

Energy Demands and Sustaining Growth in South and East Asia

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Summary

Introduction

South and East Asia are among the fastest growing regions in the world. A reliable supply of energy will be crucial to fuel further economic expansion and meet the social and developmental objectives of these regions. This paper examines the main challenges these two regions face in meeting their energy requirements, the impact of energy shortages on growth, and reviews efforts being made to address the challenges.

Main findings

With a population of over 2.75 billion and booming economic growth, the East and South Asian regions will play an increasingly important role in the global economy and world energy markets. China and India are by far the largest countries in terms of population, Gross Domestic Product (GDP) and land area. They also account for more than 80 per cent of South and East Asia's energy consumption and will therefore largely drive these regions' future energy markets.

South Asia's aggregate GDP is estimated to have expanded by 6.7 per cent in 2005 and, following an expected dip in 2006, is projected to continue to grow by 6.9 per cent in 2007. East Asia's growth slowed in 2005, but economic activity remained robust in most economies and growth is forecasted to rise to 7.2 per cent in 2007.

Energy demand in South and East Asia is characterised by a rapidly growing demand for electricity and increasing motorisation. Another characteristic feature of the energy sector in these regions is the increasing dependence on energy imports. This dependence is likely to increase as growth continues. Energy security will therefore be one of the biggest challenges that these economies face.

Key research findings

In order to address the challenges faced, governments in South and East Asia will need to intensify efforts in the following areas:

- Reform in the energy sub-sectors, particularly cost reflective pricing and improved collection in the electricity sector.
- Development and exploration of new energy sources and supplies.
- Diversification of the energy mix and promotion of alternative fuel sources, particularly renewable energy.
- Implementation of measures to improve energy efficiency and conservation.
- Promotion of technological development in the energy sector, particularly for utilising the existing hydrocarbon base in an environmentally friendly manner.
- Enhancement of emergency response coordination and preparedness in the event of energy supply disruptions.

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- Support for regional cooperation in order to make better use of energy resources within the region as well as to tackle the competition and confrontation over energy resources emerging between Asian countries – particularly between Japan, China and India.