

121245 ~~25001~~



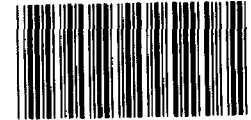
UNITED STATES GENERAL ACCOUNTING OFFICE  
WASHINGTON, D.C. 20548

INTERNATIONAL DIVISION

B-203093

APRIL 21, 1983

The Honorable Howard M. Metzenbaum  
United States Senate



121245

Subject: Information on the Operation of the  
International Energy Agency's Coal  
Industry Advisory Board, (GAO/ID-83-44)

Dear Senator Metzenbaum:

In response to a February 14, 1983, request from your office, we are providing information on the composition and role of the Coal Industry Advisory Board (CIAB) of the International Energy Agency (IEA).

This report specifically focuses on (1) why the CIAB was established, (2) its structure and organization, (3) how it operates, and (4) its reports. It also presents an overview of the decision to extend the term of the CIAB.

WHY THE CIAB WAS ESTABLISHED

The CIAB was established in 1979 by the IEA's Governing Board to provide a forum for leaders of coal-related enterprises to discuss and participate in planning and actions for enhancing the production, trade, and use of coal. It was initially established for a 3-year period, essentially to provide advice and suggestions to the IEA and its member nations.<sup>1</sup>

Concern over growing oil import dependence and the need to accelerate development of alternative fuels prompted the IEA to establish the CIAB. Earlier in 1979, the IEA also set goals of expediting the development of coal and substantially increasing

---

<sup>1</sup>Australia, Austria, Belgium, Canada, Denmark, Germany, Greece, Ireland, Italy, Japan, Luxembourg, Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland, Turkey, United Kingdom, and United States.

(488112)

025441

coal use by member nations. In establishing the CIAB, the IEA member nations recognized the importance of government-industry cooperation if coal mining, transportation, and use were to be improved and acceptable environmental standards maintained.

#### ORGANIZATION AND STRUCTURE

The CIAB is composed of 37 individuals of "high standing active in coal related industries," including coal companies, electric utilities, steel and oil companies, manufacturing firms, and national coal and electric boards. Members are nominated by their individual governments to serve 3-year renewable terms. (See app. I for a list of current members.)

U.S. nominations to the CIAB are advanced through a decisionmaking process involving the State and Energy Departments and the White House. The number of CIAB members from any one country is approximately related to the size of its financial contribution to the IEA; the United States, which contributes about 25 percent of the IEA budget, has nine members on the Board.

All CIAB nominations are subject to review and approval by the IEA Governing Board. CIAB members participate on a voluntary basis at their own cost. Although members are selected for their demonstrated expertise in coal-related industries, they do not participate as representatives of companies but rather as individuals.

According to the IEA Secretariat and U.S. Government officials, most countries have had little difficulty in identifying qualified individuals who have been willing to participate in the CIAB.

The CIAB annually elects a chairman and two vice chairmen from its general membership. These individuals, together with five to seven other members selected from and by the CIAB, form a Special Committee to coordinate CIAB projects and studies.

The CIAB is forbidden to disclose confidential or proprietary data of any company or other entity. U.S. members participate without the benefit of an antitrust defense. U.S. Government officials maintain that unlike the IEA's oil Industry Advisory Board which is involved in advising on emergency allocation matters, the CIAB's area of focus is more general and therefore provides less risk for anticompetitive behavior. However, as a precautionary measure, a private legal advisor specializing in antitrust issues has been retained by U.S. CIAB

members and a few other members to attend CIAB meetings. This individual is paid by these members to advise them at meetings concerning appropriate antitrust behavior.

Formal CIAB reports are ultimately made available to the public by the IEA, but no transcripts of CIAB meetings are made nor are U.S. or European Community antitrust officials present to monitor the proceedings. Although the legal advisor to the CIAB members writes a summary note of CIAB proceedings, no official record is made of meetings of the full CIAB, the Special Committee, or individual working groups.

#### HOW IT OPERATES

The full CIAB meets once or twice a year as circumstances warrant. It has six working groups, which include associate members appointed by CIAB members to perform specific tasks. These working groups meet more frequently and focus on coal use, production, environmental issues, infrastructure requirements, international trade, and research and development.

The CIAB as an advisory body makes recommendations developed on a consensual basis to the Governing Board on a wide variety of coal issues. These recommendations are reviewed and generally approved by the Governing Board, the highest level of governmental representatives in the IEA. The CIAB also reports on occasion through the Standing Group on Long-Term Cooperation, the IEA government group responsible for long-term energy projects, including coal and coal-related issues. Implementation of CIAB recommendations occurs at an IEA-wide level and on a national government level, depending on the nature of the recommendations.

