

**First Meeting of APEC Energy Ministers
"Energy: Our Region, Our Future"**

Sydney, Australia, 28-29 August 1996

DECLARATION

1 All member economies were represented at the first meeting of APEC Energy Ministers held on 28-29 August in Sydney, Australia (Australia, Brunei Darussalam, Canada, Chile, the People's Republic of China, Hong Kong, Indonesia, Japan, Republic of Korea, Malaysia, Mexico, New Zealand, Papua New Guinea, the Philippines, Singapore, Chinese Taipei, Thailand and the United States of America). Also present were representatives from the APEC Secretariat, the APEC Working Group on Regional Energy Cooperation Secretariat, and observers from the Pacific Economic Cooperation Council and the South Pacific Forum.

2. Ministers discussed the major energy challenges confronting the region, bearing in mind the concerns expressed by APEC Economic Leaders at Osaka relating to the potential effects of rapid population and economic growth on food, energy and the environment. The Asia Pacific region will be the main driver of global economic growth into the next century, and Ministers agreed that meeting APEC's rapidly increasing demand for energy in an environmentally responsible way will be essential if the region's economic growth potential is to be fully realised.

3. Ministers identified objectives of fundamental importance to the region's future prosperity, and agreed to report these directly to APEC Economic Leaders. These include:

- (a) Improvement of regional energy security primarily through the enhancement of open efficient regional energy markets, and through supply capacity expansion and energy conservation
- (b) Reforms to mobilise business investment in power sector infrastructure
- (c) A strategic approach to reduce environmental impacts
- (d) A framework to reduce business costs through cooperation on energy standards
- (e) The adoption of energy policy principles which give impetus to regional initiatives to reform energy policies for incorporation into member economies' domestic energy policy deliberations.

MAJOR CHALLENGES FOR COOPERATIVE ACTION

4. Ministers identified a number of major challenges where strong cooperative action would be of clear benefit to all member economies and recognised their role in facilitating this. These include:

Energy Security

5. While a high level of complementarity exists between member economies, the APEC region as a whole is a net energy importer. The level of energy self sufficiency of individual APEC members varies widely, with some economies being significant net energy exporters and other economies significant net importers of energy. Ministers recognised the need for APEC economies to cooperate more closely towards the development of the APEC energy community in a sustainable manner.

6. Ministers agreed that the objective of energy security will be best served by the actions of individual member economies and through cooperation to ensure the enhancement of an open, efficient regional energy market, diversity of the energy mix, and measures to achieve efficient energy production, distribution and consumption. Energy response capabilities to potential supply disruption may need to be considered.

7. Ministers recognised that high quality information on regional energy supply and demand trends

will provide business and government policy makers with better tools for making well informed decisions. In this regard, Ministers welcomed the establishment of the Asia Pacific Energy Research Centre (APEREC) which is located in Tokyo and managed under the guidance of the Working Group on Regional Energy Cooperation. Ministers noted that the work of the Centre will provide a valuable input to their future policy deliberations.

8. Ministers agreed that the immediate focus of the Centre's work should be on the development of a regional energy outlook and research which will foster member economies' understanding of energy issues and future energy supply and demand trends, thus providing an important input to policy deliberations. This would include projects that could lead to freer trade and investment flows in the APEC region, improve energy efficiency, and reduce the adverse environmental impacts, such as research on impediments to trade and investment in primary energy, energy technologies and services (including subsidies), and analysis that indicates pathways for the elimination of these impediments.

Infrastructure Investment

9. Over the period to 2010, electricity demand in the APEC region is projected to increase by between 50% and 80%. Some US\$1.6 trillion in investment capital will be required to establish the power infrastructure needed to underpin the economic growth of the region.

10. Ministers noted that such capital cannot be furnished alone by the governments of individual APEC economies and multilateral financial institutions. If such growth is to be realised, business sector finance for power infrastructure will be essential.

