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Summit - Energy

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OPTIONAL FORM 99 (7-90)

FAX TRANSMITTAL

of pages = 9

January 21, 1998

MEMORANDUM FOR MACK M

To	<i>Dorothy</i>	From	<i>JACKIE</i>
Dept./Agency	<i>FOR NELSON, STEVE + ANDREW</i>	Phone #	
Fax #	<i>62464</i>	Fax #	

NSN 7540-01-317-7388

5099-101

GENERAL SERVICES ADMINISTRATION

From: Dan Lesmez *Dan*

cc: Special Envoy Staff

Re: Report on the Summit of the Americas Third Energy Ministerial

*File
Summit
- Energy*

The Summit of the America's Third Hemispheric Meeting of Energy Ministers held in Caracas January 15-16, and co-chaired by U.S. Secretary Federico Peña and Venezuelan Minister of Energy and Mines Erwin Ariceta, was highly productive and resulted in a wide-ranging declaration agreed to by the Ministers (attached). Representatives from 26 countries participated, including 17 ministers.

The declaration, agreed to by consensus, reinforced the sweeping reforms taking place in energy sectors throughout the hemisphere by reaffirming the Ministries' commitment to further liberalize energy sectors in support of the overall FTAA process. In addition, Ministers from developed and developing countries, alike, demonstrated a willingness to cooperate on global climate change and work toward implementation of the Kyoto agreement and the United Nations Framework Convention on Climate Change.

The vast majority of the objectives that the U.S. pursued at this ministerial were achieved despite strong resistance early on to them, which included:

- Endorsement of further energy sector liberalization and physical interconnectedness of the energy grids in support of the FTAA process;
- Institutionalization of hemispheric energy activities through the creation of an energy secretariat, and;
- Restoration of the working group on global climate change and a commitment by developing countries to adopt specific measures to reduce green house emissions, such as through the use of clean development mechanisms that reduce or sequester emissions; institute workable rules for emissions trading, and promote energy efficient use and renewable energy, in accordance with the Kyoto agreement and in light of the Argentina round of negotiations for implementation of Kyoto in November;

A joint ministerial declaration was produced (another U.S. objective) spelling out these accomplishments. Due to time constraints, the Ministers were unable to craft a Presidential Declaration and Action Plan for the Santiago Summit, although Secretary Peña circulated proposed language for both (also attached) and asked that the Ministers get back to the United States with comments within two weeks. If a consensus cannot be reached on the text for the Santiago Summit's Political Declaration and Action Plan through informal consultations, there is an opportunity to negotiate the text language at a steering committee meeting scheduled for mid-February.

The high priority that the USG places in the hemisphere's energy sector was evident, given our role of as co-coordinators on this SOA initiative in Venezuela. On the eve of the Ministerial, Secretary Peña and U.S. Ambassador Maisto co-hosted a dinner for ministers at the residence. The presence of U.S. Senate Energy Committee Chairman Murkowski demonstrated the importance that we place on the energy relationship we share with the region.

Mindful of the pledge made at the SOA to conclude negotiations on the FTAA by 2005, the ministers agreed to work cooperatively on a far-reaching agenda, in the "shortest time possible," that would facilitate greater integration of energy markets and cross-border infrastructure development. To achieve this, the ministers agreed to work to remove trade barriers tasking the steering committee with coordinating their work in this area closely with the trade ministers' working groups to ensure the market opening measures adequately cover the energy sector; promote greater private sector investment through predictable, transparent and non-discriminatory legal, tax, and regulatory systems, and; strengthen the regulatory environment to ensure that the ministries are equipped to act fairly in a more liberalized system, including assuring open access of third parties to surplus capacities remaining in grids, and adopting higher standards to preserve the environment

There was significant dialogue in support of the institutionalization of energy activities through the establishment of a secretariat. Two concrete proposals were discussed at length, one using the OAS as its headquarters and the other creating a "virtual" secretariat, both of which included the Organization of Latin American Energy (OLADE) in Quito as a technical support arm of the secretariat. Other institution proposals including FIU and the Energy Institute of the Americas at the University of Oklahoma were not considered at length. Rather than tasking the Steering Committee with analyzing bids and making a recommendation to the Ministers for their approval, as had been contemplated by USG officials, the Ministers opted to move ahead and create a virtual secretariat consisting of energy officials in Venezuela and the U.S., with OLADE providing the technical support, on a trial basis for a year. The OAS would have received stronger consideration, but it was unclear whether the OAS would be willing to house the secretariat.

