Section 2

"Summary of the APEC Coal Trade and Investment Liberalization and Facilitation Workshop: Facilitating Trade and Investment in Indonesia's Coal Energy Sector,"

held 5-6 August 1997 in Jakarta, Indonesia, written by Charles J. Johnson, and published in its Proceedings, pages 1-4.
Summary

APEC Coal Trade and Investment Liberalization and Facilitation Workshop

Facilitating Trade and Investment in Indonesia’s Coal Energy Sector

August 6-7, 1997
Jakarta, Indonesia

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The Workshop brought together experts from APEC economies to discuss important issues related to coal development, trade and consumption in the APEC region, with a focus on Indonesia. Papers ranged from broad regional coal-related issues to specific policy and contract terms.

The host, Indonesia, was selected as the focus of the workshop because it: (a) has APEC’s fastest growing electricity sector, (b) is in the process of switching from oil-based electricity generation to coal- and natural gas-based generation, (c) is among the fastest growing coal exporters in APEC, and (d) has a contract system for coal development that has been widely accepted by foreign investors. In addition, Indonesia is in the process of revising its coal policies, and might benefit from the timely discussions in this workshop.

The papers presented in the workshop spanned the coal chain from coal resources and reserves, conversion technologies, economics and markets, legal and policy issues, to community and cultural concerns. Participants represented government, industry and academic interests, and provided perspectives of coal and technology suppliers, consumers, energy policy makers and legal experts.

Presentations, reflected a pragmatic understanding of the functioning of open energy markets. Speakers encouraged policies and legislation that would increase transparency,
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predictability, risk reduction and competition. Both industry and government speakers agreed that it was important to move toward more transparent markets. A number of speakers emphasized the need to implement policies and legislation that will attract increased private sector investments in various elements of the coal chain. A review was presented of APEC activities in promoting trade and investment liberalization in energy. In addition to a number of papers on Indonesian coal, there were papers on coal and related issues in other APEC economies, including Australia, Canada, the Peoples Republic of China, Japan, the Philippines and the United States.

This APEC sponsored workshop produced papers and results that may constructively influence APEC energy policy recommendations in member economies. It was also noted at the workshop that the goal was improving the openness and functioning of the energy system, while also respecting political differences among APEC member economies.

While the goal of open competitive markets was generally agreed by participants, the rate of introduction of reforms differs among economies. In some APEC economies major reforms are being rapidly implemented, but in others, governments are more gradually introducing reforms. This phased approach to energy reforms allows governments more time to evaluate improvements and identify problems at each phase of the reform process.

It was suggested that an important difference in these APEC sponsored meetings from typical coal trade conferences is that APEC member cooperation is a continuous process, and not just periodic meetings to present papers. The APEC Energy Working Group, as well as APEC Experts Groups and subgroups, meet periodically to discuss energy policy issues, exchange energy and environmental research results, and identify areas for cooperation. This ongoing cooperation increases the chances that important energy policy issues and recommendations will not be lost in workshop proceedings, but will influence APEC member economy thinking and policies.
Selected observations from the workshop papers and discussions are as follows:

(1) There is an increasing emphasis on economic factors in guiding the coal system, government policies and contractual arrangements. A review of contractual terms and guidelines was presented for coal exploration and mining, and coal supply agreements to power plants.

(2) Coal faces major environmental challenges at both local and global levels that increasingly will require the introduction of advanced clean coal technologies. It was noted that most attention is presently given to reducing local and regional pollution associated with coal burning, with less attention given to CO2 emissions and implications to global warming. The status of selected advanced clean coal technologies was reviewed, along with their potential for reducing emissions of SO2, NOx, and CO2. Among clean coal technologies, integrated gasification combined-cycle (IGCC) was highlighted for its potential to produce multiple products and environmental benefits at the local, regional, and global levels.

(3) Coal quality varies widely among APEC economies, and in Indonesia, almost 60 percent of total resources are low quality lignite. It is recognized that in order for Indonesia to sustain growth in coal exports in the long term it will need to introduce technologies for upgrading its lower grade coals at competitive costs. Papers were presented on technologies for producing both high quality briquettes and coal-water-mixtures.

(4) Until recent years, coal workshops and conferences rarely included papers on cultural and community concerns related to large coal mine and power plant developments. However, the future of coal developments is increasingly dependent on local community acceptance. Papers reviewed activities underway in different economies to gain community acceptance of coal mining and coal-fired power plants.
One paper outlined local community concerns that should be met at each stage of exploration and development of a mining project, and emphasized the need to ensure participation of all interests groups, including indigenous people.

In conclusion, the selection of Indonesia as the host for the workshop was timely, because the Indonesian government is presently in the process of reviewing its coal policies and contract terms to ensure continued active foreign investment, while also meeting broader national policy objectives. Indonesia's coal policies have been among the most successful in APEC developing economies in attracting foreign investment. The workshop provided a useful forum to exchange views on how to further improve the functioning of the coal system in Indonesia and other APEC economies.
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