

SEVENTH MEETING OF APEC ENERGY MINISTERS

SECURING APEC'S ENERGY FUTURE: RESPONDING TO TODAY'S CHALLENGES FOR ENERGY SUPPLY AND DEMAND

Gyeongju, Republic of Korea, 19 October 2005

Message from APEC Energy Ministers

- 1. We, Energy Ministers of the APEC economies, gathered for the 7th time in Gyeongju, Republic of Korea, on 19 October 2005 under the theme "Securing APEC's Energy Future: Responding to Today's Challenges for Energy Supply and Demand".*
- 2. We met for the second consecutive year within the context of growing concerns about the impact of rising oil prices on APEC economies while significant demand growth and supply constraints continue. In doing so, we considered ways to respond to high oil prices and oil dependency, as well as the region's broader energy supply and demand challenges.*
- 3. We shared our views that those energy challenges are serious concerns for our sustainable economic development and should be responded to urgently. We agreed that effective responses to high and increasingly volatile oil prices require a broad range of supply and demand-side measures, for example, strategic oil stocks for supply disruption response, facilitation of investment in oil exploration, production and refining, and measures to promote energy efficiency and diversification, including vehicle fuel efficiency and alternative transport fuels.*
- 4. We expressed our condolences to the APEC economies affected by the Indian Ocean Tsunami and Hurricanes Katrina and Rita, noting the significant human and economic costs of these natural disasters and highlighting the need for regional cooperation on energy security and emergency preparedness.*
- 5. We welcomed the address by the Acting Secretary General of the Organization of Petroleum Exporting Countries (OPEC) and directed the Energy Working Group (EWG) to more closely collaborate with OPEC, other producers, the International Energy Agency and other international energy organisations as part of efforts to improve the transparency of energy markets and reduce price volatility.*
- 6. We reaffirmed our belief that access to adequate, reliable, affordable and cleaner energy is fundamental to the region's economic, social and environmental wellbeing and noted that energy efficiency and conservation measures will be vital to these efforts. Recognising the significant and evolving nature of the region's energy demand and supply challenges, and the need to acknowledge the individual circumstances of each APEC economy, we agreed that our cooperative efforts must continue to be substantial, flexible, sustainable and responsive.*
- 7. We acknowledged the contribution of the EWG since our last meeting and directed it to continue its broad-based approach developed under the APEC Energy Security Initiative (ESI)*

and the CAIRNS Initiative and APEC Action Plan to Enhance Energy Security that enhance and expand the ESI.

8. We encouraged APEC economies to adopt best practice principles developed to facilitate cross-border energy trade, energy investment and energy emergency preparedness, and to share information and experiences on the implementation of these principles. We also encouraged APEC economies to accelerate cooperation to develop and deploy technologies that allow for more efficient energy use and energy diversification, furthering the region's energy security and sustainable development.

Responding to the Impact of High Oil Prices and Oil Dependency

9. High oil prices, resulting from factors such as increased demand, low spare production capacity, insufficient refining capacity, speculative trading and heightened concerns about the longer-term adequacy of oil supply, present APEC economies with significant challenges. We note the findings of recent EWG studies into the impact of high oil prices and the downstream oil market, but also recognise that high oil prices may increase the potential for exploration and production from unconventional sources, for cost-effective improvements in vehicle fuel efficiency and for the development of alternative transport fuels.

10. As oil is essential to the region's economic and social development, APEC economies must respond to increasing oil import dependency and the continued growth in oil demand. This will be achieved through measures that increase oil production, enhance the security of oil supply, improve the efficient operation of the global oil market and promote energy diversification, efficiency and conservation.

11. Transparent and efficient markets and an improved business environment will facilitate oil exploration, development and trade, encourage investment in new upstream and downstream oil infrastructure, and support the more effective utilisation of existing refining infrastructure. Markets operate more efficiently with data that is timely and of high quality, and through greater harmonisation of quality standards for oil products. We acknowledge that oil price subsidisation distorts market signals, preventing demand from properly responding to market prices and diverting government resources away from other priorities. Effective responses to oil supply disruptions may include establishing strategic oil stocks, developing emergency preparedness plans, and information sharing and real-time communication.

12. The continued growth in oil demand can be reduced through energy efficiency and conservation measures, particularly in the transport sector. This may include adopting fuel efficiency standards, promoting the development and uptake of more fuel-efficient vehicles and supporting a shift to less oil-dependent modes of freight transport. Reducing subsidies for petroleum products, where they exist, may also enhance the efficiency with which such products are used.

13. Energy diversification can also reduce the growth of oil demand, particularly through the increased use of alternative fuels. Higher oil prices have made alternative transport fuels such as biofuels, hydrogen and dimethylether more economically competitive and provide major incentives to further diversify away from using oil in power generation, buildings and industry.

14. To respond to high oil prices and reduce our oil dependency, and to build on EWG efforts since EMM6:

- we encourage APEC economies to remove market impediments to oil exploration and development, and we direct the EWG to support capacity building efforts in this regard;
- we encourage APEC economies to facilitate investment in new, and more effective utilisation of existing, downstream oil infrastructure;
- we encourage APEC economies to make every effort to report timely and quality data under the Joint Oil Data Initiative (JODI) and direct the EWG to continue to build the capacity of APEC economies to undertake this task; we also encourage APEC economies to support efforts to improve the comprehensiveness and quality of all reporting to JODI;
- we support APEC efforts to remove barriers to oil trade in the APEC region, for example, domestic and regional harmonisation of quality standards for oil products, and direct the EWG to support initiatives regarding the freer trade of oil products;
- we encourage APEC economies to participate in the Real-Time Emergency Information Sharing System, to develop emergency mechanisms and contingency plans, and to move towards best practice for the establishment and management of strategic oil stocks, appropriate to our individual economies' energy situations;
- we direct the EWG to develop practical measures to enhance cooperation supporting the development of alternative transport fuels, including the establishment of a Biofuels Task Force;
- we direct the EWG to develop initiatives to support APEC economies in their efforts to diversify away from using oil for stationary energy; and
- we direct the EWG to examine current measures to improve transport and vehicle efficiency and to support APEC economies in adopting measures appropriate to their individual situations.

