

Third Meeting of APEC Energy Ministers
"Energy: Driving Force for Economic Recovery and Development"
Ginowan, Okinawa, Japan
October 9-10, 1998

DECLARATION

1. The third meeting of APEC Energy Ministers was held on October 9-10, 1998 in Ginowan, Okinawa in Japan. 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. They welcomed Peru, Russia and Vietnam, members-designate, to the meeting and looked forward to their formal accession to APEC in November in Malaysia. Also present were representatives from the APEC Secretariat, the Energy Working Group Secretariat, and observers from the Pacific Economic Cooperation Council.
2. Ministers discussed the serious economic situation of several APEC economies. Ministers also discussed the implications for the energy sector of the economic situation and the future energy supply and demand outlook. Ministers considered several ways in which the energy sector can contribute to the recovery of economic growth in the region.
3. Ministers stressed the importance of implementing the 14 non-binding energy policy principles to address the current economic difficulties as well as to achieve the goals of sustainable economic growth, stable energy supply and environmental protection.
4. Ministers acknowledged that important stimulants to renewed growth and prosperity are open and efficient energy markets which are guided by appropriate rules to ensure their smooth and equitable functioning and the development of efficient energy infrastructure. Ministers also noted the importance of improving living standards and of sustainability, and in this context the importance of mitigating negative local, regional and global environmental and social impacts of energy production, delivery and use.
5. Ministers reiterated the important role that the energy sector could play in stimulating regional economic activity, including by raising the technical capability and economic efficiency of member economies and creating employment, in addition to improving the quality of life. To draw the maximum potential benefits, Ministers agreed that appropriate policy reforms should be rigorously pursued in the energy sector with capacity- and infrastructure-building stimulated by investment, including from the business sector.
6. Ministers examined the policy implications arising from decisions by APEC Economic Leaders and at the two previous meetings of APEC Energy Ministers, as well as the energy outlook prepared by the Asia Pacific Energy Research Centre. They resolved to work cooperatively to secure tangible economic, social and environmental benefits for member economies by focusing on initiatives that will have an early and enduring impact.
7. Ministers agreed that the energy outlook prepared by the Asia Pacific Energy Research Centre should be used by the Energy Working Group as an important basis for policy discussion and that the Centre should continue its work to better understand the energy supply and demand issues confronting the Asia Pacific region. Ministers welcomed the decision of the Energy Working Group to further strengthen policy dialogue among member economies on important issues such as energy security, energy infrastructure, energy efficiency and energy and environment. Ministers also welcomed the actions of the Energy Working Group to facilitate improved communication with the business sector.

Energy Security

8. Ministers discussed the results of the regional energy outlook prepared by the Asia Pacific Energy Research Centre, considering the influence of the current economic difficulties. Ministers noted that according to the outlook, in spite of the current economic downturn in Asia and projected slower growth in demand, the region's demand for energy is expected to outpace its energy production by a wide margin, underscoring the APEC region's growing energy import dependence. Total primary energy demand in the region is projected to increase by 41 percent, while indigenous energy production will increase by 31 percent over the period of 1995 to 2010, with total imports to be doubled as a consequence. Ministers also noted that lower energy infrastructure and production investment as a result of the Asian downturn could induce bottlenecks, preventing the efficient delivery of energy to satisfy the higher energy demand growth expected beyond 2000. Ministers confirmed that energy supply diversification, intraregional energy infrastructure development and improvement of energy efficiency are vital issues from the viewpoint of enhancing energy security.

9. Considering the strong forecast growth in demand and increasing dependence on oil from outside the region, Ministers recognized the need to promote diversification of energy supply, including where appropriate natural gas, renewables and nuclear energy, and to promote market-driven energy infrastructure development. Ministers also recognized that well-functioning markets, market-based pricing, greater energy efficiency and information flows among market participants are important for enhanced energy security.

10. Ministers welcomed the initiation of information sharing on oil markets, and endorsed the decision by the Energy Working Group to discuss oil supply and demand security issues.

11. Ministers noted the recommendations from the report on "Energy Security: Fuel Supplies for the Power Industry," which emphasize the importance of encouraging the efficient operation of market-based mechanisms.

12. Considering the dependence of economic activities on energy, Ministers emphasized the importance of sharing information, among themselves and with others, that will assist in addressing potential disruption caused by the Year 2000 "millennium bug" computer problem. Ministers commended the Energy Working Group for referring this issue to its Energy Regulators' Forum for comment and report. Ministers instructed the Energy Working Group at its next meeting in April 1999 to propose actions that may help member economies and business in the remedial steps that they are taking.

Energy Infrastructure

13. Ministers recognized that continuous development of adequate energy infrastructure is essential as a stimulus for economic recovery as well as for sustainable development in the region. Under the current economic situation, development of efficient energy infrastructure should be actively pursued to improve the productivity of economic activities and to facilitate recovery. Estimates are that hundreds of billions of dollars will be required for energy power infrastructure alone in APEC economies over the next decade. Ministers reaffirmed their support for efforts that build markets and address the goal of reducing disparities among members. Ministers stressed the importance of the availability of funds and investments towards the development of such infrastructure in the developing economies.

14. In this regard, Ministers stressed the importance of promoting private sector participation in infrastructure development in those areas permitted by their respective

legal frameworks, and re-emphasized the need for a predictable, transparent institutional and regulatory framework to enhance the investment climate.

