



# communiqué

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## IEA MINISTERIAL MEETING - PARIS, MAY 21-22

The Department of External Affairs and the Department of Energy, Mines and Resources announce that at the Ministerial Meeting of the International Energy Agency (IEA) held in Paris on May 21-22 Canada joined with the other members of the IEA in adopting Principles for IEA Action on Coal, and in deciding on Procedures for Review of IEA Countries' Coal Policies.

.. Attached are texts of the Principles for IEA Action on Coal as well as of a Canadian statement of interpretation, which was tabled at the Ministerial Meeting.

PRINCIPLES FOR IEA ACTION ON COAL

The Governing Board at Ministerial Level<sup>(1)</sup>

considering:

The Agreement on an International Energy Programme, signed in Paris on 18th November, 1974 and the Participating Countries' determination to reduce over the longer term their dependence on imported oil for meeting their energy requirements and to encourage the development of alternative sources of energy such as coal, as provided in Articles 41 and 42 of that Agreement;

The Long-Term Co-operation Programme of the International Energy Agency, adopted by the Governing Board on 30th January, 1976, which provides for the accelerated development of alternative sources of energy; for co-operation in specific energy sectors, including coal; and for other long-term energy measures;

The Ministerial Decision on Group Objectives and Principles for Energy Policy, adopted by the Governing Board meeting at Ministerial level on 5th and 6th October, 1977;

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- (1) The Conclusions of the Ministerial Meeting will state that the Governing Board "adopted the Principles for IEA Action on Coal and in doing so noted that, although Sections I and II and the Annex do not establish legally binding commitments, the Governments of Participating Countries expressed their firm political determination that, taking into account their individual energy circumstances, they will give effect to those Sections and the Annex in carrying out their policies. The Conclusions of the Ministerial Meeting will also state that the Principles for IEA Action on Coal pertain to all forms of coal other than coal used for metallurgical purposes.

and that it is now necessary to elaborate in more detail the action called for by Principle No. 6 of those Principles for Energy Policy, providing for a strong steam coal utilization strategy and active promotion of an expanded and reliable international trade in steam coal;

The Recommendation on Coal and the Environment adopted by the OECD Council on 8th May, 1979 following a proposal by the Environment Committee meeting at Ministerial level on 7th-8th May, 1978.

I. Coal in the Overall Energy Context

The Governing Board at Ministerial level:

1. Has reassessed the overall energy prospects to 1985 and beyond, and concludes:

a. The basic prospects for energy market developments have not improved since the meeting of the Governing Board at Ministerial level in October, 1977.

b. The world is still confronted with the serious risk that within the decade of the 1980's it will not have sufficient oil and other forms of energy available at reasonable prices unless present energy policies are strengthened. Such a situation would have severe economic, social and political repercussions in all Member countries and throughout the world.

c. Developments in international oil markets during recent months have demonstrated how difficult it is to predict accurately when such a situation might arise. They have, moreover, shown clearly how exposed the world's oil supply system is, even in the short term, to unexpected supply disruptions.

2. Recognises and reaffirms the continuing need for strong policy action in all sectors of energy policy.

3. With regard to coal in particular, notes the study "Steam Coal Prospects to 2000" in which the Secretariat, on the basis of its own analysis, presents views on the potential contribution of coal to the future energy supply and demand balance.

4. Assesses the future potential for coal as follows:

a. Conventional oil supplies will not be available at reasonable prices and in sufficient quantities to meet the growing needs of the world during the medium and longer term.

b. Coal, nuclear power and energy conservation are the principal energy options with major potential for reducing oil dependence and thus improving the overall energy position in the medium term.

c. In many areas of the world, coal is now economically competitive with oil in major energy consumption sectors. The competitiveness of coal is likely to improve in the future. Moreover, the coal resource base is extensive and could sustain a greatly increased production of coal.

d. Long lead times for investment in coal utilisation equipment on the demand side and in mining and transportation on the supply side limit the short-term potential to expand coal's contribution. Beyond 1985, coal could provide a substantially greater contribution to the energy needs of IEA countries. This depends on the adoption by governments now of appropriate coal policies which stimulate capital investments on a scale commensurate with the long-term potential of this energy source.

