<u>Ten Priorities for Financing Energy Infrastructure Projects within the APEC Region</u>

This list has been developed following the ‘Financing Energy Infrastructure Workshop’, an initiative of the EWG Business Network (EBN) held in Hong Kong, China, 19 March 2004. The priorities are designed to help guide APEC economies as they face the significant challenge of mobilising private capital and international financial resources to fund the estimated $US 3.4 trillion to $US 4.4 trillion in energy infrastructure investments required over the next 20 years.

1. Energy infrastructure projects need to be consistent with an economy’s specific energy security and sustainable development objectives (eg, strengthening the security and reliability of affordable energy to all, achieving environmental improvement of energy production and use). Government policies in these areas should be specified in sufficient detail to provide clear guidance to project developers and their financiers to facilitate long-term investment and financing decisions.

2. Economies should establish stable, transparent, independently administered, predictable and non-discriminatory legal, fiscal, regulatory and trade regimes that support the enforceability of project contracts and consider the interests of all participants, including for projects of a cross-border nature.

3. In the longer term, full cost and benefits of energy infrastructure projects should be underpinned by end-user demand for such services and the ability for customers to pay for such services at tariffs that make projects financially viable.

4. Energy infrastructure project contracts, which are commercial in nature and to be resolved by the negotiating parties, should include provisions to address financial risk, including for inflation, interest rate and foreign exchange rate fluctuations, and investor returns.

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5. Energy infrastructure projects should:
   a) be well planned and supported by credible demand forecasts;
   b) be clearly described to potential investors;
   c) be supported by an open, transparent and competitive bidding process to facilitate participation from a broad range of potential investors (banks, institutional investors, pension funds, multilateral financial institutions);
   d) have stable, transparent, non-discriminatory, timely and administratively efficient project approval processes; and
   e) have competent and experienced project sponsors.

6. The participation of multilateral and/or international financial institutions in energy infrastructure projects can enhance their quality, credibility and credit standing through services such as independent analysis and evaluation, risk mitigation, debt provision and credit guarantees.

7. Project developers should be able to exercise effective operational and management control of projects with minimal government intervention. Decisions for government intervention, for example, to address credit and political risk, should include consideration of the needs of developers and financiers and the long-term viability of projects.

8. Project financiers should have a proven track record in project financing, a capacity for long-term commitment and for communicating with project stakeholders throughout the life of the project, and a willingness and capacity to effectively partner with project developers and share project risk.

9. When establishing or reforming energy market structures, economies should recognize that the energy infrastructure can be owned by government or the private sector (domestic and foreign).

10. Economies should permit project financiers to undertake capital transfers and unrestricted repatriation.