

## ***Session 7: Towards a New Framework***

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## **Role of Markets in Governance and Energy Security**

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The world is faced with contemporary energy security challenges, including volatile energy supply and pricing, the continued dominance of hydrocarbons in the global energy mix, slow transition to alternative energy sources as well as environmental issues relating to the consumption of traditional energy. These challenges necessitate increased interdependence and therefore more collective effort in addressing the problems at hand, said Mr Koh.

However, the role of the market, as traditionally relied upon in lieu of stronger government intervention, especially in the post-Cold War era of globalisation, has been put into question when it relates to the continued socio-economic implications of future energy use. The alleged profiteering by energy corporations in an environment absent of adequate government regulations, as indicated in the case of the Chad-Cameroon oil pipeline in 2000, point to the potential pitfalls of relying solely on markets for ensuring energy security.

Governmental role could in fact complement the free market in order to ensure access by the average citizen to energy supplies, provide service quality mechanisms as well as allocate responsibilities among different market players. However, the case of Venezuela, where oil has been re-nationalised and used for geopolitical leverage in foreign policies, highlighted the drawbacks of relying solely on governance, which is prone to abuse or misuse by self-centred individuals or regimes for political expediency. Therefore, proper and adequate governance,

encompassing such virtues as transparency, independent market supervision, accountability, consistency and respect for competition principles, could be the way for the future.

The starkly different outcomes during the First and Second Oil Crises in 1973 and 1979 respectively in the case of Japan could be testimony to the benefits of good market governance. Unlike the widespread consumer panic experienced by the Japanese public in 1973 due to over-reliance on the free market for energy supplies and lack of adequate governmental intervention, Tokyo managed to adapt better in the second oil shock. In 1979, government policies, such as an energy stabilisation policy and multiple government and independent sources of information projecting energy-related forecasts implemented post-1973, had managed to tide Japan through the crisis, allowing it to economically recover within a short span of less than a year, thanks to increased consumer and investor confidence.