To meet the challenge of rural electrification, the ministers undertook to find sustainable financial solutions, including the private sector and multilateral financial institutions.

The USG hoped to achieve strong commitments on global climate. However, it was clear from the onset when the Steering Committee convened on Wednesday, that the U.S. faced significant resistance and would be lucky to emerge with any language on global climate change for the joint declaration and the Santiago Summit. Yet, the Ministers reached agreement on text proposed by Argentina, Venezuela, Nicaragua and Mexico, that reactivates the working group on climate change for the purpose of exchanging information and analyzing cooperation activities and mechanisms among countries in the hemisphere, in light of the Framework Convention, the decisions made at Kyoto, and the results of discussions to be held later this year in Buenos Aires. It is unlikely that the Ministers will commit to more detailed text in the Summit Declaration and plan of action, than was agreed to for the joint declaration. Therefore, the Caracas Declaration global climate language could serve as a platform for achieving greater commitments from developing countries in other ministerials or fora prior to the Santiago Summit.

At the conclusion of the Ministerial, Minister Tellez' offer to have Mexico host the fourth ministerial was accepted. The date and place will be determined at a later date.

A side note, Luis Guisti at a lunch presentation put things in perspective by stating that developing countries should do their share on global climate change mindful that they produce 25% of the world's green house gas emissions, while the industrialized countries produced the rest. Nonetheless, Giusti also recognized that with development and improved standards of living comes increased pollution, and so the developing world should adopt policies that also take this factor into account.

John Harrington, former DAS for ARA for economic affairs and currently with CLAA, stated at a breakfast that there is consideration been given to adding to one of the trade working groups, perhaps the one on Market Access, a sub-working group on energy-related issues. And related, Tito Colorado, also with CLAA, contributed to putting things in perspective by stating that while about 75 percent of the hemispheric population lives in the Southern Cone countries and the NAFTA countries, about 75 percent of hemisphere's countries lie outside of these two regions.

ENERGY MINISTERS PROPOSED LANGUAGE
POLITICAL DECLARATION

WE AGREE THAT THE EXPANSION OF REGIONAL ENERGY TRADE AND THE DEVELOPMENT OF THE MOST ECONOMICALLY EFFICIENT ENERGY INFRASTRUCTURE CONNECTING OUR COUNTRIES PLAY A PIVOTAL ROLE IN THE STRENGTHENING AND ADVANCEMENT THE INTEGRATION OF THE ECONOMIES OF OUR HEMISPHERE. AT THE SAME TIME THE INTEGRATION OF OUR ENERGY MARKETS PLAYS A CRITICAL ROLE IN MOVING TO THE MOST EFFICIENT AND ENVIRONMENTALLY ACCEPTABLE DEVELOPMENT AND USE OF ENERGY.

ACTION PLAN

INTEGRATION:

TO ENSURE THE SOCIALLY BENEFICIAL DEVELOPMENT AND SUSTAINABLE USE OF ENERGY, ENHANCE THE PROTECTION OF THE ENVIRONMENT AND FURTHER INTEGRATE OUR ECONOMIES, GOVERNMENTS WILL IMPLEMENT, BY THE YEAR 2000, THE POLICY LEGAL AND REGULATORY FRAMEWORKS THAT WILL FACILITATE THE CONSTRUCTION OF INFRASTRUCTURE THAT WILL MOST EFFICIENTLY INTERCONNECT OUR INDIVIDUAL ENERGY MARKETS. TO SUPPORT THESE EFFORTS, WE WILL INSTITUTIONALIZE OUR COOPERATIVE EFFORTS ON ENERGY.