11. Ministers agreed that Governments and business must forge a strong partnership to ensure that the region's power infrastructure investment needs are fulfilled. Ministers agreed that the challenge for governments of member economies is to find ways to reduce risks (and hence costs) for the business sector to invest in power infrastructure. In particular, APEC Governments must play a catalytic role in creating the project approval, regulatory and financial conditions necessary to mobilise the investment capital required from the business community. Again, cooperation between member economies will reap mutually rewarding benefits for all.

12. Ministers welcomed the work already undertaken by the Working Group on Regional Energy Cooperation on this issue, including the report Regional Cooperation for Power Infrastructure which it had commissioned, and the establishment of the Ad Hoc Business Forum on Regional Cooperation for Power Infrastructure, and the Electricity Regulators' Forum, to identify priority areas for action.

13. Ministers considered the proposed work program presented by the Ad Hoc Business Forum, and the work program recommended by the Electricity Regulators' Forum. The objectives of the work programs are to improve project approval and regulatory arrangements, and enhance regulatory skills to achieve greater efficiencies and reduce business costs.

14. Ministers agreed that reform to mobilise the capital needed for power infrastructure growth is essential. Refinement and implementation of the work programs to achieve both business and government goals was considered to be a matter of the highest priority. Ministers provided guidance to, and directed, the Working Group on Regional Energy Cooperation to determine at its next meeting the appropriate bodies to carry out the various elements of the work programs, and to finalise budgets and implementation timetables.

15. In view of the importance of this work for APEC as a whole, Ministers agreed to seek the support of APEC Economic Leaders to expedite the proposed work programs.

Environment

16. The forecast growth in energy supply and use will place considerable pressure on the environment, locally, regionally and globally. Ministers agreed that the application of economically sound measures to minimise the adverse environmental impacts of energy production and use is essential to protect the well being of both present and future generations.

17. Ministers noted that there are a wide range of measures available to address this situation, including improving the efficiency with which energy is produced and used, using techniques and practices that reduce emissions, and switching to more environmentally benign energy sources, including renewable energies. Skills development and further research and development were also considered important.

18. Ministers endorsed the broad range of cooperative activities undertaken by the Working Group on Regional Energy Cooperation aimed at reducing impediments to the use of environmentally sound technologies, but considered that additional activities should be undertaken.

19. Ministers agreed to cooperate extensively in research and development, technology adaptation and uptake, and programs related to energy efficiency, cleaner fuels and renewable and alternative sources of energy. Significant improvement in regional environmental performance will result from such cooperation.

20. Ministers agreed that priority should be given to activities which concurrently enhance economic development and mitigate environmental impacts at a local, regional and/or global level. Ministers decided to adopt a strategic approach to reducing the environmental impacts of energy supply and use which includes agreement to:

- (a) Integrate environmental considerations into the planning and evaluation processes for energy infrastructure projects
- (b) A program of work by the Working Group on Regional Energy Cooperation to promote the uptake of environmentally sound energy technologies and processes
- (c) The pursuit and facilitation of voluntary, cooperative, multilateral joint activities, including demonstration projects, between APEC members to address environmental concerns related to greenhouse gas emissions.

Reducing Costs through Cooperation on Energy Standards

21. Ministers noted that the application of product energy standards can provide a means for individual member economies to meet goals of achieving greater energy efficiency and improved environmental performance, and that there is scope for reducing the costs of trade in products subject to energy standards through cooperation.

22. Ministers recognised that an APEC multilateral framework could provide opportunities to overcome standards-related impediments to trade, without affecting the integrity of individual economies' standards. For member economies participating in such a framework, the outcomes would be greater certainty in international trade of products, reduced costs for business and governments, and consumer benefits in terms of overall cost and product quality.