5. Considers that with action along the lines set forth below, thermal coal utilisation in the IEA area, which in 1976 was 475 Mtoe, could, by adoption of strong national coal policies, increase beyond the 900 Mtoe for 1990 in current forecasts based on country submissions towards the 1500 Mtoe level for 2000 projected in the Secretariat's accelerated policy case in "Steam Coal Prospects to 2000".

6. Recognizes that the achievement of a rate of steam coal utilization of this order will require long term policies conducive to increased coal utilization, trade, and production in order to encourage the necessary capital investment.

7. Recognises, however, that countries with different constitutional structures, with different national economic systems, or with differing forms of organisation of their coal industries, whether private, public or mixed, will, in their endeavours to increase coal utilisation, trade and production, necessarily have to implement and apply these Principles for IEA Action on Coal in ways which are compatible with these situations(2).

8. Recognises that some significant coal producers, particularly the United Kingdom and Germany, will wish to maintain policies for safeguarding their domestic coal production at levels required for energy, social or regional policy reasons.

9. Recognises that increased coal utilisation, trade and production must proceed under acceptable environmental conditions. This will require careful planning from the beginning in order to assure a reasonable and continuing balance between energy requirements and environmental requirements.

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(2) The Conclusions of the Ministerial Meeting will state that paragraph 7 pertains to Sections I and II and to the Annex.

10. Concludes that long-term oriented, effective and reliable action by Governments of IEA countries is necessary to reduce the uncertainties associated with the coal option and to improve the conditions under which enterprises develop coal utilisation, production and trade, including action to ensure the environmental acceptability of coal.

11. Concludes that in order for national coal policy measures of individual IEA countries to reinforce each other and achieve their full potential, their adoption and implementation should be on the basis of international co-operation within the IEA along the following lines:

a. Coal will be established as a major energy source within the IEA group, and countries where coal does not at present contribute significantly to energy balances will consider it as one of the primary alternative energy choices.

b. Countries with the potential for large increases in coal production, in particular Australia, Canada and the United States, will extend their coal production facilities and infrastructure to permit increased domestic use of coal as well as exports consistent with economic and social costs.

c. Other significant coal producing countries, in particular the United Kingdom and Germany, while securing the level of their coal production required by energy, social and regional policies, will accept imported coal rather than oil to meet demand in excess of this level.

d. All IEA countries will enlarge their use of coal; where insufficient coal is available domestically, countries will seek long-term secure supplies of imported coal and provide security of access to markets.

12. Concludes that co-operation with countries which are not members of IEA, and with regional or other groups of countries with significant coal interests, would also make a positive contribution to increased coal use and trade.

13. Concludes that in order to provide reliable long-term conditions for the development of expanded trade and investment in coal, IEA countries should implement domestic measures in a manner which encourages such development.

14. Concludes that it will be necessary to establish procedures for assessment of evolving national coal programmes and policy on an on-going basis, within the IEA. The purpose of such consideration will be to ensure that national coal policy planning in each IEA country proceeds on the basis of co-operation among IEA countries and takes full account of the overall energy situation.

## II. Principles for Coal Policy

The Governing Board at Ministerial level adopts the following Principles for Coal Policy(3):

15. As an essential element in meeting future energy needs, and in the light of coal's potential as outlined in Section I, IEA countries will, as common objectives, expand:

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(3) The Conclusions of the Ministerial Meeting will state that "The commitment under this Section II and the Annex of any IEA country under whose constitutional structure, state or provincial governments have jurisdiction over any policy or measures called for in this Section II or the Annex, is subject to that policy or measures being adopted by the state or provincial government with jurisdiction. Its national government will, however, endeavour to obtain the co-operation of competent organs, and consensus in due course".

- a. the use of coal as an alternative fuel;
- b. the production of coal to meet this increased demand;
- c. international trade in coal to meet increased demand.

They will make that commitment clearly known to investors, industry and the general public.

16. They will assess their environmental policies, provisions and practices affecting coal mining, transport and combustion, disposal of coal waste, and land reclamation and, where necessary, will amplify and clarify them, taking into account:

- a. technology which is already available and which can be more widely and effectively utilised in commercial applications;
- b. the need to develop technologies for additional improvements through research and development, and to commercialize them as soon as they are economically viable;
- c. the need to provide long-term reliability for investments by minimizing revisions of environmental standards for existing facilities which disproportionately increase costs in relation to environmental benefits;
- d. the need to minimise the complexities, costs and duration of procedures for obtaining necessary approvals.

