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SECOND MEETING OF APEC ENERGY MINISTERS ENERGY: INFRASTRUCTURE FOR SUSTAINABLE DEVELOPMENT
Edmonton, Canada, August 26-27, 1997
DECLARATION

The second meeting of APEC Energy Ministers was held on August 26-27, 1997 in Edmonton, Alberta, Canada. Ministers and their representatives from Australia; Brunei Darussalam; Canada; Chile; the People's Republic of China; Hong Kong, China; Indonesia; Japan; the Republic of Korea; Malaysia; Mexico; New Zealand; Papua New Guinea; the Philippines; Singapore; Chinese Taipei; Thailand; and the United States of America attended. Also present were representatives from the APEC Secretariat, the Energy Working Group Secretariat, and observers from the Pacific Economic Co-operation Council.

Ministers welcomed the progress of the APEC Energy Working Group in advancing the issues discussed at the inaugural meeting of APEC Energy Ministers in Sydney, Australia on August 28-29, 1996. Ministers reiterated their general commitment to work together to ensure that the Asia Pacific region's future energy needs are met in a manner consistent with their respective environmental and social objectives.

Ministers noted that the Asia Pacific region will continue to be a driver of world economic growth and that the region's population is expected to continue to expand into the next century. Ministers further noted that economic growth in APEC is forecast to average 3.3% per annum over the period to 2010, compared to 2.5% per annum for the OECD. As a result of this growth, energy consumption

in APEC is expected to grow by an average 2.2% per annum over the period to 2010, compared to 1.0% per annum for the OECD as a whole.

Ministers agreed that the development of energy resources in an environmentally and socially responsible manner is integral to the sustainable development of the Asia Pacific region. Sustainable development is necessary to meeting the region's economic growth potential and achieving the quality of life benefits flowing from the availability of clean, affordable energy. Ministers further agreed that the concerted efforts of the region's governments, in partnership with business and civil communities, are needed to facilitate the development of efficient and environmentally sound energy infrastructure.

Ministers' discussions focused on the pursuit of the simultaneous objectives of meeting the region's aspirations for economic growth and social development; enhancing energy security; and mitigating the impact of energy on the environment. Ministers agreed that:

a.the economic and social benefits of the region's energy supply and use will be maximised through efforts to enhance the efficiency and openness of regional energy markets;

b.the sustainable development of the region would best be achieved through improved energy efficiency and conservation and the development of the region's indigenous energy sources, including renewable sources of energy;

c.the facilitation of business investment in the power sector is an important element in meeting the energy requirements of the region; and

d.the economic, social and environmental aspirations of the region will be enhanced over time through the development and application by each member economy of consistent, transparent, and predictable environmental practices as energy infrastructure is developed.

Ministers noted the importance the private sector places on the openness, transparency, and predictability of investment rules and trading regimes as key requisites for increased flows of private capital into the energy sector. They instructed the Energy Working Group to actively pursue work on those aspects of the Osaka Action Agenda that would address these concerns.

Major Challenges for Sustainable Infrastructure Development

International Energy Business Symposium

Ministers expressed their appreciation to the participants of the Energy Business Symposium for their report commenting on the initiatives being taken by member economies to facilitate investment in energy nfrastructure, and trade in energy goods and services. Ministers also welcomed the recommendations of youth representatives on potential opportunities for youth within the region's energy sector. Ministers commended both reports to the Energy Working Group for further consideration. Ministers thanked the business and youth representatives for their efforts and expressed their support for future similar exchanges.

Ministers also recognised the valuable contribution that the business sector was making to the activities of the Energy Working Group. Accordingly, Ministers instructed the Energy Working Group to look at appropriate mechanisms to improve and sustain the interface between the Group and the business sector, and to report to Ministers at their next meeting.

Energy Policy Principles

Ministers agreed that substantial progress has been made in implementing the Energy Policy Principles adopted at the first meeting of Energy Ministers in Sydney, and pledged to continue their efforts to incorporate them into their domestic policy deliberations. Ministers asked the Energy Working Group to exchange information on a regular basis on members' progress in incorporating the 14 non binding policy principles into their domestic deliberations.

