

**DISCUSSION OF REGIONAL ENERGY CHALLENGES FOR THE 21<sup>ST</sup> CENTURY**

**OBJECTIVES**

- To present the viewpoints of economies on the energy priorities and challenges for today and the future, including:
  - the role of energy in the region's economic recovery and economic and social future, and in strengthening the marketplace and promoting clean and sustainable development;
  - steps taken or planned to implement energy policy and regulatory initiatives already endorsed to promote private investment in energy infrastructure;
  - conditions and issues relating to energy security;
  - the important role of energy technology, including as it relates to clean energy, energy security, and energy trade.
- To consider the importance of committing to the implementation of initiatives already agreed and to an implementation strategy that produces concrete results.
- To consider an energy message to be sent to Economic Leaders.

**BACKGROUND**

1. Energy Ministers have met three previous times (Sydney in 1996, Edmonton in 1997 and Okinawa in 1998) to discuss the major energy challenges confronting the region and have endorsed the following initiatives:

Fourteen non-binding energy policy principles that recognize the need for a common frame of reference and to work together to give impetus to energy policy reform;

Strengthening policy dialogue among member economies on issues such as energy security, energy infrastructure, energy market reform, energy efficiency and energy and the environment;

The Asia Pacific Energy Research Centre (APERC's) Energy Demand and Supply Outlook, which examines energy trends in the APEC region over the 15 year period from 1995 to 2010, greatly fostering member economies' understanding of energy issues and future energy supply and demand trends;

*A Manual of Best Practice Principles for Independent Power Producers* and a *Natural Gas Initiative*, developed in close cooperation with the business community, that recommends non-binding policy principles and best practices for improving investor confidence and reducing the risks and costs of financing energy infrastructure development;

*An Environmentally Sound Energy Infrastructure in APEC* initiative that recommends non-binding principles and best practice principles for incorporating good environmental practices into the development of power projects, and is now being broadened to encompass other aspects of energy infrastructure development;

A voluntary pledge and review energy efficiency initiative for improving industrial competitiveness, reducing the environmental impacts of energy production, delivery, and use, and producing energy savings;

A Standards Notification Procedure for cooperation on energy efficiency testing standards;

Broad technology cooperation programs in energy efficiency and conservation, renewable energy technology, clean fossil energy, and mining and energy exploration and development;

Close cooperation with the Energy Working Group Business Network and the Energy Regulators' Forum;

The initiation of information sharing on oil markets, which will foster member economies' understanding of oil supply and demand trends and contribute to the enhancement of oil security;

Close cooperation with the APERC, generously hosted and supported by Japan, on analyses and studies related to energy policy deliberations;

1. In addition, at the 19<sup>th</sup> Meeting of the Energy Working Group in April 2000, the following initiatives were agreed for consideration by Ministers:

An initiative to advance cooperation in the development and deployment of new and renewable energy technology, especially in developing economies, and to hold an APEC private sector renewable energy forum to promote private sector involvement in their identification and implementation of collaborative efforts under this initiative.

A response cooperation initiative to mitigate damages on energy infrastructure after natural disasters, including earthquakes;

Under a general policy framework for cooperation on energy standards, establishment of the position of an APEC Energy Efficiency Test Procedures Coordinator to facilitate the implementation of a product-by-product approach to the greater alignment of energy performance test procedures and support for inclusion of energy efficiency with the mutual recognition agreements being developed in the APEC region.

2. The APEC Energy Working Group agreed to the text of a draft “APEC Energy Ministers Declaration” in which it is recognized that embodied in these initiatives are a number of primary principles to guide and assist the development of individual and collective activities, including:

A common understanding on regional energy issues and future energy supply and demand trends;

Complementary regulatory, institutional and procedural regimes with no impediments to trade and investment in energy infrastructure, products and services;

Open, efficient and competitive markets for energy services and products, both within and among economies;

Energy pricing principles and practices of member economies which: (a) reflect the economic cost of supplying and using energy across the full cycle of energy assets and infrastructure: and (b) have regard to environmental impacts;

Non-discriminatory, transparent and predictable policy, regulatory, environmental and administrative regimes in the energy sectors of member economies;

Domestic and intra-regional energy infrastructure and energy trading networks;

Sustainable development through the harmonization of economic development, energy security and the environmental impacts of energy production and use;

Energy supply diversification (including renewable energy) and improved energy efficiency

4. Leaders have directed Ministers to translate vision into action, to pay more attention to implementation and practical results, to deliver on commitment, and to do a better job of reaching the Bogor Goals.
5. In Auckland in 1999, Leaders accepted an initial work program to strengthen markets, giving priority to strengthening market infrastructure and human capacity, especially in developing economies. Leaders direction called for a specific implementation strategy in areas such as natural gas and called upon the private sector to contribute to these efforts.
6. Leaders have stressed the importance of economic and technical cooperation and their benefits to all citizens and their ability to give a human face to development, including, inter alia, harnessing technologies of the future.

#### **ISSUES FOR CONSIDERATION**

7. Ministers are invited to consider an energy message to APEC Economic Leaders, including the following points:

The overall role of energy in maintaining the region's economic recovery and long term growth, building the region's social future, strengthening the marketplace, and promoting clean and sustainable development.

How to continue to integrate the simultaneous pursuit of economic growth, energy security and environmental protection into APEC energy initiatives and programs.

How energy policy and regulatory initiatives, such as the fourteen non-binding energy principles, initiatives on natural gas, independent power producers, and environmentally sound energy infrastructure, provide sound guidance for sustaining economic growth, creating the conditions under which private capital can flow, and enhancing energy security.

The impact of broad technology cooperation initiatives, such as in renewable energy, clean fossil energy, and energy efficiency and conservation, provide benefits to all citizens, provide new options for the clean development and use of energy, contribute to energy security, reduce costs, and facilitate energy business and trade.

Why this is a good time to commit to a comprehensive implementation strategy, including because many economies are considering and undergoing energy sector reform and could possibly benefit from the shared experiences of other economies.

The energy security concern of many economies, which is supported by economic forecasts indicating that the region's demand for energy is expected to significantly outpace regional energy production.

8. Ministers are invited to consider the primary principles embodied in energy initiatives, such as outlined in the text of the draft "APEC Energy Ministers Declaration" agreed to by the Energy Working Group.

## **RECOMMENDATIONS**

9. Ministers to:
  - (9) Agree on an energy message to be sent to APEC Economic Leaders.
  - (10) Commit to focus on the implementation of energy initiatives in policy and regulatory reform and in technology cooperation.