Staffing of CIAB studies and projects is principally provided by individual members. Professional staff of the IEA Secretariat assigned to the Long-Term Cooperation area also provide technical assistance to the CIAB. However, the number of Secretariat staff and the percent of IEA funds allocated for CIAB matters are nominal.

National government representatives do not participate in CIAB meetings; however, some CIAB members are employees of governmentally controlled entities. The IEA terms of reference establishing the CIAB authorize persons the CIAB considers necessary to complete its work to participate in meetings. Generally, the IEA Executive Director and relevant members of the Secretariat attend CIAB meetings. The CIAB's Special Committee is empowered to provide advice and suggestions to individual governments at their request. The Special Committee meets as

the need arises. Its communication with national governments and the public is always coordinated through the IEA Secretariat and Executive Director.

#### CIAB REPORTS

According to the IEA, the CIAB has provided advice on how to overcome major problems confronting expanded coal use. The CIAB has produced several reports which assemble and analyze information gathered from various sources within the international coal community. These reports also serve as vehicles to summarize and convey coal-related industry views and expertise to the governments of IEA member nations individually and collectively.

In its first report to the IEA in December 1980, the CIAB urged governments to provide a stable framework and business environment within which investment decisions about the coal chain can be made. The CIAB also urged industry, within this framework, to make the necessary long-term commitments. It also underscored its belief that financing for the necessary investments can be found, provided that there is a stable and attractive business environment and that appropriate and secure long-term commitments are made. It cautioned that many uncertainties concerning the coal market, including demand, costs, prices, manpower, transportation, and environmental obstacles, cannot be overcome without the above government and industry action.

The IEA Governing Board reviewed and approved the CIAB's report urging governments and industries of each member country to take responsive action within the limits of existing national government policies and market conditions. CIAB members, with the approval of the IEA Governing Board, met with national government energy ministers and members of industry in their respective countries to discuss specific aspects of the report.

The CIAB played an important advisory role in the publication of the IEA's first "Review of Coal Prospects and Policies in IEA Countries" covering conditions existing in 1981. Although the report reflected that coal use "increased markedly in 1979 and 1980 due to rapid oil price increases and establishment of a framework of political support in many IEA countries," the CIAB advised governments of the difficulties of substantially increasing coal use in member nations. It cited four factors that could reduce the pace of coal for oil substitution: (1) decreasing oil prices, (2) rising coal prices from some sources, (3) a continuing recession significantly reducing overall demand for energy, and (4) high interest rates adversely affecting investment in new plant and equipment, particularly in the conversion area. It also expressed concerns about environmental impediments to increased coal use and about the level of commitment by IEA countries to strategically oriented research, development, and demonstration.

Overall, the CIAB warned against a decreasing level of commitment to coal use, citing the long-term interest of IEA countries. It focused on (1) reducing dependence on oil despite short-term uncertainties, (2) minimizing costs in an effort to hold margins against a fluctuating oil price, (3) dangers of eroding coal market advantage through taxes, government charges, environmental restrictions and planning delays, and (4) the need for long-term research and development.

In May 1982, the CIAB issued a major report, "The Use of Coal In Industry," which concluded that the potential for conversion to coal in industry could be much greater than previously realized. However, it cautioned that realizing that potential is not easy, because industry is diverse, inertia needs to be overcome, and funds are not always available. The CIAB further concluded that in general "governments do not always play a direct role in industry; instead, authorities work through incentives and regulations if they wish to stimulate conversion away from oil. The economics suggest the benefits will be large, but to realize them will take a concentrated effort by both government and industry." Essentially the CIAB report helped identify where the opportunities lie and their magnitude; consequently, it should be of assistance to individual countries in developing strategies aimed at reducing the use of oil in industry. This CIAB report addresses the issues concerning conversion potential within different industrial sectors; development of a coal infrastructure system, including ports, railways, depots, and ash disposal systems to facilitate the use of coal by industry; environmental and other obstacles to increased industrial use of coal; contractual arrangements relevant to coal conversion; and development of improved information concerning coal use by the industrial sector.

The IEA responded favorably to the CIAB report and sponsored a June 1982 Conference on the Use of Coal in Industry with the CIAB. The conclusions of the conference were generally a reiteration of the CIAB report. However, the IEA Governing Board and Secretariat called for follow-up action by member governments and industry. It specifically asked the CIAB to further examine coal waste, review ways to improve international trade in steam coal, and assess the need for expanding integration of the coal supply system. The CIAB was also asked to explore opportunities for improving the image of coal, which is often viewed as "an old-fashioned and difficult-to-use" energy source.

