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Overcoming the Normalcy Bias

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'Bias' refers to a distortion in thinking. There are several types of bias, one of which is the normalcy bias. This refers to the tendency to assume that everything is normal and under control, even in dangerous situations. The current blockade of the Strait of Hormuz poses a significant threat to Japan's energy supply, and the normalcy bias may have exacerbated this situation.

As has become widely known due to recent crises, Japan imports more than 90% of its crude oil from countries located on the other side of the Strait of Hormuz. Concerns about instability in the Middle East and risks associated with the Strait of Hormuz have been raised since the oil crisis 50 years ago. Although there are challenges—such as the failure to secure imports from China and Southeast Asia, which were once expected to serve as sources of non-Middle Eastern crude, or the fact that the properties of non-Middle Eastern crude are not necessarily suitable for Japanese refineries—this extremely high level of dependence, exceeding 90%, clearly represents a high-risk situation. Might the failure to reform the import structure thus far be due to a normalcy bias? Although there have been incidents in the past that threatened navigation in the Persian Gulf and the Strait of Hormuz, they never escalated to a blockade like the current one. While we recognized the existence of these risks, perhaps we unconsciously assumed that they would never actually happen or lead to major problems.

On the other hand, certain appropriate measures were maintained amid the normalcy bias that proved beneficial during this crisis, such as the maintenance of strategic oil reserves (SPR) and refining capacities. Japan holds a significant amount of SPR and sufficient refining capacity for domestic needs. Consequently, even if crude oil supplies were cut off, Japan could sustain the supply of petroleum products by utilizing the resources in the country. Conversely, countries without SPR and refineries are facing a more severe crisis. Not only is the shortage of petroleum products driving up international prices even more than crude oil, but countries with refining capacity are suspending exports to prioritize domestic supply, which is jeopardizing the security of petroleum product imports.

So, what lessons can we learn from this energy crisis? Firstly, we should diversify our crude oil imports, even if this incurs certain costs. While relying on Middle Eastern crude oil is the most economically rational choice in normal times, the current crisis has made it clear that the cost of

the emergency response is significantly high. South Korea, for example, is in a similar situation but has a smaller dependence on the Strait of Hormuz at around 70% by importing from the United States, Mexico, Brazil and elsewhere. It has been reported that the Japanese government intends to increase its imports of crude oil from the United States. This appears to be an appropriate measure to transform the import structure.

Secondly, to minimize our reliance on imported fossil fuels, we should take a balanced approach that promotes energy conservation alongside the increased use of domestic energy sources, such as renewable energy and nuclear power. Following the Great East Japan Earthquake, for example, Japan succeeded in reducing electricity consumption by 5% through a series of small, cumulative efforts, and has sustained this reduction ever since. Similarly, we could reduce oil consumption by reevaluating our daily lives and business activities. Expanding the use of renewable energy and nuclear power is also desirable for climate change mitigation. While both face challenges, such as grid integration costs and back-end issues, they offer the significant advantage of reducing fossil fuel imports.

Thirdly, we must maintain the fossil fuel infrastructure necessary for a stable energy supply. If we leave everything to market forces, all of the country's refineries may eventually disappear. Furthermore, in terms of urgently addressing climate change, some may argue that fossil fuel infrastructure should be phased out as soon as possible. However, for the time being, fossil fuel infrastructure — including not only refineries, but also coal-fired power stations — remains indispensable for Japan’s stable energy supply. Phasing these out before reliable alternatives are in place would be risky and unwise.

Finally, we must overcome the normalcy bias barrier. It is crucial that we accurately recognize the existence and extent of risks, and take the necessary measures to ensure a stable energy supply in the long-term perspective.

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