



Attachment A

SUMMARY OF DECISIONS TAKEN

The following is a summary of the key issues raised and decisions taken by members at the seventh meeting of the APEC Energy Working Group Business Network (EBN), held in Cebu, Republic of the Philippines, on 16 March 2002. A full list of participants is at [Attachment A](#).

1. Opening Remarks

Members noted the opening remarks by the EBN Chair, Ms Rosario B. Venturina. The Chair welcomed delegates and observers to the meeting, encouraged representatives to continue to support the work of the group, and foreshadowed that the Canadian representative would be challenging the group to determine their direction following on from the IFAT process.

2. Individual Economy Updates

EBN members provided an update on significant events and reforms in the energy sector in their respective economies since the last meeting. Issues discussed included:

- The increased demand for energy in Mexico, the projected level of investment required to satisfy that demand and the recognition of the need for ongoing reform in Mexico's energy market;
- Recognition in Australia that gas is its major expanding energy source and that this has led to the keen interest in new technologies, particularly in the field of Gas to Liquids technology as a means of maximising the potential of the gas reserves;
- Examples of corporate failure in United States which demonstrated that the market can recover from shocks without the need for government intervention;
- The impact deregulation is having on the competition between energy providers in Japan, the chain reaction effect of price movements and the consequent disincentive for new entrants facing an uncertain tariff rate;
- The flow-on effect of the energy crisis in California and its impact on deferring the scheduled pace of change in Thailand;
- The increased focus on energy security post 11 September;
- Distortionary linking of agricultural subsidies with the production of clean fuel in the United States;
- Implementation of changes in the Philippines energy industry, including potential opportunities, following the passage of the Electricity Industry Restructuring Bill

Members made a number of observations during the discussion, particularly in relation to non-energy issues having an impact in the energy sector. Members noted that there was an opportunity to register their concerns, particularly about the use of subsidies, with the relevant Energy Ministers. Members resolved that Ministers should "In respect to alternative fuels, recognise that Gas to Liquids is an emerging viable technology for the production of synthetic

fuel products and the undesirability of using permanent subsidies for alternative fuels, such as ethanol.” Members noted that the issue of cleaner fuels fell within the topic of sustainable development which is of interest to Energy Ministers. Members also noted that the EBN Chair would report the outcome of this meeting to the next meeting of the Energy Working Group and that the issue could then carry forward to the meeting of Energy Ministers.

3. Report on the Outcomes of the Economic Leaders Meeting and Thirteenth APEC Ministerial Meeting

The EWG Chair Representative, Ms Vicki Brown, provided members with a summary of the outcomes of the Economic Leaders and Thirteenth APEC Ministerial Meetings held in October 2001. EBN members noted that energy security was considered a priority issue for Economic Leaders and APEC Ministers. Economic Leaders called for the strengthening of security in the region through the mechanism of the APEC *Energy Security Initiative*. The APEC *Energy Security Initiative* seeks to promote energy market stability and will examine measures to respond to temporary supply disruptions and longer-term challenges facing the region’s energy supply.

EBN members also noted that Economic Leaders reaffirmed their commitment to achieving the Bogor Goals of free and open trade and investment in the Asia Pacific and had adopted the Shanghai Accord.

APEC Ministers’ call for greater involvement by the private sector in the EWG work program and the EWG to cooperate closely with the EWG Business Network was also noted by EBN members. Members agreed that this message should be re-iterated by the EBN Chair in her report to the EWG.

4. Implementation Facilitation Assistance Team (IFAT) Update

EBN members noted the report on the outcomes of the IFAT visit to the Philippines provided by IFAT Team Leader, Mr Tom Fisher. The Philippines expressed appreciation to all IFAT members and all delegates for their support and inputs, which will very much contribute to the future achievement of successful energy sector reform and sustainable development in the Philippines. Members noted the enthusiasm generated by the IFAT meeting by both the government, illustrated by the commitment of Secretary Perez to the meeting, and private sector representatives. Mr Fisher indicated that IPP Best Practice Principles would be the subject of a seminar in December.

In discussing the IFAT process, the EWG Chair representative indicated that EWG members, at their meeting in Papua New Guinea in September 2001, encouraged member economies to consider using the IFATs for other issues outside of electricity and gas reform within the energy sector.

