



Asia-Pacific Economic Cooperation

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Agenda Item: VI.3

**Comprehensive Action Initiative Recognising The  
Need For Strengthening The APEC Energy Security  
Initiative – Energy Security, Sustainable  
Development And Common Prosperity (CAIRNS)**

Purpose: Information  
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**16<sup>th</sup> APEC Ministerial Meeting**  
**Santiago, Chile**  
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# **Comprehensive Action Initiative recognising the need for strengthening the APEC Energy Security Initiative – energy security, sustainable development and common prosperity (CAIRNS)**

## **1. Background**

Energy is vital to realising the opportunities presented by economic growth and development for communities in the APEC region. Sustained economic growth is dependent on adequate, reliable and affordable supplies of energy.

At their meeting in 2000, the APEC Economic Leaders identified 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 energy consumers and producers.

In response, the Energy Working Group (EWG) developed the APEC Energy Security Initiative (ESI), which was endorsed by the APEC Economic Leaders at their meeting in 2001, held shortly after the events of September 11. Furthermore, the ‘Recommendations of the APEC Energy Security Initiative’ was endorsed at the fifth meeting of APEC Energy Ministers; both short-term and long-term measures were identified and encouraged for implementation.

At their meeting in 2002 the APEC Economic Leaders identified, in their ‘Statement on Fighting Terrorism and Promoting Growth’, the ESI as one of a number of collective activities underway in APEC to advance counter-terrorism commitments. In doing so, they “endorsed the strengthening of energy security in the region under the mechanism of the Energy Security Initiative”.

To further implementation of the ESI the EWG developed, in 2003, an Implementation Plan including timeframes where appropriate. In light of this development, and in response to the region’s energy security challenges and rising oil prices, the APEC Economic Leaders instructed, at their meeting in 2003, the EWG to “Accelerate the implementation of the Energy Security Initiative by endorsing its Implementation Plan and, as appropriate, a new Action Plan to enhance regional and global energy security.”

The importance of the ESI, and the instructions from APEC Economic Leaders, was highlighted by the emergence of high global oil prices during 2004, and the potential impact on economic growth and sustainable development within the APEC region.

Having concern for the impact of high oil prices on our economies, APEC Energy Ministers, at their sixth meeting in June 2004 “recognised that a variety of factors influence global markets, and in that context we commit our own efforts to enhance energy security.”<sup>1</sup> Energy Ministers also recognised “that access to adequate, reliable

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<sup>1</sup> “Energy Security in APEC: Cooperation for a Sustainable Future”, Declaration from the Sixth Meeting of APEC Energy Ministers, Manila, the Philippines, 10 June 2004.

and affordable energy is fundamental to achieving the region's economic, social and environmental objectives, that energy security challenges faced by the APEC region are constantly evolving, and that our efforts to enhance energy security must be flexible and responsive." In this context, Energy Ministers "agreed that initiatives should be developed and implemented in close cooperation with the business, research and financial communities".

These initiatives include:

- preparing for energy supply disruptions;
- facilitating energy investment;
- using energy more efficiently;
- expanding energy choices; and
- capitalising on technological innovation.

## **2. An enhanced APEC Energy Security Initiative**

In light of the directions from the APEC Economic Leaders and Energy Ministers, and in response to persistent high oil prices throughout 2004, Member Economies commit to implement and enhance the short and longer-term measures identified in the ESI, including measures to promote sustainable development and common prosperity. In addition, Members Economies agreed that it is important to assess the economic implications of high oil prices on the APEC region.

### ***2.1 Implement the APEC Energy Security Initiative's short and longer-term measures:***

#### Short-term Measures

*Assess the economic implications of high oil prices on the APEC region* – In response to persistently high oil prices the EWG agrees that, whilst global economic fundamentals are sound, an important complement to the work currently being undertaken under the ESI is to assess the impact of high oil prices on trade within the APEC region. This assessment will not only support the EWG in its implementation of the ESI, it will also support efforts by other APEC fora to facilitate trade within the APEC region, for example the APEC Committee on Trade and Investment (CTI).

The assessment will commence in 2005, and be undertaken in close cooperation and with the support of the APEC business and research communities. It will analyse the impact of several scenarios for oil prices (eg business as usual, moderate sustained oil price rises, high sustained oil price rises) on key economic indicators in the APEC region, including trade in goods and services in the APEC region.