Ministers discussed an initiative presented by the United States, as well as proposals from Indonesia and Papua New Guinea, on natural gas and requested that the APEC Energy Working Group, in close co-operation with business, prepare recommendations for the next APEC Energy Ministers' Meeting in Okinawa concerning the acceleration of investment in natural gas supplies, infrastructure and trading networks as appropriate in the APEC region. Ministers asked the APEC Energy Working Group to report to them next year on opportunities, issues and options for APEC actions in this area.

Ministers also recognised the importance of accelerating action to deal with global emissions of greenhouse gases. Ministers noted that this important issue was being addressed in the Third Conference of the Parties (COP-3) under the United Nations Framework Convention on Climate Change (UN-FCCC) in Kyoto. Ministers agreed on the importance of the efficient use of energy and confirmed that enhancing energy efficiency is a key element in addressing climate change. Ministers also noted the importance of the development of market opportunities related to the reduction of greenhouse gas emissions.

Power Infrastructure

As a result of expected continued economic growth, electricity demand in the APEC region is expected to increase by between 50% and 80% over the period to 2010, and will require some $US1.6 trillion in investment capital. In Sydney, Ministers had agreed that such capital could not be furnished by APEC governments and multilateral financing institutions alone, and that business sector participation was essential.

Ministers re-emphasised that power sector reform was an important element in meeting the region's growing power needs, and noted the important benefits of business sector participation in power infrastructure development.

In order to attract private capital, Ministers agreed that a predictable, transparent institutional and regulatory framework was required. Ministers endorsed the non- binding principles contained in the Manual of Best Practice Principles for Independent Power Producers. The principles cover institutional and regulatory structures; tender/bid processes and evaluation criteria; power purchase agreements and associated tariff structures; and financing and its implications.

Ministers expressed their appreciation for the efforts and advice of the Energy Working Group, the business sector and regulatory officials in developing the Manual, and encouraged members to consider the non-binding principles, in line with their own domestic policies. Ministers noted that these principles, when applicable, would contribute to the reduction of business costs, facilitate private sector investment and create conditions for the efficient allocation of capital to the power infrastructure sector.

Environmentally Sound Infrastructure

Ministers discussed both the environmental challenges and the environmental opportunities provided by economic growth and development in their economies.

Ministers noted that the rapid increase in power infrastructure, which will be necessary to meet the economic and social aspirations of the region, will have impacts on the environment, and that these impacts can be of a local, regional, or global nature. Ministers further noted that the challenge facing the region was to attract investment in power infrastructure, while at the same time ensuring that such infrastructure was established and operated in an environmentally sensitive way.

Ministers exchanged views on what characterises good policy practice to promote investment in environmentally sound infrastructure, including the principles identified in the report Environmentally Sound Infrastructure in APEC Electricity Sectors commissioned by Canada on behalf of the Energy Working Group. Ministers welcomed the report and its recommendations and referred it to the Energy Working Group for further consultation, including with the business community, and the development of a work program to advance the recommendations. Ministers also agreed that the regular exchange of information on current, efficient and clean technologies would assist member economies to meet their environmental goals.

Ministers considered and endorsed a set of non-binding principles promoting the incorporation of good environmental practices into the development of power projects, and agreed to consider incorporating them flexibly within their domestic policy deliberations. Ministers agreed that the application by each member economy of these practices would provide the business sector with transparency, predictability and consistency in the application of environmental policies, which would also facilitate investment in the power sector. Ministers noted that the principles could be applied according to the varying institutional arrangements in their respective economies, and would also have relevance to other areas of the energy sector.

Reducing Environmental and Business Costs through Co-operation on Energy Standards

Ministers recognised that the use of energy efficiency standards and energy efficiency product labelling will encourage greater energy efficiency and improved environmental performance. Ministers agreed care should be taken to ensure that these instruments are not used in such a way as to impair trade. Ministers further recognised that the development of common or comparable energy performance test standards and the development of a common framework for the recognition of laboratory test results can enhance trade in energy-using products and reduce business costs.

