

24 May 2012

Mr. Alexander Novak

Chair, APEC Energy Ministerial Meeting &
Minister of Energy
Russian Federation

Dear Minister Novak:

ABAC commends the APEC Energy Ministers for the progress made in enhancing regional energy security. Specifically, we applaud recent efforts to address market-distorting policies including voluntary reporting by APEC economies of inefficient fossil fuel subsidies that encourage wasteful consumption.

Fossil fuel subsidy reform is an important factor in addressing dependencies on fossil fuels, the efficient allocation of economic resources, and encouraging private sector investment in clean and renewable energy, including hydro, solar, wind and biomass. The development of a voluntary reporting framework within APEC is a positive step and we urge Ministers to establish a timetable for phasing out and rationalizing inefficient fossil fuel subsidies.

Energy security continues to be an urgent regional concern and we believe that high-level cooperation and a regular exchange of information is essential to resolve cross-border energy supply and demand concerns in a timely manner. We therefore recommend that APEC commit to an annual Energy Ministers' Meeting and public-private sector forum, with the goal of developing a collaborative, strategic and long-term APEC energy security framework. This collaborative bi-sector framework combined with clear terms of investment and regulatory regimes for public-private partnership innovations will be crucial to successfully addressing APEC's energy security challenges.

ABAC supports a multi-pronged approach to energy security, including the expansion of energy conservation efforts, promotion of clean and renewable energy sources, increase use of natural gas, increase in energy productivity, and cooperation on nuclear energy safety:

- To promote conservation and energy productivity, APEC should expand the exchange of best practices, harmonize standards of measurements and evaluation, support technology transfers that maximize benefits for all parties involved, and facilitate the dissemination of environmental goods and services (EGS) for energy efficiency.
- APEC should also reduce barriers to cross-border energy investment and trade, invest in new transportation infrastructure and technology to maximize the availability of lower-carbon natural gas, and create economic frameworks that encourage the phasing out or upgrading of antiquated and inefficient power generation and industrial plants.
- Addressing market-distorting policies is an important step to increase investor confidence and support energy diversification. ABAC believes that more attention should be directed at the creation of open and fair markets based on a transparent and

predictable environment of laws and regulations, so as to support an efficient, regional trade of energy as well as innovative research which has the potential to reduce the production cost of clean and renewable energy.

- On the issue of EGS, we encourage APEC officials, who have been tasked to identify a list of goods and services that “directly and positively contribute to green growth and sustainable development objectives,” to make this as comprehensive as possible.
- A livable, low-carbon community and *living city* approach is based on the integration of social, environmental and economic principles when building and re-developing cities. *Living cities* promote smart technologies for energy saving, support the construction of green buildings, reduce carbon emissions from the cities, and raise public awareness about the need for conserving energy. ABAC supports the proactive application of the *living cities* principles and further demonstration projects which achieve this goal.
- Unconventional gas prospects are poised to play an increasingly important role in the future energy supply mix of many economies, especially as a transition fuel to renewables. We pledge to work with Ministers to develop ways to increase the safe exploration, evaluation and production of these resources.

In 2012, ABAC confirms its recommendations made last year and requests that the Ministers instigate positive actions to address these issues.

We are ready to discuss the above issues with you at the upcoming APEC Energy Ministers’ Meeting in St. Petersburg this June and to provide officials feedback on ongoing energy initiatives.

Yours sincerely,



Ziyavudin Magomedov
ABAC Chair 2012