17. They will assess on a co-operative basis the wider environmental impact of increasing coal production and combustion taking into account the Recommendations on Coal and the Environment adopted by the OECD Council on 8th May, 1979 following a proposal by the Environment Committee meeting at Ministerial level on 7th-8th May, 1979.



18. In fulfilling their existing commitment to allow domestic energy prices to reach a level which encourages energy conservation and development of alternative sources of energy, IEA countries will allow coal to develop its full competitive power.

19. They will ensure that the use of oil for electricity generation is minimised by national energy policy planning which, with a minimum of exemptions, precludes new or replacement base load oil-fired capacity; progressively confines oil to middle and peak loads; and makes maximum use of fuels other than oil in dual-fired capacity.

20. They will encourage the development of transportation systems, port facilities and other infrastructure, where necessary, to handle much larger volumes of coal.

21. They will ensure that advanced methods for coal mining, transport and combustion (particularly fluidised bed combustion, improved emissions control and disposal and utilization of solid wastes) and conversion into other fuels, receive high priority in energy R, D & D programmes; and will promote the rapid commercialisation of advanced coal technologies which are economically feasible and environmentally acceptable.

22. IEA countries both as producers and consumers will facilitate the expansion of international trade in coal and will do so on a basis which encourages the development of stable relations between consumers and producers, on fair, reasonable and competitive terms, especially by means of long term contracts. They will ensure that an economic, fiscal and investment climate prevails which is conducive to development of coal production, trade and utilization as envisaged in these Principles for IEA Action on Coal.

23. In order to provide reliable conditions for the development of expanded markets for coal, IEA countries which have measures in force concerning international trade in coal, including coal prices, will implement and apply those measures in a manner which fully supports these Principles for IEA Action on Coal; and they will not introduce new measures regarding international trade in coal which are inconsistent with these Principles for IEA Action on Coal [except for over-riding reasons concerning the national interest, in which case they will take full account of these Principles for IEA Action on Coal/].

24. Once a long-term contract for international trade in coal has come into force, (5) the governments of IEA countries concerned will not interfere with the implementation of the contract in accordance with its terms, unless they are compelled to do so by severe developments in the coal supply situation occurring in an individual country which threatens that country's wellbeing; or by a severe international energy supply emergency in which latter case they will apply any restrictions on an equitable and non-discriminatory basis (6).

(4) The exception stated at the end of paragraphs 23 and 25 is included at the request of Australia and Canada, and accepted by the other IEA countries on the basis of statements to the Ministerial Meeting of these two countries.

(5) The Conclusions of the Ministerial Meeting will state that "come into force" is understood as meaning that:

(a) where government approvals are required such approvals have been obtained;

(b) where government approvals are informal, the contract is made known and no objection is raised;

(c) where there is no system for government approval, the contracting parties have concluded the contract.

(6) The Conclusions of the Ministerial Meeting will state that such interventions by IEA Governments will be limited in nature and time to the situation which gives rise to them; and that paragraph 24 covers both exports and imports, and either surplus or deficiency of supply.

25. In their efforts to establish an investment climate which encourages the investment necessary to expand coal production, IEA countries will in general maintain positive attitudes towards investment for coal projects, including international investment flows. Insofar as IEA countries have measures in force which provide for review or control of international investment flows, they will implement and apply those measures in a manner which fully supports these Principles for IEA Action on Coal. They will not introduce new measures(6) regarding international investment flows for coal projects which are inconsistent with these Principles for IEA Action on Coal except for over-riding reasons concerning the national interest, in which case they will take full account of these Principles for IEA Action on Coal.

26. To help maintain a steady flow of coal in commercial channels on a non-discriminatory basis, IEA countries will monitor the structure and growth of international coal trade as it develops.

27. In designing and implementing their national energy policies, IEA countries will take the specific steps described in the Annex.