CLIMATE CHANGE:

CONSISTENT WITH THE UN FRAMEWORK CONVENTION ON CLIMATE CHANGE, AND RECOGNIZING THE HISTORIC DECISIONS MADE IN KYOTO AT THE THIRD CONFERENCE OF THE PARTIES, WE AGREE TO:

PARTICIPATE IN THE DESIGN AND IMPLEMENTATION OF THE CLEAN DEVELOPMENT MECHANISM RESULTING IN INTERNATIONAL ENERGY AND LAND USE PROJECTS THAT REDUCE OR SEQUESTER EMISSIONS; PARTICIPATE IN THE DESIGN AND IMPLEMENTATION OF WORKABLE RULES FOR EMISSIONS TRADING; AND MANAGE GREENHOUSE GAS EMISSIONS BY DEVELOPING APPROPRIATE DOMESTIC POLICIES AND TOOLS WHICH WILL PROMOTE CLEAN AND EFFICIENT ENERGY USE, REDUCED BARRIERS TO ENERGY EFFICIENCY, RENEWABLE ENERGY AND OTHER CLEANER ENERGY TECHNOLOGIES.

WE TASK OUR ENERGY AND OTHER RELEVANT MINISTERS TO WORK COLLABORATIVELY TOWARD THE IMPLEMENTATION OF THIS ACTION ITEM, AS CONSISTENT WITH THE HEMISPHERIC ENERGY INITIATIVE BEGUN IN MIAMI IN 1994. PROGRESS SHALL BE MONITORED BY THE HEMISPHERIC ENERGY STEERING COMMITTEE AND REPORTS SHALL BE MADE TO THE CONFERENCE OF THE PARTIES OF THE FRAMEWORK CONVENTION ON CLIMATE CHANGE.

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Hemisférica
de Energía
energo de 1998

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GENERAL SERVICES ADMINISTRATION

**THIRD HEMISPHERIC MEETING OF ENERGY MINISTERS
CARACAS, VENEZUELA
JANUARY 15-16, 1998**

CARACAS DECLARATION

INTRODUCTION

The Energy Ministers of the Hemisphere, with the mandates of the Summit of the Americas of December 1994, celebrated in Miami, U. S. A., as well as the agreements from the First Hemispheric Meeting of Energy Ministers/ Hemispheric Energy Symposium celebrated in Washington, D. C., October 1995, and the Second Hemispheric Meeting of Energy Ministers celebrated in July 1996 in Santa Cruz de la Sierra, Bolivia, now celebrate the Third Hemispheric Meeting of Energy Ministers with the following objectives:

- Evaluate the fulfillment of the commitments adopted.
- Review the state of progress of the activities that the different working groups of the hemispheric energy initiative are carrying out under the coordination of the Steering Committee.
- Further strengthen the hemispheric cooperation process in the area of energy
- Consider the institutionalization of the Hemispheric Energy Initiative and especially the options for establishing a Coordinating Secretariat for this Initiative.
- Become informed regarding the meeting held by the private sector entitled "First Energy Business Forum of the Americas"
- Consider the paragraphs to be proposed to the Heads of State and Government with respect to the topic of energy which will be submitted for consideration at the Second Summit of the Americas for their inclusion in the Declaration of Principles and in the Action Plan that the Heads of State and Government will sign.

CONSIDERING

- That in the Declaration of Principles and the Action Plan adopted at the Summit of the Americas, the Heads of State and Government of the Hemisphere committed to guaranteeing sustainable development and conservation of the environment for present and future generations and stated that sustainable economic development requires hemispheric cooperation in the area of Energy; commitments that were countersigned at the Hemispheric Summit celebrated in Santa Cruz de la Sierra, Bolivia, in December 1996.