15. With respect to the role of the energy sector in the region's economic recovery, Ministers agreed that existing action directed at improving investor confidence and mobilizing capital could be enhanced. To this end, Ministers instructed the Energy Working Group to hold a business/government workshop to develop recommendations for early action. The newly established EWG Business Network, as well as the Energy Regulators' Forum, should be involved in the development of the workshop agenda on an urgent basis. This would be compatible with, and make an important contribution to, other APEC activities to assist in the region's economic recovery.

16. Ministers discussed progress in implementing the best practice principles for independent power producers agreed at the second meeting of APEC Energy Ministers and directed the Energy Working Group to effectively follow up the implementation of these principles in close communication with the private sector.

Natural Gas Initiative

17. Driven by the goals of promoting economic development and growth, increasing energy security and improving the environment, demand for natural gas in APEC is expected to grow significantly over the next 20 years. Meeting this demand will require increased natural gas production and significant new infrastructure development. The Asian Development Bank estimates that as much as \$70 billion in investment will be required for natural gas infrastructure in Asia over the next 15 years. In addition, it is estimated that hundreds of billions of dollars in investment will be required in other APEC economies over the next 15 years. Meeting increased demand for natural gas in the APEC region will also require increased trade in natural gas and natural gas-related products and services among APEC member economies, which will have a powerful multiplier effect on APEC economic growth prospects.

18. Ministers endorsed the recommendations contained in the report of the initiative "Accelerating Investment in Natural Gas Supplies, Infrastructure and Trading Networks in the APEC Region." Ministers agreed that implementation of the recommendations would be consistent with the priorities of individual economies and regularly reviewed. The APEC Natural Gas Initiative will promote the acceleration of investment in natural gas supplies, infrastructure and trading networks in the region. Natural gas trading networks comprised of internal and cross-border pipelines, LNG terminals and distribution systems would promote economic development within economies and further cooperation and trade between the APEC economies. Feasibility studies on pipeline projects in this region should be conducted.

19. Recognizing the necessity to minimize the adverse environmental impact of new energy infrastructure development, Ministers endorsed the Recommended Work Program on Environmentally Sound Energy Infrastructure in APEC Member Economies." They agreed that the work program would provide impetus to the application of environmental policy practices that are predictable, transparent and consistent. Ministers noted that such practices would facilitate energy investment while allowing investors flexibility in meeting environmental objectives, and charged the Energy Working Group to develop practical and effective means of implementation.

Energy Efficiency

20. Hundreds of billions of dollars are expended on energy annually in member economies. Ministers noted that even a one percent energy saving on infrastructure and energy use translates into literally billions of dollars of investment freed up for other purposes. Increased energy efficiency will not only contribute to the competitiveness of industrial activities, but will also reduce environmental impacts as the amount of energy required to produce a given level of goods and services is reduced.

21. Ministers recognized the importance of fostering continuing improvements in the production, delivery and use of energy and agreed to implement a voluntary pledge and review program comprising: developing and implementing programs to achieve efficiency gains where economic to do so; reporting on the programs developed, their specific objectives and the results achieved; sharing information and experience in achieving improved energy efficiency; and developing indicators and databases that will enable the measurement of performance over time.

22. Furthermore, Ministers instructed the Energy Working Group to develop a program to exchange information on policies, technologies and practices to improve the efficient production, transportation and consumption of energy. Ministers endorsed the recommendations on improving energy efficiency in the "Report of Guidelines for Improving Energy Efficiency," and agreed that energy efficiency should continue to be a priority of the Asia Pacific Energy Research Centre, encouraging the Centre to advance its work on energy efficiency indicators.

23. Ministers welcomed the progress made in implementing cooperation on energy efficiency standards testing, and endorsed the Standards Notification Procedure. Ministers noted that this is an immediate step which will not only increase transparency to business and facilitate trade, but also help to minimize the proliferation of differing test procedures in the region.

24. Ministers emphasized the importance of regional cooperation to promote the development and deployment of energy technologies to reduce the growth of greenhouse gas emissions, noting the importance of progress in improving energy efficiency and the increased use of low or non-carbon emitting energy systems. Ministers encouraged greater efforts to attract private investment in advanced energy technologies as a way to produce vigorous economic growth while limiting emissions. Ministers noted that mechanisms to address this issue are being discussed within the context of the United Nations Framework Convention on Climate Change.

25. Ministers stressed the importance of promoting energy research and development, commercial and economic transfer of environmentally sound technologies, and continuing cost-reduction in the introduction of these new technologies, with the direct participation of the business sector.

26. Ministers welcomed progress made in promoting environmentally sound and efficient measures in the area of minerals and energy exploration and development.

Interaction with Business

27. Ministers welcomed the report from the business sector following their deliberations in the Okinawa Energy Business Forum and noted that energy-related investment and energy efficiency were seen as major business opportunities. Ministers referred the report to the Energy Working Group for further consideration. Ministers welcomed the actions of the Energy Working Group to improve and sustain the interface between the Group and the business sector, particularly the newly established EWG Business Network. Ministers urged continued efforts on business and government communication.

Recommendations to APEC Economic Leaders

28. Ministers agreed to report the accomplishments and development of the third Energy Ministers Meeting to APEC Economic Leaders for their consideration at Kuala Lumpur in November 1998. Ministers recommended that Leaders highlight the important role that the energy sector could play in the recovery from the current economic difficulties through improvement of the business environment facilitated by expanded policy dialogue among member economies, development of efficient energy infrastructure and improvement of energy efficiency. Ministers agreed that the recommendations from the Natural Gas Initiative should go forward to APEC Economic Leaders for their consideration in November 1998.