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(6) The Conclusions of the Ministerial Meeting will state that the "new measures" referred to in the last sentence of paragraph 24 would include not only general measures but also any new distinctions between foreign and domestic private investors with regard to a particular coal project which has come into force (see footnote 4 on page 11). In this regard, it was noted that IEA countries have rights and obligations under the OECD Declaration on International Investment and Multi-National Enterprises (21st June, 1976).

ANNEX

Specific Steps to Increase:

Coal Utilisation

1. Ensure that national energy policy planning precludes, with a minimum of exceptions, the construction of new or replacement base-load power plants which are exclusively or mainly oil-fired. Exceptions should be permitted only where they are reasonably covered by the following situations:
  - national action has been taken to restructure refinery yield patterns toward light products but has not yet been able to eliminate excess quantities of residual fuel oil which cannot be used for other purposes;
  - economic or supply conditions, including remoteness of location, are such that use of fuels other than oil is unreasonably expensive in comparison with oil;
  - because of local climatic or demographic conditions it is impossible or unreasonably expensive to use fuels other than oil fuels in an environmentally acceptable way even with advanced technology.
2. Require that existing oil-fired base-load power plants be progressively limited to middle or peak load requirements.
3. Ensure that dual-fired power plants are not fired with oil unless other fuels are unreasonably expensive in comparison with oil or it is temporarily necessary for environmental reasons.
4. Facilitate timely construction of coal-fired power plants and supporting facilities where necessary, e.g. by improved siting and licensing procedures.

5. Encourage electric utilities to secure, and coal producers to supply, a larger part of coal requirements for power generation under long-term arrangements in order to achieve long-term supply stability; and facilitate negotiations between electric utilities and coal producers.

6. Encourage the substitution of coal for oil in new and existing industrial facilities for production of steam and process heat, unless the costs, including those for environmental protection, would be unreasonably high in comparison with oil.

7. Encourage the use of large coal-fired boilers when planning new industrial parks, district heating and cogeneration projects.

8. Ensure adequate research and development and facilitate the rapid commercialisation of improved technologies for coal combustion, including means for keeping the coal combustion cycle environmentally acceptable.

9. Encourage the commercialisation of technologies for converting coal into gas or liquid fuels, including demonstration plants.

### Coal Mining

10. Ensure that fiscal regimes, e.g., government royalties and severance taxes, or transportation tariffs do not adversely affect the viability of coal mining developments.

11. Undertake programmes for labour training, improved community infrastructure and other services, where necessary to increase production.

12. Ensure that conditions for leasing of or other access to government lands and for licensing procedures for mine development encourage timely and effective expansion of coal production.

13. Ensure that mining regulations relating to environmental safety and health regulations take account of available technologies.

Coal Transportation

14. Encourage the development of efficient, economic and environmentally acceptable transportation systems with adequate capacity and flexibility (e.g. inland transportation facilities, ocean port facilities and sea-going carriers) where necessary to handle expected increases in coal trade volumes.

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NOTE

An official French translation of the Principles for IEA Action on Coal will be issued by the IEA at a later date.

CANADIAN INTERPRETATIVE STATEMENT  
FOR DELIVERY AT TIME OF ADOPTION OF  
PRINCIPLES FOR IEA ACTION ON COAL

Mr. Chairman,

Canada is pleased to associate itself with other Governing Board members in the adoption today of the Principles for IEA Action on Coal, and the Decision on Procedures for Review of IEA Countries' Coal Policies. At the last Governing Board meeting at Ministerial level in October, 1977, IEA participating countries adopted a series of Principles for Energy Policy. Principle No. 6 called for a strong coal utilization strategy and the active promotion of an expanded and reliable international trade in coal. At that time all IEA countries agreed that increased coal consumption, production and trade were essential in order to reduce the group's dependence on imported oil and thus contribute to a better world energy balance.

Events on the international energy scene since October 1977, and particularly global oil supply and price developments over the past several months, have made it even more imperative that IEA countries elaborate on the kinds of policies which will be required to bring about this enhancement of the importance of coal as an energy source. This dramatic reminder of the need for developing alternative energy sources make it particularly appropriate and timely for IEA countries to take this important collective decision on Principles for Action on Coal.