Ministers agreed to pursue a multilateral approach for the acceptance of results from accredited energy efficiency testing facilities for all APEC economies. They also agreed to consider, in the first instance, when new programs requiring the use of energy efficiency test procedures are introduced, employing test standards already in use. In the event of the adoption of a new standard within their economy that varies from those already in use, they agreed to notify other economies and make available the standard to them. Ministers asked the Energy Working Group to develop proposals for their consideration at their next meeting in Okinawa.

Ministers noted that the Energy Working Group had developed a work program to establish the basis for greater co-operation in energy standards, as requested at the first meeting of Energy Ministers. This included:

a.investigating the utilisation of the Asia Pacific Laboratory Accreditation Co-operation, and similar international entities, as a possible delivery mechanism for a regional mutual recognition framework.

b.determining the degree of alignment of energy efficiency test procedures currently in use in the APEC region and developing a process by which a consensus is promoted among APEC economies to reduce divergence where practicable; and

c.outlining a mechanism for the development, communication and advocacy of APEC regional requirements for energy efficiency test methods to international standards-making bodies so that international standards reflect the specific needs of APEC economies.

Food, Energy, Environment, Economic Growth and Population (FEEEP)

Ministers discussed the implications of economic growth and expanding population for meeting the energy demands of the region, bearing in mind the concerns expressed by APEC Economic Leaders at Osaka in November 1995 that the Asia Pacific region's fast expanding population and rapid economic growth are forecast to sharply increase the demand for food and energy and the pressures on the environment.

Ministers highlighted the work of the Group in facilitating power infrastructure development; mitigating the environmental impacts of energy production and use; and improving energy security, particularly through the comprehensive energy outlook being produced by the Asia Pacific Energy Research Centre, as being integral to the addressing by APEC of the integrated issues embodied in the FEEEP initiative.

Ministers also emphasised the importance of sustainable energy development to the region's longer term welfare and prosperity and agreed that the Energy Working Group was well advanced in responding to Economic Leaders' concerns. Ministers thanked Canada for its efforts in organising a symposium to examine the interlinkages among these important issues and their implications, and noted the Energy Working Group's presentation to the symposium.

Energy Working Group Activities

Ministers agreed that the continued information sharing and technology co-operation is essential to maximising the energy sector's contribution to the economic and social well being of the region. Over the longer term, the objective is to ensure that energy does not become an impediment to the region's sustainable growth and prosperity. In this context, Ministers noted the progress made by the Energy Working Group in fostering dialogue and co-operation within the region on energy matters, and agreed regional co-operation was the key to understanding and meeting the challenges facing the region.

Ministers welcomed two proposals from Japan and the Republic of Korea on establishing guidelines for energy efficiency and asked that the Energy Working Group consider these ideas in developing an expanded work program. Based on the work by the Energy Working Group, Ministers expect to consider the possibilities of a voluntary 'pledge and review' system for improving energy efficiency. Ministers also endorsed the Energy Working Group's efforts in encouraging the economic use of new and renewable energy sources, promoting the clean use of fossil fuels and related technologies, and actively pursuing the development of open, efficient markets for energy in the APEC region.

Ministers also noted that meeting the mineral needs of the region will be an important aspect of ensuring its continued economic and social prosperity. Ministers welcomed the progress the Energy Working Group was making in developing and fostering co-operative activities aimed at increasing transparency and energy efficiency within the region's mining industry.

Ministers instructed the Energy Working Group to continue to pursue economic and technical co-operation in the region, and actively promote multilateral co-operation in the region aimed at enhancing energy efficiency.

Asia Pacific Energy Research Center

Ministers welcomed the significant progress of the Asia Pacific Energy Research Center (APERC), which was launched at their first meeting in Sydney, in the development of its regional energy outlook planned for publication at the end of 1997.

Ministers emphasised the importance of APERC's ongoing work and agreed that their next meeting will allow them the opportunity to assess the results of APERC's regional energy supply and demand outlook, as well as its other research projects.

Next Meeting

Ministers agreed on the importance of their discussions in helping achieve their common regional energy, economic and environmental goals, and welcomed Japan's offer to host the next meeting of Ministers in Okinawa, Japan in October, 1998. Ministers expect to discuss wide ranging energy challenges and policies.

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Nautilus Institute
608 San Miguel Ave., Berkeley, CA 94707-1535 | Phone: (510) 423-0372 | Email: nautilus@nautilus.org