

RECENT INTERNATIONAL DEVELOPMENTS:

January 2004

ResourcesLaw Wins Two Further Consultancy Assignments for Asia-Pacific Economic Cooperation (APEC) Energy Working Group

In winning two further consultancy assignments for APEC, ResourcesLaw has cemented its position as one of the leading advisers on energy policy, law and investment in the APEC region. These two new assignments are concerned with energy security and cross-border gas projects.

About Energy in APEC

The APEC region encompasses all of North America, Japan, China, Russia, South-East Asia, Australia and New Zealand.

The 21 member economies of APEC together account for over one-half of all global energy production and consumption. This comprises 35% of oil, 65% of gas and coal, 48% of hydro-electric power and 56% of nuclear power.

In July 2002, our senior partner Robert Pritchard was invited to attend the APEC Energy Ministers meeting in Mexico City where he addressed Ministers on energy security. In March 2003, ResourcesLaw was invited by the Heads of ASEAN Power Utilities and Authorities (HAPUA) to present a paper on the Commercial and Legal Framework for Interconnection of Power Grids.

On 19 March 2004, APEC will conduct a workshop in Hong Kong on financing of energy infrastructure projects. ResourcesLaw will participate in this workshop.

Our past and present assignments for APEC now include:

1. Cross-Border Power Grid Interconnection in APEC

This initial 2001-2002 study addressed the barriers to cross-border power grid interconnection in APEC economies. Our report made eight policy recommendations, emphasising two particular issues:

- ❖ the importance of a regional approach to planning, coordination and regulation and
- ❖ the critical need to separate the transmission function from generation and supply.

Resourceslaw also conducted two workshops, in Singapore and Beijing, to present its findings.

2. Electricity Reform in APEC

In November 2003, ResourcesLaw completed its report, "*Electricity Reform in APEC Economies — The Way Ahead*". This was the culmination of a year of joint work with Peter Smiles and Associates and Country Energy, the New South Wales state-owned distribution utility.

Our electricity reform report reviewed the APEC program of micro-economic reform of the electricity industry. Our report highlighted that:

- ❖ insufficient attention has been paid to power system security
- ❖ governments, not regulators, must remain responsible for reform outcomes
- ❖ underpricing of electricity destroys the incentive to invest and is unsustainable
- ❖ a predictable system of regulation is a prerequisite of all other reforms and
- ❖ in the absence of any "reform standard", governments should utilise a reform monitoring system.

During the course of this work, ResourcesLaw further developed the Pritchard-Smiles Reform monitor, an analytical software program designed to measure and track the implementation of power sector reform.

3. Energy Security in APEC

For this new assignment, ResourcesLaw teamed up with the Australian Bureau of Agricultural and Resource Economics (ABARE), an economic research agency of the Australian Government.

This assignment, which commenced in January 2004, requires the following tasks to be completed by the second half of 2004:

- ❖ modelling the economic cost of temporary energy supply disruptions in all APEC economies
- ❖ analysing short-term response strategies and
- ❖ providing an evaluation of longer-term energy security strategies.

4. Cross-Border Interconnection of Natural Gas in APEC

The global gas industry is rapidly evolving in response to economic growth, increases in gas demand, energy security concerns and climate change issues. This latest and highly topical assignment for APEC covers both cross-border gas pipeline interconnection and cross-border transportation of liquefied natural gas (LNG).

- ❖ In the first stage, commencing in February 2004, ResourcesLaw will prepare a framework paper identifying the potential barriers to cross-border gas projects (policy, technical, commercial, economic, legal and regulatory barriers) and proposing ways to address the barriers.
- ❖ During the first half of 2004, ResourcesLaw will conduct three workshops. Each will focus on a specific cross-border gas project, will involve stakeholders from the relevant APEC economies and will address the specific barriers that each project has encountered.

The three workshops will be:

- **the Trans-ASEAN Gas Pipeline Workshop** — to be held in Kuala Lumpur, Malaysia in April 2004.
- **the APEC-Wide LNG Workshop** – to be held in Tokyo, Japan in April 2004.
- **the Americas LNG and Gas Pipeline Workshop** — to be held in Washington DC, USA in May 2004.

From each workshop, a case study and project action plan will be developed.

- ❖ After the workshops, ResourcesLaw will produce, for wide circulation, a final report incorporating the three case studies and outlining a recommended “best practice” approach to the future development of cross-border gas projects.
- ❖ In late 2004, ResourcesLaw will organise an international seminar for APEC economies to discuss the final report on cross-border gas projects, in which multilateral financial institutions and commercial banks will be involved.

The ultimate aim of this assignment is that ResourcesLaw should facilitate efforts to increase the penetration of natural gas within APEC economies, a goal which is of fundamental importance to the region's energy security and to sustainable development objectives.

Further information is available about these assignments and about our international energy practice from Robert Pritchard who can be contacted by email at robert@resourceslaw.net.