While Governing Board members, including Canada, are agreed on the objective of elaborating in detail, through the Principles adopted today, on the action called for in Principle No. 6 of the October, 1977, Ministerial Decision, it is important that IEA Participating Countries and their publics make certain they understand what is being done through this document. They should be clear on the precise nature of the obligations being undertaken today, in what policy areas, and on what governmental bodies. For this reason Canada has asked for the floor at this time to indicate for the record its understanding of the domestic and international implications for Canada of the provisions of these Principles, and the accompanying Governing Board Decision on Procedures for Review of IEA Countries' Coal Policies.

- The coal document makes clear that the Principles for IEA Action on Coal are not legally binding. Footnote No. 1 makes it clear that in accepting the Decision governments of IEA Participating Countries express their firm political determination to give effect to the Principles "taking into account their individual energy circumstances". One important aspect of Canada's energy circumstances which will have to be taken into account is that, given the diverse nature of our



energy resources and the location of many of our coal reserves far from population centres, coal has not accounted for a significant proportion of our energy supply, nor is it likely to in many regions of the country, at least in any foreseeable future.

- The Canadian Government in adhering to this Decision does not thereby commit Canada to any specific course of action on the part of the governments of the Canadian Provinces. Each Province has its role to play in this area under our constitutional system, and several have already articulated comprehensive coal policies. Canada's concurrence in the Governing Board's adoption of this coal document thus does not mean that the policies of the individual Provinces will necessarily conform to the coal policy principles contained herein.
- Canada accepts that there is an obligation on the Federal Government to consult with the Canadian Provinces and endeavour to obtain a consensus on the adoption by Provinces of any policy or measure called for in Section II or the Annex of

the Principles for IEA Action on Coal over which Provincial Governments have jurisdiction. Canada recognizes that the Governing Board has generally taken into account the constitutional structures of Canada and other IEA countries with federal systems through the inclusion of footnote No. 3. The Canadian Government will of course respect this obligation, but of course there is no presumption that a consensus must inevitably be arrived at, or that a consensus reached must necessarily be satisfactory to other IEA member countries.

- The Principles for IEA Action on Coal is not a trade or international investment document; it does however have implications for these areas. Canada understands that the provisions in the Principles relating to trade and investment questions relate in all instances to two-way trade and investment flows, for both coal consuming and coal producing IEA countries.
  
- The IEA Coal Principles are not intended to supersede member country rights on trade and investment matters under existing international agreements. While footnote No. 6 to paragraph 25 of the Principles specifically mentions the

1976 OECD Declaration on International Investment and Multinational Enterprises, it is Canada's understanding that in general the references to trade and investment issues in the Principles for IEA Action on Coal do not inhibit the rights of Canada or any other IEA country under any existing international contractual agreements. This would include rights and obligations under the GATT regarding both exports and imports.

- The Procedures for Review of IEA Countries' Coal Policies have been treated in a separate Governing Board Decision which has also been adopted at the Ministerial Meeting. Canada interprets this Decision as binding it only to consult on, and engage in review by the IEA Governing Board of, the extent to which the Principles for IEA Action on Coal figure in its national coal policy. This would involve a requirement to report on any policy change relevant to the Principles, after it has been introduced.
  
- The separate Decision on review procedures contains references to specific paragraphs in the Principles for IEA Action on Coal document. Canada interprets these references as being illustrative only and

wishes to confirm its understand that, while the Governing Board Decision on Procedures for Review of IEA Countries Coal Policies is binding on participating countries to the extent mentioned above, these references to paragraphs in the Principles for IEA Action on Coal do not in any way change the agreement of Governing Board members that the latter document is not legally binding.

Canada considers the adoption of IEA Coal Principles to be an important forward step in the context of international energy relations. Though not an intergovernmental agreement, the Principles constitute a political instrument designed to promote a suitable coal investment and trade climate. In the final analysis, it will be bilateral commercial arrangements which will bring about the actual increases in international trade in coal desired by all. These IEA Principles will demonstrate to enterprises in coal consuming countries that coal producing IEA countries are prepared to cooperate in developing a secure coal supply for this trade. At the same time, it is a sign to coal producers that coal consuming IEA countries are willing to undertake measures that will develop assured long term markets for their future production. The Principles for IEA Action on Coal will help bring about the

conditions that will make increased IEA coal consumption, production and trade possible and in so doing make a significant contribution towards meeting the energy needs of IEA Participating Countries.