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III Reunión Hemisférica de Ministros de Energía

Caracas, 18 y 19 de enero de 1998

- That during the First Hemispheric Meeting of Energy Ministers held in Washington, D.C., U.S.A., it was agreed to increase regional cooperation among governments, multilateral financing institutions, non-governmental organizations and the private sector as a mechanism to achieve economic and energy development in our hemisphere.
- That at the Second Hemispheric Meeting of Energy Ministers held in Santa Cruz de la Sierra, Bolivia, in July 1996, the key role of the energy sector in the achievement of sustainable development was confirmed, and the need to promote private investment in the sector was recognized.
- That at the Second Hemispheric Meeting of Energy Ministers, energy supply to rural areas was qualified as being imperative due to its importance in sustainable human development. That the Heads of State and Government of the Hemisphere at the Summit on Sustainable Development resolved to collaborate on strategies and training to increase access to energy services in rural areas in order to assure a hemispheric coverage for 80% of the total population in the year 2010.
- That this Third Hemispheric Meeting furthered the understanding of those aspects essential to the advancement of the hemispheric integration process as well as identifying the following complementary elements:
 1. To acknowledge that the development of regional links in the energy sector and the intensification of the marketing of energy related products, goods and services, have acquired high levels of dynamism, which may strengthen and foster the Integration Process of the Americas. Likewise, integration contributes to the achievement of the goals of sustainable development in the energy sector as stated in the Summits of the Americas.
 2. To ratify that the energy sector can be a driving force in the Integration Process. Aware of the challenge this implies, it is necessary to recognize that consensus does exist in identifying the core principles that take into account different national conditions and objectives. In order that the integration processes be the result of transparent and competitive activities. These activities should be oriented toward improving the quality of life of the inhabitants of the hemisphere by satisfying their demands, applying high-quality technologies with minimal impact to the environment.
 3. To recognize that the consolidation of these principles will require a considerable effort to design and implement policies and programs to be applied by the respective governments. To accomplish this, it is necessary to intensify the exchange of experiences and cooperation in trade policies.



**III Reunión Hemisférica
de Ministros de Energía**
Caracas, 18 y 19 de enero de 1998

regulatory and tax frameworks, based on the advances achieved through this initiative.

WE HEREBY DECLARE

Organization

We the Ministers recognize the need to assure a continuity of efforts in our countries within this framework of cooperation.

In this sense, we have decided to create a Coordinating Secretariat for one year as a one-stage trial. This Secretariat will be composed of:

- An official from the Ministry of Energy and Mines of the Republic of Venezuela with appropriate support, with headquarters in Caracas.
- An official from the US Department of Energy with headquarters in Washington, D.C.
- An official appointed by the Latin American Energy Organization (OLADE) with headquarters in Quito, Republic of Ecuador.

The official based in Venezuela will be the focal point for handling queries, providing administrative assistance and dealing with the flow of information, etc.

We charge the Steering Committee with the definition of the mechanisms of rapport with the Coordinating Secretariat so that the latter may efficiently support the workgroups.

Integration of Energy Markets

Recognizing the commitment of our Governments to conclude negotiations in the area of Free Trade in the Americas (ALCA) at the latest by the year 2005, we the Ministers commit to promoting policies and processes that facilitate infrastructure development beyond international borders, as well as the marketing of products, goods and services related to the energy sector, for the integration of the energy markets in accordance with the commitments that our Governments take on within the context of the negotiations in the area of Free Trade in the Americas (ALCA).

In order to achieve an increased integration of energy markets, we the Ministers undertake to promote as diligently as possible policies and processes fostering infrastructure development across international borders.



**III Reunión Hemisférica
de Ministros de Energía**
Caracas, 15 y 16 de enero de 1998

In this sense, and with the purpose of promoting the removal of existing barriers in the market of energy products, and in order to facilitate the formulating of specific proposals to stimulate the free marketing of energy, the Steering Committee is charged with the study of coordination mechanisms with the ALCA workgroups, for the purpose of obtaining information regarding the progress achieved in the different work areas that conform the present commercial integration process related to the energy sector. The result of this research should be presented for consideration by the Energy Ministers at the Fourth Hemispheric Ministers' Meeting.

Regulatory Framework:

In accordance with the legal and constitutional rules of every State, we agree to:

To take steps so that national regulations allow market forces to operate with the greatest freedom and transparency.

To promote the creation and strengthening of regulatory entities in order to develop and maintain predictable and transparent regulatory systems which take into account the needs of the different Parties involved, including producers, suppliers and consumers.

