Ministers, ladies and gentlemen, good afternoon.

It is a pleasure to be here today, and I would like to thank APEC for allowing me time to address your Excellencies on some of the energy challenges facing the Pacific economies, particularly in the context of the IEA’s cooperation with APEC.

In times of economic uncertainty and geopolitical unrest, one aspect of energy policy becomes even more important than usual: energy security. That is the case both for economies trying to return to faster economic growth, and for those whose rapid growth demands increasing energy inputs. The Arab Spring as well as the incident at the Fukushima Daiichi nuclear power plant, has further heightened concerns.

But it is important to recognize that energy security has evolved beyond the traditional focus on oil supply security to other fuels, notably gas and electricity.

- Recent years have seen gas interruptions in Europe, leading it to seek diversification of sources and transit routes. Our analysis sees the role of gas in the global energy mix as set to rise significantly, and with it the need for policy makers to ensure that supplies are stable and reliable.

- A new set of energy security challenges is related to the transition to a low carbon energy future. The integration of vast amounts of intermittent power supplies from sources like wind and solar requires massive investments in new energy infrastructure, in particular for the grid to support these new electricity security opportunities.

Enhanced cooperation with Partners is a key element of energy security, and our Partnership with APEC members is especially important given the huge share of the global energy market which APEC represents.

- In 2010, six of the top 10 oil consumers belonged to APEC. Energy security is therefore a shared concern – especially during these stormy economic times.
• Oil markets have eased slightly since early 2012, but any complacency would indicate very short memories.
  o Crude prices remain very high in historical terms, and are already acting as a drag on household and government budgets in OECD and emerging markets alike. Past experience indicates that when spending on oil passes 5% of GDP, growth suffers.
  o And outstanding oil supply risks remain, not only with regard to Iranian exports, but also in Africa and Latin America. Low levels of OPEC spare capacity, and continued tightness in the market, can make prices more susceptible to shock, which can in turn threaten economic recovery.

• From its founding, the IEA has been committed to ensuring oil supply security, most notably through the management of strategic oil stocks.
  o The IEA is closely monitoring the impact of US sanctions and the EU embargo on Iranian exports. But so far we are pleased to see additional production coming from other sources, compensating for the shortfall from Iran.
  o We continue to monitor developments closely, and are always prepared to act, if necessary.

• APEC has and will continue to play a growing role in global energy. For over two decades now, APEC economies have been working together in The APEC Energy Working Group (or EWG) to advance the region’s energy security and sustainable economic growth.
  o The EWG’s success in reducing barriers to energy trade and investment in the region, and the effective promotion of renewables and best practices on energy efficiency, have not only made an important contribution to energy security in the APEC region, but also worldwide.

• Our cooperation with APEC in the area of emergency response is especially notable, and it is an example of the Agency opening to Partners as global demand patterns shift. It is based on the IEA-APEC Joint Programme on Energy Security approved by APEC Energy Ministers in June 2010.
As a result of that Joint Programme, 11 Partners from APEC participated in a specially designed Emergency Response Training in Paris in September 2010. In May 2011, we held a joint Emergency Response Exercise in Bangkok with APEC and ASEAN, attended by 8 partners from APEC. And bilateral hotlines on emergency preparedness are being established with several APEC members on a bilateral basis.

I applaud this cooperation on oil security.

But as I’ve noted, energy security is not only about oil. In recent years gas security has been helped by increases in conventional gas reserve estimates and also the unconventional gas boom.

- The latter has been largely a US development, but a number of other APEC economies – such as China, Australia, Mexico and Indonesia - also have considerable potential for an expansion of non-conventional gas production.

- In May the IEA released a set of “Golden rules” for regulation and oversight which will be essential to ushering in a “golden age” of gas. If there is a lack of a transparent and predictable investment and regulatory framework, development of such resources will be delayed and limited.

- Gas can serve as a vital bridge to a lower carbon future, and help to diversify the fuel mix for power generation.

But let us remember, that the best energy security measure is to use less energy. Improving energy efficiency is a powerful tool. And we should phase out inefficient fossil fuel subsidies that encourage wasteful consumption.

- I know very well that this is not easy politically.

- But at the same time, high oil prices are a big burden for budgets, and the opportunity costs of not investing sufficiently in education, health or infrastructure are simply becoming unsustainable in many countries.

- Against this background, we undertook a project in support of the APEC commitment to phase out subsidies, which was discussed by APEC in 2011.

All of these measures will improve energy security in the Pacific region, but especially over the longer term, energy security is tightly linked with sustainability.
Our recent Energy Technology Perspectives, released on 11 June, maps out scenarios to 2050 and also provides a report on progress to a low-carbon economy. CO2 emissions are at a record high and growing. While progress on the policy side is slow and especially worrying, the good news is that low-carbon technological advances are driving forward at a healthy pace.

As a result, renewable energy projects are spreading to many more countries throughout the APEC region, reducing energy import dependence as well as local pollution – while also supporting jobs and economic growth in those countries.

Let me leave you with this message:

- Energy security must be considered in the short term as well as the long term – for oil as well as for other fuels.
- The transition to a low-carbon economy is also the transition to a more secure energy economy.
- Natural gas can serve as a valuable bridge to that future, and sound emergency response can help to protect us along the way.
- And international cooperation, such as between the IEA and APEC, will be essential to achieving our convergent energy security interests. I look forward to continued close and productive cooperation between APEC and the IEA.

Thank you.