

APEC's Natural Gas Opportunity: Insights from the 2012 APEC Energy Outlook 'High Gas' Case

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Immense natural gas resources are potentially available in the APEC region. With appropriate policies and regional cooperation, the APEC economies could use these resources to move toward a cleaner energy system, while promoting energy security and mutual prosperity.

Although the gas resource potential is immense, much of it is in the form of shale gas. Shale gas development requires special technology that has so far been applied on a large scale only in the United States and Canada. With the right kind of policies and cooperation, it is likely that these resources could be developed on a large scale throughout the APEC region.

The results presented here suggest that using gas to replace coal could be one of the fastest and easiest ways to reduce greenhouse gas emissions. There may also be opportunities to substitute gas for oil, thus improving energy security and reducing economic risks.

However, to obtain these benefits, the potential constraints on gas production and trade will need to be addressed. APEC could help its member economies to overcome these constraints by:

1. Continuing to encourage member economies to **rationalise and phase out fossil fuel subsidies** in accord with APEC Leaders' Declarations; these subsidies can discourage gas development especially when they take the form of price controls on gas producers;
2. Including goods and services for gas industry development in the definition of 'environmental goods and services', and continuing to encourage member economies to **reduce existing barriers and refrain from introducing new barriers to trade and investment in environmental goods and services**
3. Encouraging member economies to **reform policies that discourage the export of gas**; and by
4. Cooperating to **promote best practices in gas industry regulation** (safety, environmental protection, economics).

Items 1 and 2 are existing APEC initiatives where the implications for gas development might receive greater emphasis. Items 3 and 4 would be likewise consistent with APEC's mission of championing free and open trade and investment, promoting and accelerating regional economic integration, encouraging economic and technical cooperation, and facilitating a favorable and sustainable business environment.