Honorable Ministers, your Excellencies, it is a pleasure to be with you for our fourth annual dialogue.

Today in New York, half a world away from here, world leaders are gathering to discuss the goal of limiting average global temperature increase to two degrees Celsius. Those discussions are of critical importance, there is no doubt.

But I am with you today, rather than in New York, because it is right here in Southeast Asia where we see real opportunities for progress.

Undoubtedly there are significant challenges in achieving a secure, affordable and sustainable energy system while meeting demand growth in Southeast Asia. But I am not here to talk to you about your challenges. These you understand all too well. I am here rather to speak about what grows from challenges. I’m here to speak with you about opportunities.

There has been major progress in improving access to modern energy services across the region, particularly through the ASEAN Plan of Action for Energy Cooperation, but millions of people are ready to turn on the lights and plug in their air conditioners.

Many of your countries can expect to double your GDP per capita within ten years. Spurred by such significant GDP growth, Southeast Asia will have an opportunity to build systems and processes that ensure not only that the region avoids the mistakes that have been made by other countries in the past, but that energy security is strengthened across the region.

From the responsible and prudent use of coal and gas to the promise of renewables and a modern, efficient power system, the region has many opportunities for sustainable growth.

It’s an exciting time for ASEAN, with the development of the ASEAN Economic Community and your joint efforts to develop a secure and reliable energy supply. Building upon our long and productive relationship, the IEA is proud to partner with ASEAN as you take advantage of these opportunities.
However in reality, even with increased renewables and an efficient power system, the region will continue to rely heavily on fossil fuels. I am not here to suggest otherwise. Coal is relatively cheap, and we see it growing strongly, particularly in Vietnam and Indonesia. While I will speak more about this when I cover investment tomorrow morning, suffice it to say that the IEA has developed scenarios that see coal accounting for 58% of the growth in electricity generation by 2035.

If the new coal capacity in this region is mostly subcritical – as is the case with Southeast Asia's fleet of existing coal-fired power plants – then there would be negative consequences for the world’s chances of keeping the rise in global temperatures to no more than 2 degrees Celsius. However, In our Special Report “Redrawing the Energy-Climate Map”, we put forward four proven measures to stop the growth in energy-related emissions. One of these is limiting the construction and use of least-efficient coal-fired power plants, and investing in more efficient, super-critical plants.

This would be an important step to ensuring the sustainable and clean growth of energy supply in the region.

Combined with higher efficiency plants, central to a secure and reliable energy supply is the development of flexible power systems.

From a regional perspective, the Heads of ASEAN Power Utilities and Authorities – HAPUA – have plans to gradually expand interconnections, first on a sub-regional basis and eventually into an integrated ASEAN system. The Second Working Group of the ASEAN Interconnection Master Plan Study found that as of 2010, ASEAN Power Grid interconnections could save planned and committed projects a total of 1.8 billion US dollars in capacity investments.

A regional smart grid could help all ASEAN countries meet rising energy demand, improve access to energy services, and minimize costs for developing integrated energy infrastructures. Smart grids give a system flexibility, connecting alternative sources of capacity and systems services, storage and demand side options, including distributed generation. This flexibility requires a systems-based approach that extends to the design, integration and regulation of markets.

Better integrated and more effective policies, regulation and support programs are necessary to achieve market integration. Common ASEAN regulations and financial rules are central to stimulating investment. And it is vital to get the balance right when it comes to pricing so that the necessary investments can be financed without overburdening governments or consumers.

Collaboration across ASEAN is key and the IEA will continue working with ASEAN partners, in particular under the Development Prospects for the ASEAN Power Sector Study, the findings of which we hope to present to you in 2015. We look forward to signing an agreement in this regard.
These more flexible power systems are required to integrate, in a reliable and cost-efficient manner, high shares of variable renewables such as wind and solar, as indicated in our recent publication, “The Power of Transformation”. ASEAN countries have a competitive advantage here thanks to an abundant hydro resource. But much more is needed.

