informed the Meeting that the Strategic Studies Centre, Thailand, is hosting “The 1st ASEAN Defence Leadership Development Programme 2014.” While this is not a NADI meeting, Thailand invited NADI delegates to participate in this programme to contribute to discussions on confidence building and security cooperation among ASEAN countries. The 10-day programme involves Track I and Track II participants from the ASEAN countries.

CONCLUDING REMARKS

- 29. The NADI representatives expressed their appreciation to the Indonesian Defence University (IDU) and the Strategic Studies Center of the Indonesian National Defence Forces for the warm hospitality accorded to them and the excellent arrangements made for the NADI Workshop on Energy Security.