To facilitate the integration of the markets of natural gas and electricity exchange via fixed grids, and with this end in mind we will promote the development of domestic regulations aimed at:

1. Assuring open access of third parties to the capacity remaining in these grids,
2. Assuring non-discriminatory treatment for local and foreign companies,
3. Providing broad access to information,
4. Preserving the environment, and
5. Maintaining reliability and safety of the respective energy systems.

Investment promotion

In accordance with the international commitments that the States may take on within the context of the negotiations in the Free Trade Area of the Americas and other international agreements, we the Energy Ministers recognize that it is necessary to establish predictable, transparent and non-discriminatory legal, tax and regulatory systems in order to promote local and foreign private investment in the energy sector in the permitted areas in the respective Constitutions.

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**III Reunión Hemisférica
de Ministros de Energía**
Caracas, 15 y 16 de enero de 1998

Rural electrification

In accordance with the constitutional rules of every country, we undertake to find sustainable financial solutions in order to meet the goals regarding rural electrification coverage, as stated in the Action Plan of the Summit on Sustainable Development, seeking to involve the private sector and multilateral financing organizations.

Considering Strategies for Climate Change

We the Ministers recognize the key role technologies play in managing the environmental aspects related to energy and we exhort hemispheric cooperation in order to achieve successful results in this field.

Based on the above, we the Ministers agree to reactivate the workgroup on climate change for purposes of exchanging information and analyzing cooperation activities and mechanisms among the countries of the Hemisphere, in the light of the United Nations Framework Convention on Climate Change and the decisions made at the III Conference of the Parties held in Kyoto, Japan; as well as of the results of the discussion to be held at the meeting in Buenos Aires, Argentina, November 1998.

We agree to instruct the Steering Committee to develop, with the support of the Coordinating Secretariat, the report for approval by the Energy Ministers. This report will be presented at the II Summit of the Americas to be held in Santiago de Chile in April 1998.

We agree to instruct the Steering Committee to follow up on the measures and actions set forth in this Declaration, and to convoke the IV Hemispheric Meeting of Energy Ministers in 1999, to be held in Mexico on a date to be defined.

We would like to express our gratitude to the Government and the people of the Republic of Venezuela for their warm welcome and excellent organization of this meeting.

We hereby express our consent in regard to the text of this Declaration in witness whereof we sign hereon in the city of Caracas, Republic of Venezuela, on this 16th day of January, 1998.

THE WHITE HOUSE
WASHINGTON

File
Summit
-Energy

January 26, 1998

The Honorable David L. Boren
President
The University of Oklahoma
660 Parrington Oval, Room 110
Norman, OK 73019-0390

Dear David:

Your letter of January 20th regarding a potential secretariat role for the EIA is received, noted, and appreciated. I was most impressed with the presentation by Ambassador Corr and Dr. Gertsch, and they are outstanding individuals, both personally and professionally, as you know. I think your basic premise that we are achieving a more collaborative and cooperative process in hemispheric energy matters is an accurate one. Moreover, the points you make about the OAS and OLADE are appropriate reservations.

Let me review this matter in a careful and serious way with Secretary Pena and others, and I look forward to discussing it further with you and Ambassador Perkins. I will be in touch soon.

Personally,

Bill

*I trust you is well & all well in
the great State of Oklahoma.*

cc: Nelson

Jan

Eric

Desk

EIA FILE



The University of Oklahoma

OFFICE OF THE PRESIDENT

response

Nelson - Dir

Eric

File

Desk

January 20, 1998

Mr. Thomas McLarty, III
Counselor to the President
The White House
Washington, D.C.


Dear Mr. McLarty:

Ambassador Ed Perkins, Director of our International Programs Center, and I were briefed on the meeting you had recently with two representatives of the University of Oklahoma: Ambassador Ed Corr and Dr. W.D. Gertsch concerning our Energy Institute of the Americas (EIA).

I established the EIA early in my tenure as OU's president in what is a co-venture with my counterpart at Simon Bolivar University in Caracas, Venezuela. Our respective countries are obviously key to energy policy and related matters in the Western Hemisphere, and we seek opportunities to align our activities as much as possible with the objectives being pursued by the hemispheric energy ministers' initiative. Since the formation of EIA, we have been joined by universities in Calgary and Brazil. Highest ranking officials from both Petrobras and Petroleos de Venezuela, together with former Secretary James Schlesinger, Archie Dunham (CEO, Conoco) and Charles Schusterman (CEO, Samson Energy) comprise the board of EIA.

