

Overview of the Research Activities of Jpn. Soc. Promot. Mach. Ind. Econ. Res. Inst.

Energy Policy Study Group Overview of FY2020 Activities

1. The background and objectives of this research

When Iraq invaded Kuwait in August 1990 and the Gulf War broke out, the world kept a close watch on the war to see if another oil crisis occur, but fortunately there was no major confusion. The reason for this was that under the leadership of the International Energy Agency (IEA), countries released their oil stockpiles. Japan also released 350,000 barrels of oil, which were equivalent to four days of nationwide consumption, from private stockpiles to the market. Specifically, when the Gulf War broke out in January 1991, the IEA invoked the "Coordinated Emergency Response Measures" (CERMs), and the member countries voluntarily worked to release their oil stockpiles, strengthen energy conservation, and thereby supply an additional 2.5 million BD worth of oil. Japan also agreed to reduce the number of days required for private stockpiling under the Petroleum Stockpiling Act by three days. As a result of these efforts, during the Gulf Crisis and War, supply disruptions from the two major oil-producing countries, Iraq and Kuwait, tightened supply and demand and caused oil prices to sharply rise, but devastating turmoil was avoided.

However, nearly 20 years have passed since the outbreak of the Gulf War, specific materials and data on the steps of the release of oil from the then oil stockpiles and Japan's policy-making process have been lost or dispersed since then although they were supposed to have been stored in the Ministry of Economy, Trade and Industry at first. As a result, it has been difficult to chronically organize valuable materials and data at that time, and this situation is considered to be a great loss in considering the past, present, and future of Japan's energy policy.

Thus, in view of the abovementioned situation, this research aims to consider a framework for collecting dispersed materials and data in an exploratory way, set the confirmation of the locations of information sources as a goal, then chronologically organize the collected materials and data, and thereby avoid the further dispersion and loss of the valuable materials and data, and realize research that will be helpful to Japan's future energy and industrial policies.

2. Research method

This research adopted an exploratory survey method targeted at literature, materials, data, etc. An attempt was made to confirm information sources by making full use of libraries, archives, related persons, Internet information, etc., which were assumed to store related materials. In addition, this research was conducted in the form of a study group consisting of experts well-versed in the field concerned and relevant persons at that time. In the preceding fiscal year, the research was conducted within the scope of a pre-survey, which only searched for information sources, but in this research, the information collected in the

preceding fiscal year was organized along a time axis, and literature and other materials were also analyzed.

3.Results of the Research

(1) Information collection framework

Before considering the energy policy determined at the time of the Persian Gulf Crisis, the Study Group examined the scope of information collection and organized the information as described below:

(1) Time range

For the time being, the period of information collection was about six months from around January 8, 1991, when Iraq invaded Kuwait. Specifically, the period was set from August 1990 to June 1991.

(2) Scope of targets to be searched for

Information sources within the knowledge of the Study Group members were listed. These information sources include hardcopy-based materials, digital information, and even people who know about the situation at that time. Unlisted sources found in the process of the information search were also added to the list sequentially.

(3) Scope of contents and quality

In this fiscal year, the information collected in the preceding fiscal year was scrutinized, and the events that occurred during the information collection period were organized along a time axis. As a result, since the scope of information to be collected was extensive, we focused on the collection of domestic and international information related to the activities of the IEA and other international organizations. Specifically, we collected information about the process and background to the formulation of international energy policies by the IEA and about the formulation of policies concerning crude oil supply in Japan. With regard to the scope of the search for specific information sources, we obtained materials, including those obtained through interviews with relevant parties, as much as possible. Although the materials at that time were stored in the files of Ministry of Economy, Trade and Industry, but the disclosure of the information was prohibited because these materials were not administrative documents. Thus, we obtained information that was accessible only to specific researchers. In this fiscal year, interviews were held only with IEA personnel, who were selected from the preceding fiscal year's list of candidates for interviews. Raw data was collected mainly from documents submitted to the IEA Governing Board, SEQ meetings, and SOM meetings and discussions therein. We picked about seven information sources containing the information, and investigated the scope covered by these information sources.

(2) Analyzing materials of major information sources and holding interviews

In order to organize the information collected in the preceding fiscal year in chronological order and to observe the changes in the global situation, the information was organized as follows: (1) summary table of events related to the invasion of Iraq into Kuwait (chronological order); (2) newspaper articles on fuels, oils, and fats; (3) overview of the IEA Governing Board; and (4) overview of the IEA/SEQ and the IEA Governing Board. In addition, interviews were conducted with five persons, including those who attended a SEQ or SOM meeting, etc.

