



APGAS 2006

Conclusions and Recommendations to APEC Energy Ministers

The second annual APEC Gas and LNG Forum (APGAS 2006) was held in Perth, Western Australia on August 31st and September 1st, 2006.

Nineteen of the twenty one APEC economies, together with India for the first time, were represented at APGAS 2006.

Conclusions of the Forum

- Despite the potential to significantly increase natural gas trade within APEC, the current regional and global shortage of supply is of great concern to customers.
- Specific concerns identified by the Forum were that:
 - costs are rising;
 - more exploration is needed;
 - the cycle time for bringing reserves to market is too long;
 - industry standards are not uniform across the region;
 - new project approvals take too long, are too complex and add significantly to costs;
 - policies on energy (and on natural gas in particular) are insufficiently clear and transparent and act as a restraint on trade;
 - some domestic gas policies are insufficiently flexible and pragmatic, and are out of harmony with international markets.
- Mechanisms to assist in reconciling local, state, national and regional gas use priorities should be sought, including a clear demonstration of commitment to cross-border gas trade and the increased use of gas in power generation.
- The lack of standardisation in LNG/gas quality specifications across the region is an impediment to supply flexibility.



- Considering the time that gas market reform takes, policymakers need to be alert to the burdens and costs of delay and need to speed up the process of implementation.
- Consistency and predictability of regulation, legislation and taxation continue to be of fundamental importance to investors.
- Governments need to be more aware of the importance of forecasts and energy planning signals to investment decision making.
- Government and industry need to develop mechanisms for public education and capacity building on the benefits of gas and LNG.
- Finally and importantly, confusion and uncertainty clouds the issue of climate change and greenhouse gas emissions. Member economies need to develop and communicate coherent policies on climate change that will allow investors to manage their risks.

Recommendations to all APEC member economies

To accelerate natural gas trade in the APEC region, APGAS 2006 recommends that APEC Energy Ministers should encourage all APEC member economies to endorse the following policies.

Each APEC member economy should

- enunciate a clear industry vision covering the long term role of gas in its economy, giving due consideration to environmental issues, costs to domestic consumers and security of supply;
- establish a clear, streamlined approvals process for new projects with a single government agency providing oversight and facilitation;
- minimise sovereign risk through implementation of a stable and enduring investment and fiscal regime;
- promote open and competitive exploration for gas within its borders (particularly in frontier areas), and commit to finding practicable solutions that will allow gas exploration and production to occur within areas whose sovereignty is currently in dispute; and
- raise the profile of gas as a beneficial and safe fuel within its constituency.



Recommendations to APEC as an organisation

APGAS 2006 makes three recommendations to APEC Energy Ministers for immediate action:

1. Funding of Facilitation Measures and Activities

First, meetings of APEC officials and gas industry stakeholders do not go far enough. Ministers should direct APEC to provide funding to APGAS Limited (or some other organisation endorsed by the Ministers) to actively promote and facilitate the use of natural gas in regional markets and to provide expert advice to Ministers and the APEC Energy Working Group on measures to:

- enhance energy security
- slow the growth of greenhouse gas emissions
- accelerate cross-border gas trade and
- educate the public on gas as an energy choice.

Activities identified for priority attention are set out in the box below.

Activities to be Facilitated or Coordinated by APGAS
Adoption of standards for LNG plant and receiving terminal construction and operations (in cooperation with the International Group of Liquefied Natural Gas Importers (GIIGNL) and the Society of International Gas Tanker and Terminal Operators (SIGTTO))
Harmonisation of emissions standards
Development of standards for LNG/gas quality and interchangeability
Development of standard contract specifications and clauses (in cooperation with the Association of International Petroleum Negotiators)
Coordination of technical, commercial and policy research
Auditing and documenting existing measures that constrain trade in gas
Development of best practices in market design and regulation
Development of LNG vessel and crew training standards (in cooperation with SIGTTO and the International Association of Maritime Universities)
Standardisation of ship/shore facilities and procedures (in cooperation with SIGTTO and national bodies)
Coordination with gas projects initiated by the Clean Fossil Energy Taskforce of the Asia Pacific Partnership on Clean Development and Climate



2. Review of Behind the Border Barriers

Secondly, Ministers should direct the APEC Energy Working Group to institute an immediate review of all national policies that act as barriers to oil and gas exploration, gas industry investment, development of gas projects and regional cross border trade in gas. These national policies relate to:

- labour
- education
- plant (including modular) construction
- local content
- tariffs and import duties
- quarantining of reserves
- ships and crewing
- strategic reserves and
- permitting, licensing and approvals processes.

3. Participation by India

Thirdly, Ministers should endorse the action of APGAS in inviting India to become a participant in all future APGAS Forums and to contribute to all APGAS activities.

Respectfully submitted

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