

Annex 3



APEC BUSINESS ADVISORY COUNCIL



21 May 2010

H. E. Masayuki Naoshima

Chair, APEC Energy Ministerial Meeting &
Minister of Economy, Trade & Industry
Japan

Dear Minister Naoshima:

The turmoil in global energy markets of the past two years underscores the continuing challenges we face in strengthening energy security throughout the Asia-Pacific.

In continuing to work towards greater energy security in APEC, ABAC strongly recommends continued engagement between governments and the private sector. This will ensure inclusion of private sector viewpoints as part of the official APEC energy security policy development process. This is important as the private sector, including energy producers, transporters, financiers, and consumers as well as relevant NGOs, provide essential perspective on the real impact of proposed policy and regulatory measures on actual markets, consumption patterns, and productivity.

In 2008, ABAC sponsored publication of the *Strategic Framework for Energy Security in APEC*, a document designed to guide APEC's energy security work. From our perspective, much remains to be done to implement many of the recommendations contained in this document, and we encourage APEC to continue to refer to this publication to guide its efforts.

In the near term, we encourage APEC governments to focus on improving efficiency and conservation as a cost effective approach that can be broadly applied across the spectrum of supply and demand. Expansion and diversification of energy resources remains an important piece of any comprehensive energy security approach. APEC should work to secure wider use of low-carbon fossil fuels, including promoting the use of natural gas and development of gas transport infrastructure. Nuclear energy is appropriate for many economies as a low emissions source of power generation. ABAC supports consideration of nuclear energy and studies into its feasibility in APEC individual economies. We also recommend Ministers undertake to study the possibility of establishing an APEC or Asian futures market in gas.

In addition, a comprehensive approach must include efforts to manage demand through conservation and efficiency efforts. This should include emphasis on improving the energy efficiency of power plants, promoting conservation and efficiency in buildings, and development of a common labeling system to promote dissemination of energy efficient products, including home appliances and IT products. It is also important to prioritize development of standard metrics to assess efficiency, preferably by sector, to assist in measuring progress and quantify results. We encourage Ministers to commit to establishing an APEC-wide common understanding of terminology, standards and best practices for measuring efficiency.

Eliminating distortions and promoting efficiencies in energy markets must also be a cornerstone of a strategic approach to improving energy security. Recognizing that in a group as diverse as APEC complete harmonization of standards is very difficult, we feel that in the near term a focus on transparency and information sharing in this area may be a more practical goal.

We reiterate that expanded emphasis on developing 'clean' energy and promoting innovation in energy and related technologies is a final core pillar to a complete APEC energy security approach. Such development must involve close cooperation with government through public-private partnerships and a regulatory framework that encourages private sector investment.

Recognizing the commitment of APEC Leaders to policies of sustainable growth and the need to pursue all affordable low-carbon solutions, we encourage Energy Ministers to agree that APEC economies should complement UNFCCC principles and processes by endorsing the development of an APEC Low-Carbon Pathfinder Scheme. The Scheme would be based on the successful APEC formula of voluntary, non-binding, open regionalism. Under such a Scheme, low-carbon policy measures by each APEC economy would be systematically and transparently prioritized and reviewed, with reports published annually or biennially so as to share experiences with other APEC economies.

APEC must continue to recognize that regional energy security strategies must be developed and implemented in the context of the overall global energy security situation. As such, relevant APEC agencies and sub-fora should coordinate closely with energy-related international organizations to ensure synchronicity of effort and maximize the potential for collaborative progress.

We encourage the APEC Energy Working Group (EWG) to continue to seek input from ABAC and from business and consumer stakeholders to facilitate cooperation on trade-related energy security issues, especially in the area of environmental goods and services. Dialogue with the entities which actually make investment decisions offers access to information such as which incentives are relevant determinants in final investment or selection decisions. It is equally important to compile a prioritized list of what businesses and consumers see as the major impediments to developing or using less carbon intense fuels, technologies and products. It is important to understand which tools -- fiscal, legal and regulatory -- policymakers might use to help rebalance the energy mix to a better carbon managed environment.

With the need for EWG to work closely with business, ABAC asks that EWG follow established 'protocol' for ABAC participation in APEC Ministerial meetings.

Finally, ABAC will continue to actively pursue efforts to strengthen energy security in the region and looks forward to the opportunity to engage directly with Energy Ministers next year.

Sincerely,


Gempachiro Aihara
ABAC Chair 2010

