



Natural Resources

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INTERNATIONAL ENERGY AGENCY PUBLISHES SOUTHEAST ASIA ENERGY OUTLOOK REPORT

On 2 October 2013 the International Energy Agency (IEA) published its *Southeast Asia Energy Outlook* report (**Report**). The report was prepared in response to discussions by Ministers gathered at the Sixth East Asia Summit Energy Ministers Meeting on 12 September 2012, in Phnom Penh, Cambodia. The IEA were assisted in their research by a number of international experts from different energy related fields.

The Report notes that the centre of gravity of the global energy system is shifting towards Asia, most particularly to India, China and to the ASEAN region and that the outlook for energy production and demand in South East Asia has implications that will be felt well beyond the region. Some of the Report's highlights are set out below:-

- Southeast Asia's primary energy mix is currently dominated by fossil fuels, with oil, natural gas and coal making up more than three-quarters of demand. The Report notes that over recent decades, there has been an on-going shift towards coal and natural gas, primarily at the expense of oil in power generation and industry, and traditional biomass in the residential sector. Oil remains the dominant fuel with a 37% share of the ASEAN energy market mix, whereas natural gas has a 21% share. Coal, the use of which has been rising at double-digit rates since 1990, has a 16% share.

- Efforts are underway to boost the deployment of modern forms of renewable energy, such as hydro, geothermal and biomass power, co-generation technologies and solar photovoltaic (PV) which together currently account for only 12% of the primary energy mix. The Report predicts that

renewables-based power will increase by more than the current total power output of Indonesia & Thailand combined, although barriers to deployment need to be tackled

- By 2035 Southeast Asia's energy demand is set to increase by over four-fifths, or by more than the current consumption of Japan

- By 2035 electricity generation is set to increase by more than the current power output of India; coal will emerge as the fuel of choice, accounting for 58% of growth

- Southeast Asia is set to become the world's fourth-largest oil importer (behind China, India and the EU)

- The Report predicts that the ASEAN region will import 75% of its oil by 2035, and that spending on oil imports will triple to \$240 billion; at the same time net revenues from gas exports are set to fall by more than three-quarters



- By 2035 Indonesia will account for 85% of Southeast Asia's coal production and will remain the world's top exporter of steam coal.
- Despite recent reforms aimed at curbing government intervention fossil-fuel subsidies in the region amounted to \$51 billion in 2012. The subsidies, most commonly granted in Indonesia and Malaysia distort regional energy markets.

CONGOLESE GOVERNMENT LOOKING TO SELL STAKE IN GLENCORE'S COPPER PROJECT

Mining.com reports that the Congolese state-owned miner Gecamines is willing to sell its 20% stake in Glencore Xstrata's (**Glencore**) Kamoto Copper company (**Kamoto**). Reports suggest that the firm is looking at 14 potential buyers. Glencore's subsidiary Katanga Mining (**Katanga**) holds a 75% stake in Kamoto. Kamoto is targeting a production output of 300,000 metric tonnes by the end of 2014. If successful it will be the DRC's largest mine. Gecamines are believed to want to sell because Katanga has missed production targets for five years in a row and holds too much debt. The proposed sale may not proceed if Gecamines can finance a \$2.75 billion reorganization plan.

U.S. IS OVERTAKING RUSSIA AS LARGEST OIL-AND-GAS PRODUCER

The Wall Street Journal (**WSJ**) has reported that the U.S. is overtaking Russia as the world's largest producer of oil and natural gas. The news is further evidence of reshaping global production trends in the wake of the U.S.'s exploitation of its shale gas. The WSJ analysis found that the U.S. is on track to surpass Russia as the world's largest combined producer of oil and gas in 2013. The U.S. produced the equivalent of about 22 million barrels a day of oil, natural gas and related fuels in July whereas Moscow is forecast to produce approximately 21.8 million barrels a day in 2013. Increased U.S. domestic production has led to significant decreases in oil and gas imports.

BP WINS SPILL COMPENSATION APPEAL

BP will cease making pay-outs in relation to some claims arising out of the 2010 Deepwater Horizon disaster in the Gulf of Mexico. The oil giant enjoyed a first victory in its legal campaign to limit its compensation settlement to claims where claimants

were able to demonstrate "actual injury or loss traceable" to the accident. Appealing a 2012 court decision BP asserted that the administrator of the pay-out program was approving millions of dollars of payments covering "fictitious" claims. On Wednesday 2 October the 5th U.S. Circuit Court of Appeals in New Orleans approved an injunction to stop payments to businesses that had not demonstrated they passed the test for "traceable loss". To date the cost of the settlement has risen to double original estimates of \$7.8bn. Shares in BP, which are still trading below the level they were at before the Deepwater Horizon accident, rose slightly following the court's decision.

LONDON METAL EXCHANGE TO BOOST REPORTING TRANSPARENCY

The London Metal Exchange (**LME**) is planning to start publishing information about the futures positions of hedge funds and other traders in response to calls for greater transparency. Last month, United Company Rusal (0486.HK) and U.S. based Alcoa sent open letters to the LME urging it to match its U.S. rival, the CME Group in providing more data about the make-up of investors' positions. LME's new owners the Stock Exchange of Hong Kong has previously indicated it is willing to introduce stricter regulation and has also proposed an overhaul of the LME's warehousing system.



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