Responding to the APEC Region's Broader Energy Supply and Demand Challenges

15. APEC economies account for more than half of world energy demand and with a growth rate of two per cent per annum forecast for the next three decades,¹ increased pressure is being placed on supply. Energy is essential to the region's economic and social development and APEC economies face considerable challenges in bringing supply and demand into balance while reducing environmental impact from energy production and consumption. Efficiency and conservation, cross-border trade, investment and technology development are essential to meeting these challenges.

Promoting Energy Efficiency and Conservation

16. Energy efficiency and conservation are important measures to help bring energy supply and demand into balance and provide a range of economic, social and environmental benefits. By developing and adopting more efficient technologies, processes and practices, including

¹ Asia Pacific Energy Research Centre (APEREC), *APEC Energy Demand and Supply Outlook 2006 (Draft)*

conservation measures, APEC economies can reduce energy demand and their vulnerability to high energy prices, lessen CO2 emissions and other environmental impacts, and benefit from lower economic costs, sustainable economic growth and enhanced security of supply.

17. To promote energy efficiency and conservation, and to build on EWG efforts since EMM6:

- we encourage APEC economies to make every effort to share information on energy efficiency policies and programs under the EWG Pledge and Review Program, including best practices for improving energy efficiency;
- we encourage APEC economies to participate in the Energy Standards and Labelling Cooperation Initiative and the web-based Standards Notification Procedure;
- we direct the EWG to identify best practices, benchmarks and indicators to assess efficiency improvements; and
- we encourage APEC economies to adopt further measures to promote energy efficiency and conservation and direct the EWG to support capacity building efforts in this regard.

Expanding Cross-Border Energy Trade

18. Cross-border trade enables APEC economies to better access the energy resources and technologies necessary to meet their energy needs. Expanding trade of all energy types increases the availability of affordable energy and helps APEC economies diversify their energy mix, furthering the region's energy security and sustainable development.

19. To expand cross-border energy trade, and to build on EWG efforts since EMM6:

- we encourage APEC economies to move towards best practice in facilitating natural gas trade, and to support the establishment of the APEC Gas Forum;
- we direct the EWG to implement the LNG Public Education and Communication Information Sharing Initiative and to continue efforts to improve the collection of natural gas data; and
- we direct the EWG to develop further initiatives to increase cross-border energy trade.

Attracting Energy Investment

20. Urgent and significant investment is essential if APEC economies are to increase supply and improve demand-side efficiency to meet our growing energy needs. In financing the estimated \$US5.3-6.7 trillion in infrastructure required over the next three decades, it is imperative that governments, the private sector and financial institutions work together to create conditions to facilitate investment in the full range of energy projects, including energy infrastructure, renewable energy and energy efficiency.

21. To attract energy investment, and to build on EWG efforts since EMM6:

- we encourage APEC economies to join the Renewable Energy and Energy Efficiency Financing Task Force and direct it to continue to implement the recommendations from the Energy Investment Report endorsed at our last meeting, including an initiative to facilitate

the construction of high performance, energy efficient buildings and communities through innovative financing approaches;

- we encourage APEC economies to create conditions that facilitate energy infrastructure investment, directing the EWG to continue to engage with financial institutions and the private sector in this regard, and noting the EWG Business Network's Ten Priorities for Financing Energy Infrastructure Projects within the APEC Region and previously endorsed best practices principles for the natural gas and electricity sectors.

Accelerating Energy Technology Development

22. The development and uptake of energy technologies will help APEC economies bring supply and demand into balance through increased production, diversification and efficiency and will reduce the environmental impact of energy production and use. It is estimated that adopting more advanced energy technologies could reduce growth in energy consumption of the region's electricity sectors by forty per cent to 2030, saving more than 500 million tonnes of oil equivalent.² APEC economies are global leaders in the development of many energy technologies, and the challenge is to leverage and build on this strength through effective cooperation and collaboration.

23. To accelerate energy technology development, and to build on EWG efforts since EMM6:

- we direct the EWG to increase its cooperative activities to support the development and uptake of technologies for new and renewable energy, clean fossil energy including clean coal, carbon capture and storage, hydrogen and fuel cells, and methane hydrates; and
- recognising the growing importance of nuclear energy in the APEC energy mix, we encourage interested APEC economies to join the ad hoc group on nuclear energy, and to progress activities identified in the nuclear framework endorsed at EWG27, to support nuclear power with ensuring optimal safety, security, seismic, health and waste handling, including trans-border effects.

Harnessing all expertise available to the EWG

24. In recognising the important role of the business, financial and research communities in helping APEC economies respond to today's challenges for energy supply and demand, we call upon the EWG to continue to work with, and draw expertise from, the APEC business and financial communities, including through the EBN, the EWG Expert Groups and APERC.

25. We encourage the EWG to continue cooperation with other organisations, where it is in our interest to do so, and to make our activities and achievements known, as appropriate, to other relevant fora. We also recognise that the work of the EWG complements other regional and global initiatives to promote energy security and the development of cleaner and more sustainable energy, and we acknowledge the commitment of APEC economies to these efforts.

² Australian Bureau of Agriculture and Resource Economics, *New Energy Technologies, Measuring Potential Impacts in APEC* (2005)