

Outline of Potential of Oil Stockpiling at Oil Terminals in Southeast Asia

Tetsuo Morikawa

The Institute of Energy Economics, Japan

Research background and objective

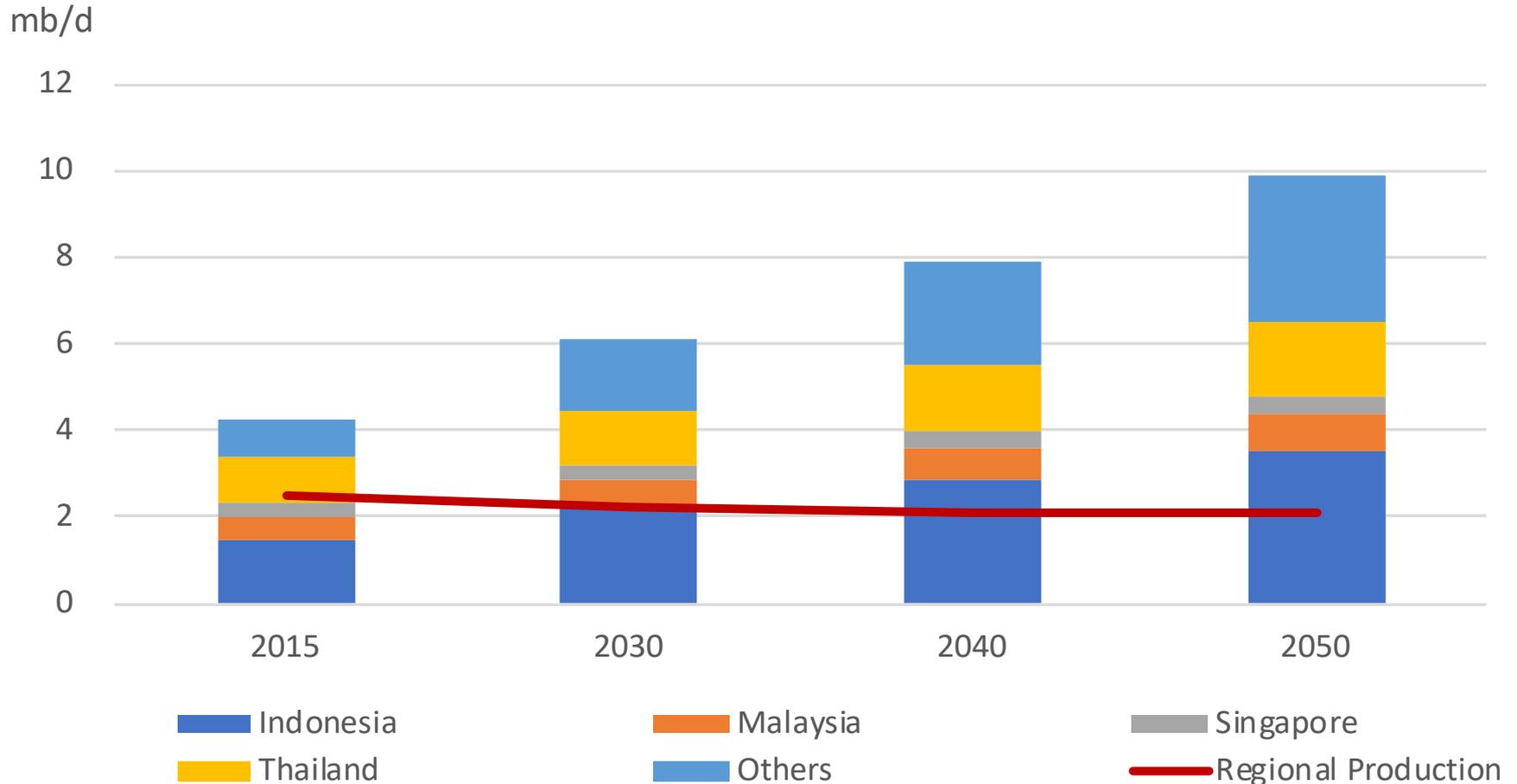
● Background

- Oil demand in Southeast Asia has increased by 3% per annum since 2000, which is faster than the world average. Regional oil production, on the other hand, is on the other hand, a downward trend for the same period. As a result, the import dependency from outside the region reached 41% in 2015. The import dependency is expected to rise in the long term, which is a concern of oil supply security for many countries in Southeast Asia.
- Southeast Asian countries have been considering strategic oil reserves for years. While some ASEAN countries possess significant oil stockpiling, generally the stockpile quantity in ASEAN countries remains lower than the IEA standard. Joint stockpiling scheme in the region is even more distant target.

● Objective

- This study aims at examining the possibility of cost effective oil stockpiling measures like utilizing tank capacity at oil terminals in countries with considerable demand size with geographical proximity, namely Indonesia, Malaysia, Thailand, and Singapore.