*Energy Emergency Response* – Encourage and assist Member Economies to have emergency mechanisms and contingency plans in place to provide the capacity to respond to energy emergencies, including encouraging the adoption of 'Best Practice Principles

for the Establishment and Management of Strategic Oil Stocks' in interested Member Economies.

*Joint Oil Data Initiative* – Continue, through the EWG Expert Group on Energy Data and Analysis, to build the capacity of Member Economies to collect and report monthly oil data to the global Joint Oil Data Initiative, as a means to improve accuracy, coverage and timeliness of data and transparency in the global oil market.

*Real-Time Emergency Information Sharing* – Stress the importance of implementing the Real-Time Emergency Information Sharing System, including the development of an operational manual to assist Member Economies use the System.

*Sea-lane Security* – Monitor efforts to strengthen sea-lane security within the APEC region, and to respond and communicate with relevant bodies as appropriate.

### Longer-term Measures

*Energy Investment* – Assist Member Economies to facilitate investment in energy infrastructure, energy efficiency and renewable energy projects by encouraging the implementation of the recommendations identified in the EWG's 'Energy Investment Report', working closely with the EWG Business Network and APEC business and financial communities. In addition, develop best practices to facilitate investment in the upstream oil producing sector.

*Natural Gas Trade* – Support the creation of a competitive and transparent marketplace for gas trade by encouraging Member Economies to adopt best practice as identified in 'Facilitating the Development of LNG Trade in the APEC Region', and to improve security of supply by identifying vulnerabilities, supporting trade promotion and establishing convenient links to gas market data available in existing data systems.

*Energy Efficiency* – Support the development and adoption of more energy-efficient technologies, policies and measures by encouraging information exchange and technology transfer, enhance the EWG's invigorated Pledge and Review Program by developing guidelines and support the Energy Standards and Labelling Cooperation Initiative. Strengthen the leading role of governments in energy saving, for example, by setting government standards and other mechanisms for government buildings or premises, facilitating the development of energy service companies and giving priority to energy saving products in government procurement.

*Renewable Energy* – Support the development and deployment of more economically viable new and renewable energy technologies by encouraging information exchange, technology transfer, capacity building, market development and other cooperation under the 21<sup>st</sup> Century Renewable Energy Development Initiative, working closely with the EWG Business Network and APEC business and research communities.

*Clean Fossil Energy* – Support the development and deployment of clean fossil energy and carbon dioxide capture and geological sequestration technologies, working closely with the EWG Business Network and the APEC business and research communities.

*Hydrogen and Alternative Transportation Fuels* – Follow the directions of APEC Energy Ministers in relation to hydrogen and alternative transportation fuels, such as biofuels, GTL and DME, including working with the APEC Industrial Science and Technology Working Group on the ‘Future Fuels Foresighting Project’.

*Methane Hydrates* – Support research on the potential of methane hydrates as a future energy source by communicating research developments within Member Economies.

*Nuclear Energy* – Encourage interested Member Economies to cooperate on nuclear power in accordance with the EWG agreed framework, recognising that some Member Economies do not consider nuclear power as an option for their energy mix. Security, seismic and health concerns, including trans-border effects should be adequately addressed.

*Petroleum infrastructure/Crude oil and refined products* – Working closely with the EWG Business Network, identify problems and enhance efficiency in refining, transport and distribution of crude oil and petroleum products.

## **[2.2 Promote Energy for Sustainable Development and Common Prosperity**

Recognising the essential link between energy and sustainable development and the environmental pressure imposed by ever-increasing energy consumption, Member Economies, through the EWG, commit to the coordination of energy, economic and environmental objectives as described in the EWG’s Type II Partnership Initiative: Energy for Sustainable Development, which was submitted to the World Summit on Sustainable Development in 2002. This Partnership gives priority to the improvement of energy efficiency, enhanced development of renewable and new energy and the dissemination of environmentally friendly energy technologies in the APEC region.

Recognising that at present [200 million] people in the APEC region still have no access to electricity, Member Economies commit to undertake activities, through the EWG, to promote common prosperity by giving priority to increase the availability of affordable energy to all within the APEC community. Member Economies also recognise that efforts to strengthen coordination among energy development, poverty reduction, job creation and economic growth will enhance the region’s energy security in the long term.

Member Economies recognise that implementing the enhanced Energy Security Initiative will maximise and promote sustainable development and poverty reduction, and improve the environmental amenity of energy production, transmission, distribution and use. Member Economies commit to emphasise and promote the capacity building and best practice aspects of the enhanced ESI.