(3) Wrap-up and outstanding issues

When it comes to organization of the actions of the IEA and topics at the time of the Gulf Crisis, the four-volume "History of the IEA" published by the IEA on its website serves as an official document. The History of the IEA, Vol. 2 E. 1990 -1991 Gulf Crisis (pp.133 -147) describes the details of events that occurred within the IEA during the policy-making, implementation, and evaluation phases. In the next fiscal year, the Study Group will compile a final report based on the information on the international cooperation process centered around the IEA. On the other hand, as the scenario for the final report approaches completion, lacking information and literature are becoming clear. Thus, it is necessary to continue to collect information and to solidify the contents by holding interviews and roundtable discussions as needed.

(4) Issues of survey activities for the next fiscal year

The activity of the Study Group in the next fiscal year will be the compilation of a final open report. For this reason, the contents of the report will follow the final open report outline draft shown below. To compile the report, we will use the information, interview results, etc. collected in this fiscal year, roundtable discussions and interviews with relevant persons, additional information, etc. Furthermore, we will provide at the end of the report information that can be introduced as lessons learned from modern perspectives, such as the activities of and related to the IEA at the time of the Gulf Crisis and ideal international cooperation, to disseminate the outcomes of the research at a debriefing session, etc.

Structure of the report (outline draft)

- 1 Introduction
IEA records of the Gulf Crisis as measures to prevent supply interruptions of rare resources and lessons learned
- 2 First Oil Crisis, establishment of the IEA, IEP Agreement
Transfer to the Petroleum Department, non-existing predecessors, non-existing executives
Diet, priority industry lists, settled cases
Kissinger, IEA Agreement, Toyonaga
- 3 Second Oil Crisis, CERM
Amaya Group, Tokyo Summit, Mexico, buy at high prices, insensitive, CERM
- 4 Reverse Oil Crisis and development of futures market
- 5 Iraq's invasion into Kuwait
Basics of the Middle East problem, sanctions against Iraq, the United Nations sanctions meeting, the Arabian oil problem (Texaco, Ministry of Finance), sales pitch from oil-producing countries (Mexico, Iran, Ramsay)
- 6 IEA Governing Board on August 31
Physical shortages and oil market, refraining from buying at high prices, and the importance of messages from the IEA (market condition and cooperative behavior)
- 7 IEA: September SEQ (12th day), SOM (24th day), Governing Board (28th day)
Price problem, refraining from buying at high prices, concerns about cold weather, whether price increases are attributable to psychological or supply-demand factors, market information and market transparency, refining capacity problem (for Kuwait), the

- United States' willing to draw down its oil stockpiles, whether it prioritizes national reserves at the time of drawing down its oil stockpiles, differences in the authoritative relationships between the governments of countries, and France's accession problem
- 8 IEA: October SEQ (22th day), SOM (29th day), Governing Board (31st day)
 Bush's condemnation of the Chicago futures market, the IEA's support for the market, the blame game among countries, trade between New York and Amsterdam, U.S. Congress, European Parliament, concern over Japan's release mechanism, and demand for the breakup of the OPEC
 - 9 IEA: December SEQ (4th day), SOM (5th day), Governing Board (10th day)
 Direction of improvement in supply and demand state (current, products), Huaxia's rightist tendency to remain high (psychological factor?), concerns over the intermediate distillate in the Asia-Pacific region, effects of Kuwait's loss of refining capacity, process problem, and difference in attitude toward the War Crisis
 Ramsay's Federal Energy Bar Association Lecture on November 29, European Energy Community Initiative, dealing with non-European countries, relationship with the IEA
 - 10 IEA January Governing Board (11th day)
 Organization at WH, phantom phone call to the Prime Minister, Japan's stockpiling system, automated release procedures, late-night negotiation, U.S. versus France, Mr. Becker and Ramsdorf, Giscard d'Estaing
 - 11 Commencement of the War on January 17 and joint release of stockpiles
 Succeeded, continuation determined at the January 28 Governing Board, lifted at the March 6 Governing Board
 - 12 IEA June Executive Board of Directors
 Summary of the Gulf Crisis, France's accession and official language problem
 - 13 Evaluation as a crisis management mechanism
 Market formation from "competitive game" to "cooperative game," system supplement, stockpiles, IEA as a high-level communication organization = confidence building, diversification, strong oil companies
 - 14 Review of oil policy
 Oil Industry Act, supply and demand adjustment, competition under cartels, competition for gasoline market share, administrative guidance type advantage, flexible recovery of market functions (price control abolished) after the First Oil Crisis
 Several successful projects of the Japan National Oil Corporation, size of the loan portion, and vague management responsibilities
 Successful coordinated release, systems that responded to the development of the global market, abolition of the Petroleum Industry Act (unreasonable legal system), toward competitive markets
 Listing on the Commodity Exchange, listing of upstream companies