Oil balance outlook

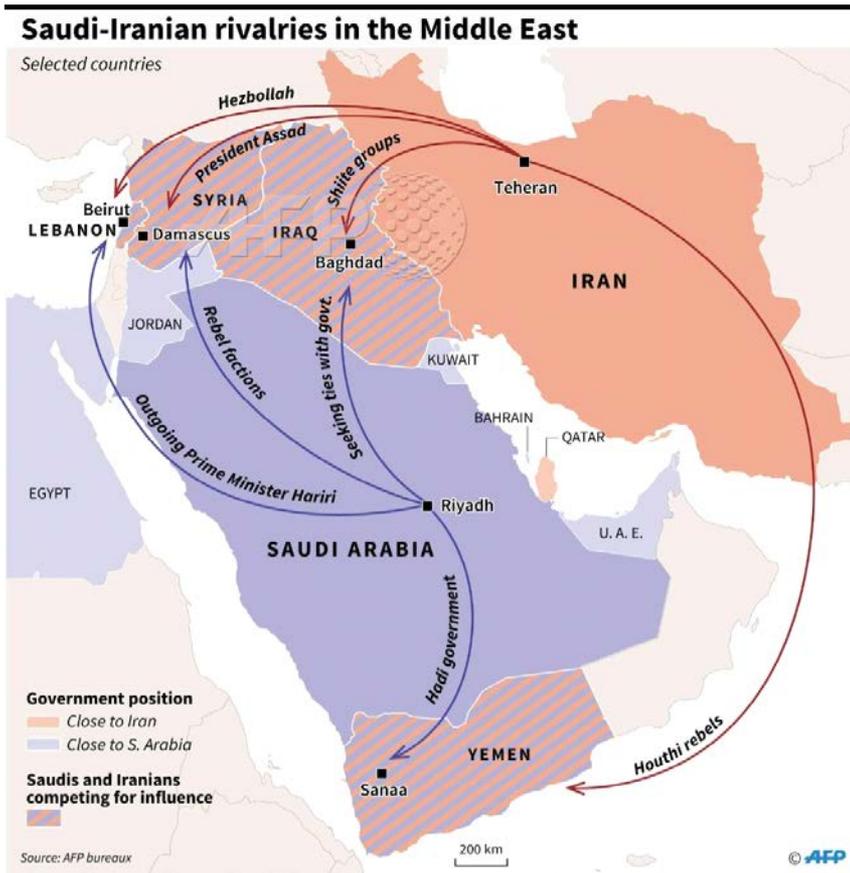


Source: IEEJ

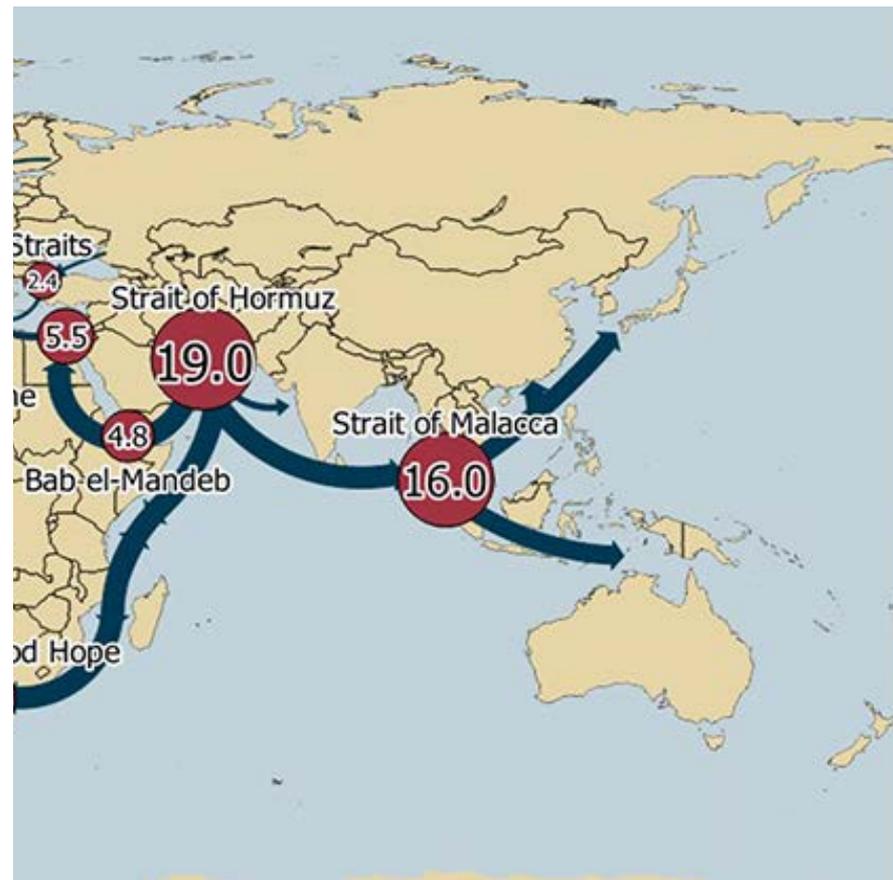
- Growing demand and declining production result in higher import dependency in the coming decades

Concerns over oil insecurity

Middle East instability



Maritime oil chokepoints



Source: AFP and EIA

- Middle East instability, chokepoints, refinery outages, natural disasters, terror attacks are among many risks to oil supply security

Oil stockpiling status



Source: IEA

- Oil stockpiling in Southeast Asia generally lagging behind, compared to the IEA standard

Expected policy recommendations

- While existing initiatives on oil stockpiling in ASEAN remain important, establishing joint stockpiling scheme covering all ASEAN countries is a long-term agenda. It is realistic to achieve individual or joint stockpiling in selected countries in this study.
- Considering the heavy financial burden to develop oil stockpiling at designated site(s), utilizing oil terminals as a stockpiling base might be a realistic option to start with.
- Developing stockpiling in Indonesia is especially important due to its large demand and relatively small stocks. Establishing joint oil sharing scheme between Indonesia and other countries in this study will enhance oil supply security in Southeast Asia.
- External players not only +3 countries but also cruder exporters outside the region could have significant roles to enhance oil supply security in Southeast Asia (e.g. ticket stockpiling, refinery/infrastructure development in Southeast Asia)