

# APEC ENERGY SECURITY INITIATIVE

## RECOMMENDATIONS ENDORSED BY THE FIFTH MEETING OF APEC ENERGY MINISTERS

23 July 2002  
Mexico City

### INTRODUCTION

In September 2000 the Senior Officials Meeting discussed what action APEC could take to respond to oil price volatility and called upon the Energy Working Group (EWG) to analyse the situation and make recommendations on issues surrounding energy security.

As part of a broader response, at EWG20 in Peru (October 2000) members considered what further cooperation should be taken to minimise the impact of oil supply-side shocks. An initiative addressing oil supply disruptions was put forward by the United States, with suggested text agreed for submission to SOM and Economic Leaders. The objective of the initiative is to voluntarily “...provide member economies with further options to consider in addressing the economic impacts of oil market volatility and more fundamental energy security concerns...”, with the initiative to be addressed through a series of informal workshops.

Economic Leaders, in their Declaration on November 16 2000, noted “*the risks to the world economy posed by volatility in the oil market*” and called “*for appropriate measures to promote stability in the mutual interests of consumers and producers*”<sup>1</sup>. Leaders also “*welcomed the new energy security initiative*”<sup>2</sup>.

Subsequently a series of workshops (in Tokyo, Houston, Seoul, Bangkok and Port Moresby) identified the need to develop a strategic approach to the issue. The outcome was the development of an Energy Security Initiative, which was endorsed at EWG22 in Port Moresby (September 2001). The Energy Security Initiative comprises measures to respond to temporary supply disruptions and longer-term policy responses to address the broader challenges facing the region’s energy supply that are practical in a policy context and politically acceptable. The Initiative also addresses energy for sustainable development through strengthening the security and reliability of affordable energy.

The initiative was then forwarded for APEC Leaders and Ministers at their October 2001 meetings in Shanghai. A copy of the Energy Security Initiative is at Attachment A.

---

<sup>1</sup> APEC Economic Leaders Declaration, Brunei Darussalam: Delivering to the Community, Bandar Seri Begawan, 16 Nov 2000, pg 1.

<sup>2</sup> Ibid, pg 6.

Accelerated by the events in the United States of 11 September 2001, the subsequent Leaders' Statement on Counter-terrorism, released on 21 October, determined that a key measure of enhancing counter-terrorism cooperation would be: "*Strengthening of energy security in the region through the mechanism of the APEC Energy Security Initiative*". APEC Economic Ministers also called on the EWG to intensify its work on strengthening the security and reliability of affordable energy to all in APEC.

Recognizing APEC Leaders' call in their Counter-Terrorism Statement from Shanghai in October 2001 for the implementation of the APEC Energy Working Group Energy Security Initiative, and APEC Economic Ministers' call for strengthening the security and reliability of affordable energy, the APEC Energy Working Group held an Energy Security Initiative Workshop (23-24, April 2002) in Chinese Taipei. The following summarizes the conclusions and recommendations from that meeting.

# **1. THE MONTHLY OIL DATA INITIATIVE**

## **Accomplishments**

The Joint Oil Data Exercise among six organizations (APEC, IEA, OLADE, OPEC, EU and UN) has been on-going since July 2001. At its annual meeting in March 2002, the EGEDA evaluated the outcomes of this joint effort and acknowledged an impressive progress made during this test phase in terms of numbers of economies submitting monthly oil data and its timeliness.

## **Conclusions**

The Workshop participants shared a view that such an effort will contribute to improving the transparency of the global oil market, in which APEC economies play an important role as either consumers or producers. They also acknowledged that there is room for improvement in quality and timeliness. Noticing the desire of the Expert Group on Energy Data and Analysis (EGEDA), although efforts with great difficulties are needed to move from the test phase to a permanent operation, the participants believed it is necessary to seek the support of Energy Ministers for this effort in each economy. They also welcomed the Japanese offer to host an “Energy Data Quality Workshop” to be held in Tokyo in July 2002.

## **Recommendations**

- The EWG should support the elevation of the joint effort of monthly data submission to permanent operation based on voluntary participation after the completion of the current exercise/ test phase in September 2002.
- The EWG should encourage economies to support this effort to further improve the quality of the data, the timeliness of submission, and data capability through capacity building.

## **2. SEA LANE SECURITY**

### **Accomplishments**

APEREC organized a “Sea Lane Disruption Simulation Exercise” on 18 and 19 April 2002 in Tokyo. Its goal was to identify lessons to be learned and necessary actions to better prepare APEC economies for disruptions of this nature. Over 80 participants from more than 20 economies attended. These participants had strong and diversified backgrounds, including energy policy/ crisis management, national and international oil/gas companies, traders, tanker companies, maritime authorities, coast guard and military. Delegates from the APEC Transportation Working Group, the Energy Business Network and the Pacific Economic Cooperation Council (PECC) also participated.

At the end of the two-day exercise using real-time scenarios of sea-lane disruption in South East Asia involving accident, piracy and terrorism elements, the recommendations are summarized as follows:

- Establish a real-time emergency information sharing system.
- Consider upgrading of navigational aids in the Straits of Sunda and Lombok as the alternative routes to the Strait of Malacca
- Establish strategic oil stockpiles (including refined products) in Asia, and consider new coordinated triggering mechanisms different from that of the IEA.
- Identify what APEC economies should do to establish appropriate responses (to major disruptions such as acts of terrorism).

