

Deb Henretta
ABAC Chair 2011

25 August 2011

Hon. Steven Chu

Co-Chair, APEC Energy and Transportation Ministerial Meeting
Secretary of Energy
United States

Hon. Ray LaHood

Co-Chair, APEC Energy and Transportation Ministerial Meeting
Secretary of Transportation
United States

Dear Secretaries Chu and LaHood:

The APEC Business Advisory Council (ABAC) would like to commend you for your plans to hold the first ever Joint APEC Energy and Transportation Ministerial Meeting in San Francisco this September. We believe that this is an important step in a broader discussion on energy security and climate change. We look forward to participating in the upcoming Energy and Transportation Public-Private Dialogue and would like to share with you our recommendations on energy security.

In order for APEC to attract the amount of capital that will be required to meet the region's energy needs in the future, ABAC calls for a regulatory, investment and legal environment that promotes stable fiscal regimes; and transparent, stable and non-discriminatory legal regimes which will encourage investment and action by the private sector. The business community has an abiding interest in ensuring affordable and sustainable supplies of energy and recognizes the potential role sectoral approaches could play in realizing vital energy security goals.

According to the International Energy Agency, the transportation sector in 2008 accounted for 61.4% of global oil, 5.9% of global gas and 1.6% of global electricity consumption. The world's dependence on fossil fuels is well illustrated in the transportation sector and we urge steps be taken to expand and diversify energy resources; promote conservation and improve efficiency; and encourage clean energy use and technology innovation.

First, ABAC recommends regular meetings by APEC Energy Ministers and efforts to create a regulatory, investment and legal environment that encourages investment and action by the private sector. As APEC explores the development of an Energy Security Framework that includes regional and national integrated energy strategies with measurable objectives, it is important that the goals be realistic and that policies be put in place to leverage private capital and the expertise and dynamism of the private sector. Measurable targets for the transportation sector should be considered within this framework.

Second, the price of energy should, in the long term, reflect the cost of energy production, extraction and distribution. Energy consumption is subsidized in many economies and, as a result, markets are not as efficient as they should be in influencing consumer behavior towards energy-efficient products and in encouraging private sector investments in the development of clean energy and low energy infrastructure. APEC economies should therefore advance:

- *The elimination of inefficient fossil fuel subsidies that distort demand and run contrary to policies to reduce energy consumption:* The commitment by APEC Leaders to rationalize and phase out inefficient fossil fuel subsidies is laudable. APEC needs to establish a timeframe, with milestones and targets, to gradually remove fossil fuel subsidies. Given the heavy reliance on oil in the transportation sector, APEC Energy and Transportation Ministers should accelerate efforts to promote alternative energy sources, such as bio fuels, electric, natural gas, solar, biomass and hydrogen, for use in transportation.
- *Remove tariff and non-tariff barriers and strengthen intellectual property rights (IPR) protection for low-carbon technologies and other environmental goods and services.* Eliminating tariff and non-tariff barriers will reduce the cost of adoption and stronger IPR protection will encourage the commercialization and dissemination of new energy efficient and low-carbon technologies used in the transportation sector. Improving the availability and affordability of these energy efficient options is critical in encouraging a change in consumer and industrial behavior.

We wish you a productive set of meetings and look forward to discussing these issues in San Francisco.

Sincerely,


Deb Henretta
ABAC Chair 2011


Tang Kin Fei
Chair, ABAC Sustainable Growth Working Group