In discussing follow-up activities for IFAT visits, members resolved that the relevant economy EBN representative report at the subsequent two meetings of the EBN on the progress in implementing the IFAT outcomes. Members considered the desirability of promulgating IFAT outcomes through the EWG website, taking into account host economy sensitivities. Members also noted that a position paper examining a multi-tier approach for implementing a regulatory

framework, based on the capacity of the project, would be prepared for the next EBN meeting. The paper is to be prepared by the New Zealand representative.

5. Fifth Meeting of APEC Energy Ministers (EMM5)

Mexico provided considerable detail on the logistics and draft schedule for the Energy Ministers' Meeting that will be held in Mexico on 22-23 July 2002. Mexico advised members that the next Steering Committee meeting, being held back to back with EWG23 in May, would finalise the agenda for the meeting and that the EBN would need to finalise its priority areas for discussion by that time.

Considerable discussion was held by members on the topics to be discussed with Ministers and the protocols for the face to face meeting between the Ministers and the private sector representatives. It was agreed by members that up to six topics would be considered for preparation of first draft papers and members volunteered for particular topics. These are:

- Implementation Activities (USA)
- Mobilising private sector investment in energy infrastructure (Canada)
- Sustainable development (Australia)
- Strengthening operational aspects of APEC Energy Micro-economic reform (Thailand)
- Addressing the barriers to inter-connection of power and gas grids in APEC economies (Australia)
- Production of synthetic fuels (New Zealand).

The EBN Chair sought initial drafts within a week. Once these had been circulated between and commented on by members a decision would be taken on the final topics for submission.

Additional Agenda Item Economy Attendance at EBN Meetings

The Chair noted that a number of economies did not send representatives to EBN meetings. Members discussed possible measures that could address the lack of representation from particular economies. Members resolved that the EWG Secretariat should register with EWG members the EBN's disappointment that not more member economies are represented and strenuously encourage all member economies to designate EBN representatives, including substitutes, to attend future EBN meetings.

6. Mobilising Private Sector Investment in Energy Infrastructure

The EBN Chair noted that primary impediments to private sector investment in the energy sector were debt and stranded assets. Following discussion on the ways to generate relationships with funding organisations, including encouraging their participation in EWG seminars, EBN members noted that funding bodies, such as multilateral investment agencies and commercial banks, are to be invited to participate in Phase Three of the *Strengthening Operational Aspects of APEC Energy Micro-Economic Reform* project.

7. The Role of the APEC Business Community in Greenhouse Gas Abatement

New Zealand reported that wind powered generation was emerging as a very suitable technology for use in remote communities, as part of the move to reduce emissions from power generation equipment.

A presentation on *Emerging Technology to Minimise Emission from Power Generation* was made to EBN members by Mr Jon Davis of Rio Tinto Australia. EBN members noted the presentation will be circulated to members post the meeting.

Members indicated their strong support for further relevant presentations to be made at future EBN meetings.

8. Strengthening Operation Aspects of APEC Energy Micro-Economic Reform

EBN members noted the progress being made on Phase 3 of the Strengthening Operational Aspects of APEC Energy Micro-Economic Reform project.

9. Harmonising Economic and Environmental Objectives of Energy Policy

EBN members noted that Phase 1 of the *Harmonising Economic and Environmental Objectives of Energy Policy* work program was due to commence in May 2002 and conclude by September 2002.

10. Addressing the Barriers to the Inter-Connection of Power Grids in APEC Member Economies.

EBN members noted the report by Mr Robert Pritchard on the recommendations for the action to address the barriers to the inter-connection of power grids. The report is to be reviewed by EWG members at their twenty-third meeting in Thailand on 15-16 May 2002. It was also noted by EBN members that the first of the two workshops to be undertaken as part of the Project will be held in April 2002, with the second workshop to take place later in the year.

11. Work Program on Energy Services

An update on the progress of this Initiative was to be provided by the United States. However, this item was deferred until the next EBN meeting.

12. Selection of Chair and Vice Chair

The issue of the 10 year exclusion rule and its impact on the selection process for a Chair and Vice Chair, was discussed. Following discussion, members decided that this rule should be amended and that an exclusion of three years would apply.

13. Future Meeting

Members thanked the Mexico for their kind offer to host EBN8 around the time of the Fifth Energy Ministers' Meeting which is being held on 22-23 July 2002 in Mexico. A final date will be advised.