### **Conclusions**

The Workshop participants congratulated APEREC on the success of the Exercise and discussed the next steps to build on this achievement. Some delegates expressed concerns about the situation that not all APEC members have a fully-fledged energy contingency plan in place. It was also suggested that additional analysis be provided in order to support actions recommended from the Exercise. Despite the sensitivity involved, there was an overall endorsement of the above recommendations, which cover some items included in the APEC Energy Security Initiative. This exercise was recognized as particularly important in light of the events of September 11 and Leaders’ commitment to counter terrorism.

### **Recommendations**

- Establish a real-time emergency information sharing system has been addressed by the recommendations in Item 3.
- The Energy Working Group, through the Lead Shepherd, should report its findings to the APEC Transportation Working Group and the International Maritime Organisation, where

appropriate, and encourage them to enhance the security of sea transport lanes, including the upgrade of the navigational aids in the Straits of Sunda and Lombok.

- Establish strategic oil stockpiles (including refined products) in Asia, has been addressed in Item 4.
- The EWG note the importance of maintaining vital energy flows in any sea lane-related counter-terrorism activities and conveys this information to other relevant APEC fora.

### **3. REAL-TIME EMERGENCY INFORMATION SHARING**

#### **Accomplishment**

An APERC proposal was presented for discussion at the Workshop, which included a system of computer networking (“APEC Emergency Computer Bulletin Board”) as a workable and cost-effective option. It was proposed that each APEC Member Economy would designate a person to serve as a focal contact in information sharing (“Emergency Contact”), and the person would access the Bulletin Board using passwords. And the category of information to be shared will be pre-defined.

#### **Conclusions**

This proposal was generally welcomed by the participants; however, they identified a need for more clarifications on the scheme as well as financial implications of elements in the proposal. APERC was asked, taking these comments into account, to produce a concise paper for the EWG to facilitate its decision making at the next meeting in May.

#### **Recommendations**

- The EWG should consider the proposal for a real time emergency information sharing system, noting that there are a number of important issues, such as security, that require further analysis.

## **4. OIL SUPPLY EMERGENCY RESPONSE**

### **Summary**

- It is desirable for all economies to have an emergency response plan in place.
- Oil stockpiles are one important mechanism for energy emergency planning.
- There are a variety of ways to hold oil stocks, with different mixes of publicly and privately held stocks.
- Based on the experiences of some economies, oil stockpiles are a viable option for economies to consider, depending on their individual situation, to protect their economies from oil supply disruptions and improve emergency planning.
- Oil stockpiles by individual economies may improve regional security and emergency preparedness.
- Political, economic considerations underpinned by cost / benefit analysis are major considerations in building oil stocks.
- Oil stockpiles need to be considered in the context of other short term and long term security issues and trends.
- A major consideration is the effect of the existence or use of oil stockpiles on oil market prices.
- A major concern is the use of oil stockpiles to distort market prices.
- The concept of joint stockpiles or formal coordination is in its early stages and needs considerable study to see if it is viable and whether it fits within the APEC mandate.
- There is considerable experience on oil stocks available within the region, which can be shared.
- The results of the sea lane disruption exercise indicate that it is desirable for economies to have an energy response plan and that stockholding options may be desirable as part of that plan.

### **Recommendations**

- It is recommended that the EWG encourage all economies to have a fully-developed energy emergency preparedness plan in place and that economies share their experiences and best practices.

- The EWG should recognise that maintaining oil stocks is an option for net oil importing economies to address short-term supply disruptions, and that these economies should share experiences.
- That the EWG consider a feasibility study of joint stockpiles by net oil importing member economies and other interested APEC economies, covering all aspects of impacts on the world economy including impacts on net oil exporting economies.

## **5. NON-PETROLEUM AND LONGER TERM CONCERNS**

### **Summary**

- The group highlighted the importance of looking at energy security from a long-term perspective including the important issue of exploration and development.
- On the supply side, the group stressed the importance of non-petroleum means to fill energy needs, including coal, natural gas and renewable energy.
- On the demand side, the group emphasized the importance of energy efficiency and conservation.
- The group stressed that any proposal must take into account sustainability and the impact on the environment.
- Discussion emphasized that sustainability is an integral element of energy security and cannot be separated from it.
- The group endorsed development of new technologies that promote the development of non-petroleum energy sources.

### **Recommendations**

- The EWG should consider a project to identify impediments to energy exploration and development, including regulatory and fiscal impediments, and the impacts of energy market reform.
- Considering the importance of natural gas to the region, the EWG should build on a current project on cross-border impediments to electricity to include the same issues for natural gas.
- Energy efficiency and conservation were considered to be very important aspects of energy security. It was agreed, therefore, that the EWG should encourage members to actively participate in the Pledge and Review Initiative on Energy Efficiency and the general policy framework for cooperation on energy standards.
- The group was impressed by the report on activities under the 21st Century Renewable Energy Development Initiative. The EWG should also recognize this progress favorably.
- The Expert Group on Energy Efficiency and Conservation and the Expert Group on New and Renewable Energy Technology should work closely on projects and issues of mutual interest.
- Special focus should be placed on alternative fuels, high efficiency vehicles and public transport to mitigate growing oil demand.