That said, renewables are increasing in ASEAN countries, particularly in the electricity sector. By 2020 we forecast that renewable electricity generation in the region will be four times that of 2005. Annual growth is expected to be aligned with the world average.

Here in Laos, hydropower generates 97 percent of the country’s electricity, and represents an enormous potential, estimated at 23 gigawatts. However, realizing this potential will require investment both in time and money. The Nam Theum 2 project, for example, had a total investment cost of 1.3 billion US dollars. The long and detailed environmental and sustainability assessment of the plant is also to be commended.

I will put these costs more into context tomorrow when I speak about investment, but for now let’s remind ourselves that these are investments not just in infrastructure, but rather in the future health and well-being of citizens and economies.

I look forward to visiting the Theun Hinboun Hydropower Dam this week and seeing what this kind of investment can look like, and what kind of benefits it can bring to the local population, the country and the region.

Despite such successes, this regional growth in renewables is still much less than in other leading countries – notably China. Indeed the share of renewables in the region in 2020 is expected to be lower than the world average of 26%.

There is momentum towards a cleaner energy mix, and you deserve credit for that, but it is not strong enough. We know from other scenario analysis that to meet the aspirational goal of limiting average global temperature increase to two degrees Celsius, 57 percent of electricity generation in the region must from renewables by 2050.

But let us be clear, this is not simply about decarbonisation. Adding more renewables to the mix brings a paradigm shift in energy security, changing the focus from geo-political issues, to the availability of resources at all times and to the reliability of power systems.

This shift has been a difficult process in some OECD countries, as stagnating demand for power meets a desire for renewables and emissions reductions. Southeast Asia has an opportunity to avoid these mistakes and build a power system designed for the future.

Just as renewables present an opportunity, there is a hidden fuel that presents its own tremendous opportunity – energy efficiency.

Earlier this month I launched a new publication highlighting the multiple benefits of energy efficiency, showcasing the state of the art of evaluating the benefits that energy efficiency can bring to economies
and citizens. We recommend taking a rigorous and more comprehensive approach to evaluating these benefits and providing evidence both for increasing action on energy efficiency and tracking progress.

The IEA, together with ASEAN experts, has already started doing this by tailoring the IEA’s 25 energy efficiency policy recommendations for ASEAN members.

Let me thank the government of Indonesia, the ADB, the International Copper Association and in particular the Renewable Energy and Energy Efficiency Partnership for their support and for hosting a workshop in Jakarta in December 2013.

Together we suggest the following five key actions for prioritization. The IEA stands ready to work with ASEAN on a selection of these actions.

The first involves data collection, enabling realistic targets to be set and for progress to be tracked towards achieving them.

The second concerns Minimum Energy Performance Requirements - MEPs. MEPs save consumers billions of dollars each year and manufacturers across the globe have proved they can be met. The common application of MEPs across ASEAN would promote a level playing field for all suppliers and allow governments to share the cost of administering standards and enforcing compliance.

Third, building standards also have a key role to play. Buildings can last 50 years or more and a little bit of extra investment in efficiency up front can mean long term savings in heating and cooling.

Fourth, energy efficiency in the transport sector is also an area where big gains can be made. Fuel efficiency standards for light and heavy vehicles can save drivers money and significantly ameliorate growth in demand for imported transport fuels. Cleaner, more modern and fuel efficient vehicles can also help limit local pollution, enhancing the health of individuals and lightening the burden on public-health budgets.

Finally, the ISO fifty thousand series on energy management in industry provides a clear path to cut costs and increase competitiveness.

These are all exciting opportunities, and compared to Europe and North America, you are working with something of a blank slate. If projections are correct, your countries will accommodate a huge increase in living standards for hundreds of millions of people. This is not energy efficiency for the sake of energy efficiency.

The multiple benefits approach shows us that it is also about economic efficiency, saving money for consumers, increasing competitiveness, building jobs, and increasing wealth and GDP. It is indeed a hidden fuel with great potential.