23. Ministers instructed officials from member economies to work together to achieve the benefits of increased cooperation on energy standards by:

- (a) Developing firm proposals for establishing a base on which mutual acceptance of accredited test facilities and standard test results obtained at these facilities can be achieved
- (b) Working towards the establishment of bases for the direct comparison of the outcomes of testing to different standards so that the need for testing to multiple standards can be reduced or removed
- (c) Developing a general policy framework that would allow for the progressive development and implementation on a bilateral or multilateral basis, and product by product, as technical details are established and mutually agreed.

POLICY PRINCIPLES

24. Ministers recognised that visionary policies will be required to respond to the many energy challenges shared in common Cooperation between APEC member economies and the strong involvement of business will play a vital role in addressing these challenges.
25. Ministers agreed that their common goal should be to work towards the simultaneous achievement of economic growth, enhanced energy security and mitigation of the impact of energy on the environment, by developing shared policy principles and enhancing closer cooperation, leading to sustainable development in the APEC region.
26. Ministers considered and endorsed the non-binding energy policy principles agreed by the Working Group on Regional Energy Cooperation in October 1994, and agreed to incorporate them in their domestic energy policy deliberations. Because the potential implications of the policy principles extend beyond the energy sector, Ministers agreed that the principles be included in the objectives forwarded for the attention of APEC Economic Leaders at their next meeting in Subic Bay in November 1996.
27. They agreed that implementation of the policy principles should be vigorously pursued in a flexible manner in line with each member's domestic circumstances to give impetus to regional initiatives to reform energy policies, consistent with economic efficiency and environmental impact mitigation. The principles cover a broad range of important policy issues including the progressive reduction of energy subsidies, the application of environmentally sound energy technologies, and the liberalisation of energy markets.

AGREED NON BINDING ENERGY POLICY PRINCIPLES

1. Emphasise the need to ensure energy issues are addressed in a manner which gives full consideration to harmonisation of economic development, security and environmental factors.
2. Pursue policies for enhancing the efficient production, distribution and consumption of energy.
3. Pursue open energy markets for achieving rational energy consumption, energy security and environmental objectives, recommending action in the appropriate forum of APEC to remove impediments to the achievement of these ends.
4. Recognise that measures to facilitate the rational consumption of energy might involve a mix of market based and regulatory policies, with the relative components of the mix being a matter for the judgement of individual economies.
5. Consider reducing energy subsidies progressively and promote implementation of pricing practices which reflect the economic cost of supplying and using energy across the full energy cycle, having regard to environmental costs.
6. The regular exchange of experience on the various policies being used by member economies to achieve a more rational energy consumption.
7. Ensure that a least cost approach to the provision of energy services is considered.
8. Promote the adoption of policies to facilitate the transfer of efficient and environmentally sound energy technologies on a commercial and non-discriminatory basis.
9. Encourage the establishment of arrangements for the development of human resource skills relevant to the application and operation of improved technology.
10. Enhance energy information and management programs to assist more rational energy decision making.
11. Encourage energy research, development and demonstration to pave the way for cost effective application of new, more efficient and environmentally sound energy technologies.

12. Promote capital flows through the progressive removal of impediments to the funding of the transfer and adoption of more energy efficient and environmentally sound technologies and infrastructure.
13. Promote cost effective measures which improve the efficiency with which energy is used but reduce greenhouse gases as part of a suggested regional response to greenhouse gas reductions.
14. Cooperate, to the extent consistent with each economy's development needs, in the joint implementation of projects to reduce greenhouse gas emissions consistent with the Climate Change Convention.

NEXT MEETING

28. Ministers welcomed the opportunity for joint discussion on important matters of mutual interest. They committed to meet again when a further substantial agenda has been developed warranting their attention. Ministers noted two distinct proposals from Canada and Japan for future meetings of APEC Energy Ministers to address different aspects of the energy agenda during 1997 and 1998 respectively. Ministers instructed the Working Group on Regional Energy Cooperation to expedite the work plan agreed at the Sydney meeting. They also requested the Energy Working Group at their next meeting in October 1996 to bring forward a recommendation regarding future meetings of Ministers.