In addition, the CIAB currently has a series of other studies underway.

--A detailed assessment of transportation-related infrastructure prospects and related issues.

--A comprehensive study of the impact of environmental considerations on coal use.

--An examination of how increasing attention to coal quality may effect coal use and transportation as well as the economy and the environment.

#### IEA EVALUATION

In September 1982, near the end of the CIAB's 3-year term, the IEA Secretariat evaluated the CIAB's operation and concluded that it had completed a substantial amount of work in a relatively short period of time. The Secretariat added that the CIAB members and associates had committed their time and resources willingly and that the members had developed into a smooth, cohesive group. The Secretariat, therefore, recommended extension of the CIAB for another 3 years and asked the Governing Board to consider the (1) desirability of maintaining a considerable degree of continuity in CIAB membership since the ongoing work is being done directly by the members and their associates, (2) desirability of maintaining the high caliber of CIAB members, who presently represent the most senior management level in industry, and (3) possibility of reducing CIAB membership from 37 to 32 members to allow for more effective group interaction.

The IEA Governing Board approved the recommendation of the Secretariat unanimously and extended the CIAB's term for another 3 years beginning January 1983. The U.S. Government strongly supported this extension, concluding that the CIAB has been producing a number of useful studies and that it provides the only direct private-sector input into the IEA's deliberations on coal. The membership of the CIAB may be reduced slightly in the months ahead as studies underway are completed.

The information for this report was obtained from the IEA Secretariat, Executive Secretary of the CIAB, U.S. Mission to the IEA, Departments of Energy, Justice, and State, and Federal Trade Commission. Energy and State officials have informally reviewed this report and were satisfied with its content and accuracy.

B-203093

As arranged with your office, no further distribution of this report will be made for 5 days from the date of issue, unless you publicly announce its contents earlier.

Sincerely yours,

A handwritten signature in cursive script that reads "Frank C. Conahan".

Frank C. Conahan  
Director

Enclosure

LIST OF CIAB MEMBERS (note a)

<u>Member</u>	<u>Company or Association</u>	<u>Country</u>
W. Fremuth	Osterreichische Elektrizitats- wirtschafts, A.G.	Austria
J. Medaets	Kempense Steenkolenmijnen N.V.	Belgium
R. C. Gilmore	Canadian Pacific Ltd.	Canada
D. H. Morrish	Fording Coal Ltd.	Canada
M. Williams	TransAlta Resources Corporation	Canada
P. Sachmann	ELSAM	Denmark
K. Nurmimaki	Imatran Voima Oy	<sup>b</sup> Finland
J. Feron	Electricite de France	<sup>b</sup> France
R. Lenhartz	Saarbergwerke A.G.	West Germany
P. Schuhmacher	Heidelberger Zement A.G.	West Germany
H. W. Oberlack	Hamburgische Electricitats- Werke Aktiengesellschaft	West Germany
G. Winkelmann	Stinnes A.G.	West Germany
J. Lang	Electricity Supply Board	Ireland
Y. Morozumi	Electric Power Development Company, Ltd.	Japan
E. Haseo	Mitsubishi Corporation	Japan
M. Tajiri	Tokyo Electric Power Company	Japan
K. Tanaka	Nippon Steel Corporation	Japan
O. Matsuda	Mitsui Mining Company, Ltd.	Japan
P. Fentener Van Vlissingen	SHV Holdings N.V.	Netherlands

a Four vacancies are in the process of being filled by Australia and Italy at this time.

b France and Finland are not members of the IEA but are members of the Organization For Economic Cooperation and Development. IEA procedures authorize appointments to the CIAB from such countries.



<u>Member</u>	<u>Company or Association</u>	<u>Country</u>
L. C. van Wachem	Shell Internationale Petroleum Maatschappij B.V.	Netherlands
M. Portis Valls	Carbunion	Spain
T. Nyten	State Power Board	Sweden
D. Davies	National Coal Board	United Kingdom
P. I. Walters	British Petroleum Company Limited	United Kingdom
O. Bennett	North American Coal Corporation	United States
G. Blackmore	American Electric Power Service Corporation	United States
N. T. Camicia	Pittston Company	United States
J. T. Collinson	Chessie System Railroads	United States
W. G. Heckman	Arch Mineral Corporation	United States
T. A. Holmes	Ingersoll-Rand Company	United States
J. L. Jackson	Diamond Shamrock Corporation	United States
W. F. Kieschnick	Atlantic Richfield Company	United States
G. W. Nichols	New England Electric System	United States