

COMMUNIQUE

INTERNATIONAL ENERGY AGENCY

Meeting of the Governing Board at Ministerial Level 24-25 May 1999

I A Quarter Century of Energy Security

1. The International Energy Agency was founded in 1974 in response to the first “oil shock”. Meeting on the Agency’s 25th Anniversary, Ministers **reviewed** the profound changes and challenges in the global energy system since that time. While the threat of a deliberate disruption of oil supplies has faded, other threats persist, from natural disaster, technological breakdown and political turmoil. *There is still no room for complacency.* Since 1974, discovery of new oil and gas reserves has bolstered supply, lowered prices and swelled the ranks of producing nations. Deregulation and privatisation have fostered freer and more transparent energy markets, increased efficiency through competition and provided many consumers the ability to choose their suppliers. Concern about how the production and use of energy can harm the environment -- and the global climate -- has risen to the top of the energy agenda in many countries. And, as a result of shifting economic patterns, almost half the world’s energy is consumed outside the OECD.

2. The IEA has responded to all these changes. Along with emergency preparedness, based largely on oil stockpiling, the Agency now recognises liberalised markets and environmental sustainability as critical to long-term energy security. The Agency increasingly engages on energy matters with non-Member countries, including oil producers.

3. Ministers **expressed confidence** that collective efforts conducted through the Agency will continue to ensure energy security while responding flexibly to the challenges of the next century. Ministers **reaffirmed** their commitment to the IEA’s Shared Goals. They **recognised** the continuing importance of the Agency’s analytical work and convening power as vital resources in achieving the “3 E’s”: Energy security, Economic growth and Environmental protection.

II Energy Security for a New Millennium

4. Ministers **stressed** that maintaining energy security remains the Agency’s core mission, as it has been since 1974. They **pledged** to remain vigilant to all threats to energy security, including those arising from political instability or unusual occurrences. They **expressed concern** about potential Year 2000 “Millennium Bug” computer problems which could undermine energy security and **welcomed** the Agency’s efforts to contribute to their resolution. Ministers **noted** that, as energy markets have become global, energy security must now be pursued globally; they **asked** the Agency to continue sharing as widely as possible its experience in energy policy and security with key Asian and other non-Member countries.

5. Ministers **acknowledged** that lower oil prices produce economic benefits but **cautioned** that sustained low prices could induce unwarranted complacency about energy security. They could discourage investment in conventional energy sources. They could slow development of and investment in new, more efficient and cleaner energy technologies, including those based on renewable energy sources.

III Cleaner Energy for a Better World

6. Ministers **agreed** that reducing energy-related carbon emissions into the world's atmosphere is one of their most urgent challenges. They **restated** the commitments made in the 1997 Kyoto Protocol, including the promise to achieve demonstrable progress by the year 2005. They **pointed out** that it is vital to use energy efficiently and to promote the use of less carbon-intensive energy technologies and sources. They **urged** continued efforts to find cost-effective approaches, which help lower carbon emissions, without reducing energy services. To this end, Ministers **stated** that effective domestic policies and measures will be needed. These include voluntary commitments by industry, environmental standards, regulations, and economic instruments, e.g., energy taxes and incentives, whose details will vary, depending on national circumstances.

7. Ministers **acknowledged** that meeting the Kyoto commitments offers a substantial economic and political challenge. They **stated** that, along with domestic measures, the "flexible mechanisms" in the Protocol -- emissions trading, joint implementation and the Clean Development Mechanism -- will be needed to meet the commitments cost-effectively, and they **called on** Member countries to demonstrate leadership in both areas. The challenge for all countries is to create a less carbon-intensive future, while encouraging vigorous economic growth. Environmental concerns are an urgent priority, especially when long-lived capital stock is built or modernised.

8. Ministers **recognised** the importance of controlling greenhouse gas emissions beyond the 2008-to-2012 fulfilment period set by the Protocol and of developing appropriate long-term policies and measures to that end. They **underlined** the vital role of long-term technology research and development in this context. They **affirmed** the importance of co-operative efforts under IEA Implementing Agreements in developing and deploying a new generation of sustainable energy technologies. Ministers **emphasised** the need to mobilise public and private resources to deploy environmentally sound technologies globally and to implement long-term emission reductions.

9. Ministers **welcomed** the Secretariat's comprehensive analytical work, including its *World Energy Outlook* and its "energy indicators" project, which explores the links between human activity, economic growth and carbon emissions. They **asked** the Secretariat to continue assessing the full range of energy issues and choices, including renewable energy and nuclear power, and the implications of an emerging market value for carbon.

IV Harnessing the Power of Markets

10. Ministers **emphasised** that free and competitive energy markets, appropriately regulated, together with liberalised international trade and investment provide an essential foundation for sustained economic growth. At the same time, Ministers **noted** the challenge involved in designing policies fully compatible with free markets to achieve goals that may not be attained by markets alone, such as energy security and environmental sustainability. Ministers **directed** the Secretariat to

continue developing concrete analyses of such policies. They **instructed** the Secretariat to work with the energy industry to find long-term solutions to these challenges.

V Global Approaches: The Key to Success in the Third Millennium

11. Ministers **agreed** that developing countries will play a critical role in the evolution of energy markets in the new century, as their rapid economic growth increases their energy consumption. They further **agreed** that the IEA should promote the objectives of the Agency by widening and deepening its relations with major non-Member countries, in some cases by bringing them into IEA Membership, in others by regularly sharing with them the IEA's expertise and analytical insight.

12. Ministers **welcomed** the reaffirmation of the Czech Republic's candidacy for full IEA Membership and its accelerated progress toward that goal, as well as the sustained efforts by Korea, Poland and the Slovak Republic to meet the conditions for membership.