

1981 COMMUNIQUE

INTERNATIONAL ENERGY AGENCY

Meeting of the Governing Board at Ministerial Level

15th June, 1981

The Governing Board of the International Energy Agency (IEA) met at Ministerial level on 15th June 1981 in Paris under the Chairmanship of Senator The Honourable J. L. Carrick, Minister for National Development and Energy of Australia.

1. Ministers addressed short-term oil market questions, including recent developments and measures for responding to any future disruptions, as well as the achievement of structural change in the medium and longer term. In both cases they noted encouraging improvement and identified areas where further strengthening of policy is necessary.

Short-Term Oil Markets

2. Ministers recognized that the oil market situation remains fragile, and that continuing stability depends upon avoidance of complacency and upon significant levels of supply from several major producing countries. They noted however that continued decline in oil consumption (due in part to the effect of conservation) and stable supply have improved the oil market situation, and expressed satisfaction that policies adopted earlier had contributed to avoiding serious market disturbances in the second half of 1980 and in 1981.

3. Ministers observed that present stock levels, allowing for moderate seasonal stockbuild this summer appear adequate to provide necessary opening stocks for the coming winter. But they stressed the need to watch the situation closely in view of changes in consumer stocks during the third quarter and a possible up-turn in economic growth during the second half of the year.

4. In view of the uncertainties and risks inherent in the international oil market situation, Ministers expressed the determination of their governments

that the IEA and its Member countries should be prepared to prevent a disruption in oil supply from again resulting in sharply higher prices and severe economic damage. The full implementation and strengthening of market forces in consuming countries will contribute heavily to this objective. Supplementary action by governments may be necessary in those areas where market forces do not sufficiently counteract the adverse impact of supply disruptions, particularly in international markets. When such action is necessary, it will have to be flexible in responding to the specific situation at hand and at the same time be taken promptly and effectively.

5. Ministers noted the general outline of discussions which have taken place as to the preparedness of IEA countries for supply disruptions, including the following main elements:

- continuous monitoring of oil supply, demand and stocks, together with necessary data systems;
- measures such as those which have been used in the past, and could be considered *inter alia*, regarding stocks; demand restraint; indigenous production; fuel switching; discouragement of undesirable purchases and abnormal recourse to spot markets; and dealing with supply imbalances;
- emergency reserve requirements;
- crude oil pricing in supply disruptions;
- government/industry relations which provide effective and reliable co-operation between governments and oil companies as an essential element in handling sub-crisis situations.

They agreed that work should continue on this general outline in order to arrive at definitive results, beginning with in-depth international consultation between IEA governments and oil companies and looking toward possible decisions by the Governing Board at official level in the second half of 1981.

Achieving Structural Change in the Medium Term

6. Ministers agreed unanimously that progress in achieving structural change in IEA countries' energy economies is as urgent as ever, even if notable progress has been made and even if the oil market situation appears temporarily eased. They reconfirmed the present policy principles which they

had earlier adopted and stressed the need for consequent and continued implementation. The objective of these policies remains unchanged - to transform oil-dominated energy economies to a more balanced structure where major available sources, oil, coal, nuclear and gas, contribute a more even share and where energy efficiency is increased to the maximum possible extent. They noted that the Secretariat has indicated a potential for limiting IEA net oil imports to 19-21 mbd in 1990 and even lower by the end of the century, if appropriate policies are carried through. They noted from the 1980 Country Reviews that progress to date has been encouraging and clearly shows that the process of transition has begun. They recognised that the principal task ahead is to keep momentum going in carrying through these policies for structural change.

7. Ministers agreed that still stronger efforts are required to improve energy efficiency in IEA countries, despite the progress which has been achieved. Continuation of this process can reduce overall energy costs significantly and stretch the lead time available for developing alternative sources.

8. Ministers noted the encouraging response by industry to the new opportunities provided by coal, and reiterated the need for stronger action to realise the full potential for expansion of coal production and use on an economic basis. They endorsed the on-going work of the Coal Industry Advisory Board (CIAB), and agreed to make greater efforts, in cooperation with industry, to clarify the potential and constraints to production, trade and coal use in their countries. They called for a full review of Member countries' coal policies and programmes in 1981, with contribution from the CIAB.

9. Nuclear power will have to play a major and increasing role in many countries in order to achieve the necessary structural change which all IEA countries have agreed upon. This will be facilitated by better conditions for the timely growth of nuclear power. IEA countries should therefore take prompt national and international action to increase public understanding of reactor safety; implement waste management and disposal programmes; streamline licensing procedures to shorten lead times with continued emphasis on safety; ensure that regulatory practices do not unnecessarily constrain investment; and reinforce the reliability and predictability of international trade in nuclear fuels and technology under appropriate safeguards, in order to enhance public acceptance of and confidence in nuclear power, including advanced reactor technology. Industrialized countries also can contribute to a

better world energy balance by making better use of their technological capacity, including the use of nuclear and other technologically complicated energy sources.

10. Ministers discussed proposals for economic pricing of energy to consumers. They agreed on the importance of this issue and the need to carry forward earlier IEA decisions regarding energy pricing policies. They also were of the view that those subsidies of consumer prices and other interventions which discourage conservation, high levels of domestic production and substitution away from oil should be avoided. They requested the Governing Board at official level to take up this question as a matter of priority centering on certain main elements, and to reflect it in future country reviews.

11. Ministers noted the progress which has been made on developing a consistent and comprehensive approach to deal with investment problems related to energy projects necessary to promote structural adjustment in Member countries, and agreed that this work should continue.

12. Ministers underlined the important contribution of energy R&D to a more secure energy supply in the longer term. In this connection they called for a comprehensive review of the IEA programme of collaborative R&D projects to ensure proper balance, timeliness of completion, cost effectiveness and technical prospects. They endorsed the report and recommendations of the High Level Group on Energy Technology Commercialization and stated their intention to work to establish conditions, by applying measures appropriate to national requirements, under which industry would be prepared to design, build and operate commercial scale plants by 1990 in the requisite technologies. They noted the results of the 1980 reviews of national RD&D programmes.

13. Ministers recognised that developing countries have specific difficulties in meeting their energy requirements during the course of the transition away from oil. They are convinced that the efforts of industrialised countries to reduce their impact on world oil markets are a major contribution to alleviating these difficulties. However, developing countries will also need help in developing their indigenous energy resources, and Ministers believe this question must be addressed promptly in appropriate fora. They also believe that the United Nations Conference on New and Renewable Sources of Energy is a good beginning in both substance and method, and will contribute to the work of the Conference and similar efforts. Ministers hope that oil-exporting countries will approach these questions in the same spirit.