With all this talk about renewable energy, smart power systems, and energy efficiency, you may think we have forgotten about fossil fuels. Of course that is not the case. While I have already mentioned the
dominance and growth of coal, it is gas that has a key role to play in the move to a more sustainable power system.

But first a warning. While gas has significantly lower emissions than coal, it is still a fossil fuel. Without emissions abatement, over the long term, its widespread use is not compatible with global climate goals. Without carbon capture and storage, it can, at best, only be seen as a transitional fuel.

Asia is at the heart of the global traded gas market. While it is home to major producers, including Indonesia and Malaysia, the region accounts for 48% of global imports, including 76% of LNG imports.

We expect ASEAN to remain a net exporter of gas into the medium term, albeit at a much reduced rate. At the same time, your LNG imports will continue to grow. Indeed the importance of natural gas is increasing for all ASEAN countries and its competitiveness with other energy sources is a key concern.

As you know well, gas is more expensive in Asia than in other regions. There are a number of reasons for this.

The fundamental reason is the region’s reliance on inter-continental gas imports and the high cost of transportation. As such, gas will never be cheap in the region.

LNG price indexation to oil, the importance of gas to regional energy security, low demand flexibility and the lack of an appropriate hub price also contribute to upward price pressure.

In the coming months we will follow-up on our analysis from 2013 on natural gas trading hubs in Asia with a new report about LNG in Asia.

This work is designed to inform our ongoing discussions with ASEAN partners around gas markets and the widening of the Trans-ASEAN Gas Pipeline concept to LNG. Key issues include the need:

- to encourage gas trading, leading to greater price transparency and depth and liquidity in markets,
- for policies and regulatory structures that support the development of LNG infrastructure,
- to develop pricing mechanisms that better reflect the supply and demand situation in the region including long-term contracts,
- to encourage dialogue between companies and governments on regulation that would encourage the development of regional infrastructure including pipeline networks and LNG terminals,
- and to continue the often difficult task of dealing with gas subsidies.

I have three additional points I’d like to make in this regard.

**The first** is that while some might think hub pricing would result in lower prices, this will not necessarily be the case. Rather hub pricing would help to better reflect the actual price level of gas for a specific region.

**The second** is the need for balance when setting prices, particularly within longer term contracts. I acknowledge the importance of long term contracts, particularly to producers that need good prices to
underwrite high investment costs. But I would caution that higher prices make gas less affordable to consumers and open the door to other fuels such as coal.

The third is that waiting for the arrival of greater amounts of LNG is no substitute to running a good energy system. No mBTU is more secure, affordable or less polluting than the one not used. As I mentioned earlier, energy efficiency presents real, concrete opportunities that can be quickly turned into reality.

I said at the beginning of this presentation that I did not want to speak to you about challenges, but rather opportunities. However I fully appreciate the many challenges you do face.

Confronting these challenges, while building a secure, economic and sustainable energy system, increasingly connected to the global energy system, will require commitment from the entire region. We are looking forward to continuing our cooperation on:

- the finalization of the Development Prospects for the ASEAN Power Sector in cooperation with HAPUA in 2015,
- the continuation of our dialogue on gas, at Singapore International Energy Week and beyond,
- the continuation of our advisory role to the APSA Task Force,
- further discussions on gas markets via a joint knowledge exchange on regulatory reform with ASCOPLE in 2015,

Also, I hope to agree with you today to kick-start our work on energy efficiency with joint capacity-building workshops on energy efficiency indicators and regional minimum energy performance standard setting, which I hope could be led by one or two ASEAN countries.

Truly there is a world of opportunities here, and as a former minister, like you I know that the development of the energy system is part of a larger context. That context is about the greater goals of governments and people. It’s about growth, prosperity and sustainability.

I urge you to take this opportunity to look to the future and not put yourself in the position of adapting outdated technologies and systems to a modern world.

There is much to do and I am proud of our partnership. I look forward to building upon our already productive discussions, and together planning for a bright, secure, clean, and efficient future.