



13 August 2015

Hon. Zenaida Monsada

Chair, APEC Energy Ministers' Meeting
Secretary of Energy
Republic of the Philippines

Dear Secretary Monsada:

ABAC commends the Energy Ministers for the progress made in enhancing regional energy security by removing barriers to energy trade and investment, facilitating liquefied natural gas (LNG) trade, deploying advanced coal technology, promoting energy efficiency, smart communities, and safe nuclear power development, and cooperating on reducing fossil fuel subsidies. We also praise your ambitious commitment to double the share of renewables in the APEC energy mix and agreeing to develop a road map to achieve this goal.

Energy security is vital to economic growth and continues to be a regional challenge. APEC's 21 member economies account for over half of global energy production and consumption, and its share can be expected to grow as the Asia-Pacific Energy Research Center (APEREC) forecasts that the supply of primary energy to the APEC region will increase by about 53% by 2035 compared to 2005. We note that APEC's energy scenario includes wide disparities in resource endowment, changing mix of energy exporters and importers, and increased intra-APEC trade in energy. All of these factors highlight the need for collaborative regional policy goals and more integrated energy markets for trade, investment and global supply chains.

It is important that APEC continue to accelerate efforts to remove barriers and promote energy trade and investment. APEC's trade and investment climate is becoming more complex as governments become increasingly involved in the energy sector. We greatly appreciate your acknowledgment in your Beijing Declaration of the important role ABAC has in identifying the barriers to energy trade and investment. As noted by the International Energy Agency more than ever before, business decisions to invest or trade are influenced more by government policy measures than by economic signals from competitive markets. Although there is no single policy formula that will be optimal in promoting trade and attracting investment, ABAC recommends the following key elements in a model framework for trade and investment to include: policy certainty ensuring sanctity of contracts; open and fair competition on a level playing field devoid of local content rules, quotas, tariffs, restrictions on foreign ownership and investment; market based pricing undistorted by subsidies; relaxed LNG destination clauses that create favorable conditions for trade and investment; diversified and flexible LNG trading mechanisms; independent government regulation; effective inter-ministerial coordination that is transparent, rules-based, predictable, and allows stakeholder consultation; viable legal systems that resolve commercial disputes on a timely basis and protects intellectual property; and banking systems which allow free transfer of capital.

Energy security will increasingly depend upon policies which support green growth. ABAC commends APEC for its foresight and initiative in this area, breaking new ground with ambitious goals. The agreement to reduce applied tariff rates for 54 environmental goods (EGs) to 5% or less by the end of 2015 prompted 17 members of the WTO to commence negotiation on the Environmental Goods Agreement (EGA). ABAC strongly encourages all APEC economies to meet the end of the year

deadline and join the negotiating round of the EGA. Failing to follow through on this commitment will undermine APEC credibility as well as deter the progress of EGA negotiations.

APEC has been a strong advocate of energy and resource efficiency. ABAC applauds APEC's commitment to reduce the aggregate energy intensity by 45% by 2030 from 2005 levels. Wider use of energy-saving equipment and technical innovation will contribute greatly in this endeavor. In particular, energy conservation is a readily available source of energy. In terms of resource efficiency, the APEC Pathfinder on Facilitating Trade in Remanufactured Goods established in 2011 highlights the importance of remanufacturing in creating a circular economy. We also strongly support the Energy Working Group (EWG)'s efforts to address energy resiliency through the development of efficient and reliable electricity grids.

Sustainable economic growth cannot happen without environmental protection. ABAC commends the many initiatives endorsed by APEC to reduce the region's environmental footprint. We welcome the APEC Leaders' ambitious commitment to double the share of renewables including in power generation by 2030. We encourage ministers to take decisive actions on environmental services, including further identification and elimination of non-tariff barriers to environmental goods and services and support for the development of low-carbon and renewable energy technologies (such as movement from less efficient, sub-critical coal plants to high-efficiency, low-emissions coal-fueled power generation, natural gas for electricity generation, and carbon capture and storage). Many APEC economies will continue to generate power using fossil fuel – including coal – and it is imperative that the best available technology be deployed.

Energy drives economic growth. For business to thrive in rapidly changing times, it is imperative to establish rules and regulations that are predictable. ABAC strongly encourages APEC Energy Ministers, the EWG and the Committee on Trade and Investment to play an important role in helping APEC member economies remove barriers to energy trade and investment to ensure that our region will continue to thrive economically and sustainably.

We are ready to discuss the above recommendations with you at the upcoming APEC Energy Ministers' Meeting in Cebu this October and look forward to engaging with you and your peers on on-going energy initiatives.

Yours sincerely,

A handwritten signature in black ink, appearing to read "Doris Ho", with a horizontal line underneath.

Doris Ho
ABAC Chair 2015