I understand that the scope and intensity of work of the Western Hemispheric Energy Initiative — the meetings of its standing committees and the energy ministers' meetings — have reached such a level that thought is being given by the Hemisphere's energy ministers to the establishment of a secretariat. My opinion on this is that the secretariat should reside in an institution that is apolitical and acceptable to private sector energy companies, state energy companies, and Hemispheric governments. The Energy Institute of the Americas that was formed by Venezuelans and Oklahomans fits this description.

Mr. Thomas McLarty, III
January 20, 1998
Page Two

We hear that the Organization of American States (OAS) might like to perform this function, but Cuban membership there and possible OAS problems of excluding Cuba from the Initiative make the OAS problematical. The Energy Organization of Latin American (OLADE) is also mentioned as a candidate for the Secretariat, but the fact that the United States is not a member of OLADE make it unattractive.

I believe the Energy Institute of the Americas would be ideal as the Western Hemisphere Energy Initiative secretariat. The EIA's growing recognition, competence, and efficiency together with its multi-national make-up, objectivity, and non-political orientation give it an advantage over other organizations. I hope that our government will consider recommending that the EIA become the secretariat.

With best regards,

Sincerely,

A handwritten signature in black ink, appearing to read 'DLB', with a stylized flourish extending from the end.

David L. Boren
President

cc: Secretary of Energy Federico Pena

The Energy Council

December 16, 1997

Chairman Eli Bebout
House of Representatives
Wyoming

Vice Chairman Manny Aragon
Senate President Pro Tem
New Mexico

Lori Cameron
Executive Director

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Handwritten initials: M, K, S, J, C

Mr. Thomas F. McLarty III
Counselor to the President and
Special Envoy for the Americas
Executive Office of the President
1600 Pennsylvania Avenue, N.W.
First Floor, West Wing
Washington, D.C. 20500

Handwritten: (1) Address

Handwritten: (2) News

Handwritten: (3) Press

Handwritten: File Issues - Energy

Dear Mr. McLarty:

As you may recall, the Energy Council is an organization of legislators from ten energy-producing states. Last September at the Energy Council's Annual Meeting Venezuela became part of the Council, joining Alberta as our second international affiliate. Venezuela has appointed the Chairmen of the House and Senate Energy and Mines Committees to the Council's Executive Committee. Petroleos de Venezuela, S.A. has been a member of our research affiliate, the Center for Legislative Energy and Environmental Research (CLEER), for three years. Enclosed are directories that will give you a better idea of our membership.

In January, Arkansas Senator Stanley Russ, as Chairman of CLEER, will join the Council's Chairman, Representative Eli Bebout of Wyoming, in leading a delegation of Executive Committee legislators and CLEER members, including Brad Keithley of Jones Day, to Venezuela to participate in the Energy Business Forum (January 13-14) and observe the Energy Ministerial Meeting (January 14-15). We understand that the Ministerial Meeting will discuss recommendations for submission at the Santiago Summit in April and the establishment of a permanent secretariat in Venezuela to carry out the work of the Western Hemispheric Energy Initiative.

As Bill Burton has discussed with your staff, it would be very helpful to us to understand the U.S. position on the permanent secretariat and other matters to be addressed in the Caracas Ministerial Meeting. We have a very close working relationship with the Venezuelans and have been following Latin American energy issues for quite a while.

On a second matter, we would like to extend a personal invitation to you to address the Council on Sunday afternoon, March 15, or Monday morning, March 16, in Washington, D.C., at our 1998 Federal Energy and Environmental Matters Conference at the Hotel Washington.

Handwritten bracketed note: Might it be possible to meet with you prior to the Caracas meeting in mid-January? We look forward to hearing from you on this matter.

Sincerely,
Lori Cameron
Lori Cameron
Executive Director

Handwritten signatures: Peter Eric, Bob