

27TH MEETING OF THE ENERGY CHARTER CONFERENCE

MINISTERIAL SESSION

DISCUSSION NOTE

“Relevance of the International Energy Charter to Global Challenges: its potential contributions to sustainable development and global efforts on climate change”

1. Background

Energy is an integral element to ensure national security as well as for the achievement of economic development. Energy has been discussed as a core agenda for the international community. Resources must therefore be mobilized to strengthen cooperation on energy issues.

With the backdrop of technological advance and economic growth, we face three tectonic shifts in the energy sector. First, the so-called “Shale gas revolution” has brought a structural change of energy supply flow in the world. The emergence of new shale oil and gas suppliers in the global energy market has brought about an opportunity to enhance diversity in energy measures, and has presented consumers with more diversified energy resources. This structural change in supply has caused a slump in prices in the recent crude oil markets as well as to revisit international and domestic energy policies.

Secondly, non-OECD countries, especially Asian countries, will lead global energy consumption in the future. According to the IEA WEO 2015, energy consumption will increase by one-third of present consumption by 2040, which will be driven primarily by non-OECD countries such as India, China, those of Southeast Asia, Africa and the Middle East. With the world population and economy expected to continue growing in the future, the centre of energy consumption is shifting from developed countries to developing countries.

Thirdly, the international community has increasingly promoted the use of clean energy resources including renewable energy, nuclear power and natural gas. Fossil fuels continue to be a mainstream energy source even today, but most countries recognize the importance and potential of renewable energy resources to address climate change and have focused on increasing the share of renewable energy in their energy mix.

2. Recent major developments in energy issues and the roles of investment

As a result of these tremendous shifts in the global energy landscape, some political milestones for energy issues were marked in 2015. These will provide clear policy orientation in the energy sector, particularly on energy access and climate change.

Energy Access

As steady economic and population growth are expected in Asia and Africa, the result is an increase of energy demand in these regions. However, these promising regions face serious challenges for energy access due to geographical isolation, economic disparity, and insufficient infrastructure and human resources. According to the SE4All and IEA WEO 2015, 1.1 billion people around the world still have no access to energy and 525 million people in the Asia-Pacific region and sub-Saharan Africa have no access to electricity. Energy access is a significant element in achieving freedom from want, which is crucial to “Human Security¹”, and the key to achieving economic growth.

This is the context in which the 2030 Agenda for Sustainable Development, adopted at the UN Summit in September 2015, sets forth Goal 7, which is to “Ensure access to affordable, reliable, sustainable and modern energy for all”, as one of the common goals for the international community. In our endeavors to improve energy access for the sustained growth of the world economy, it is important to encourage clean, safe utilization of all energy resources including natural gas, renewables, nuclear energy for those countries which opt to use, and other available indigenous energy resources. In the framework of G20 Energy Ministerial Meeting, concrete actions are to be taken to scale up energy access. G20 Ministers adopted two energy access action plans for sub-Saharan Africa in 2015 and for the Asia-Pacific region in 2016. These action plans aimed to “strengthen collaboration of G20 members on energy access in a flexible way, taking account of existing initiatives, and adding value through sharing of knowledge, experience and good practices, in accordance with national circumstances and developmental priorities.” The Energy Charter can and should contribute to promoting investments in improving energy access.

¹ According to the UN General Assembly’s Resolution (A/RES/66/290), a common understanding on the notion of human security includes the right of people to live in freedom and dignity, free from poverty and despair. All individuals, in particular vulnerable people, are entitled to freedom from fear and freedom from want, with an equal opportunity to enjoy all their rights and fully develop their human potential.

Climate Change

There has been much work to achieve a good balance between economic growth and the reduction of GHG emission. Climate change is one of the most urgent global challenges that we must tackle through the cooperation of all countries and people. In December 2015, the 21st session of the Conference of the Parties to the United Nations Framework Convention on Climate Change (COP 21) held in Paris, paved the way for a new era of global transition to a low-carbon economy and sustainable energy model. The Paris Agreement aims to strengthen the global response to the threat of climate change and sets the long-term goal of, “holding the increase in the global average temperature to well below 2 degrees Celsius above pre-industrial levels and pursuing efforts to limit the temperature increase to 1.5 degrees Celsius above pre-industrial levels.”

According to IRENA, there should be a reduction in the GHG emission by at least 40% to 70% from 2010 level by 2050 to achieve these targets, and parties are encouraged to double the share of renewable energy in the global energy mix to meet future energy demand and to set a pathway to limiting global warming to under 2 degrees Celsius, because energy production and use account for around two-thirds of the GHG emission. UNEP, IEA and IRENA estimate that certain amounts of investment are required to reach 2 degrees warming scenario: 3 trillion to 4 trillion USD for renewable energy (IEA and IRENA), 8 trillion USD for energy efficiency (IEA), and 5.7 trillion USD for green infrastructure (UNEP).

Other international energy fora also support the implementation of the Paris Agreement. In the framework of G7 Leaders Meeting in Ise-Shima and G7 Energy Ministerial Meeting in Kitakyushu in 2016, G7 members welcomed the Paris Agreement and recognized the important role that the energy system plays in its implementation. They also note the importance of promoting investment towards low-carbon growth, through effective policies and actions including carbon market-based and regulatory instrument. G7 members also highlighted that improving energy efficiency is key to decarbonisation of their economies and that investment in supporting innovative technologies to encourage clean energy for a low-carbon economy is important.

In addition, natural gas can be a less emission intensive fossil fuel, and can play an important and effective role in moving towards a low GHG emission energy future. Natural gas has become an integral part of global energy supply and the functioning, transparency and competitiveness of gas markets including LNG has to be developed.

Investment

While global energy demand tends to increase, investment for the energy sector has declined. According to IEA, upstream investment fell by 24% in 2015 and is set to fall by 18% in 2016. This would be the first time upstream investment has fallen for two consecutive years since the 1980s. This decreasing upstream investment is mainly due to the recent slump in oil prices. However, continued investment in energy projects remains critically important for ensuring future energy security.

In this context, G7 members stress the importance of sustained upstream investment, both public and private, for ensuring long-term sustainable energy supplies to support the growth of the global economy. Bridging the existing energy infrastructure gap through quality energy infrastructure investment contributes to promoting strong and balanced growth. G7 members therefore encouraged stakeholders to facilitate quality energy investments. The concept of quality infrastructure was discussed at the previous G20 meetings and the G7 Ise-Shima Summit in May 2016, and G7 Leaders adopted the “G7 Ise-Shima Principles for Promoting Quality Infrastructure Investment”.

3. Redefining the Roles of the Energy Charter

The Energy Charter Treaty came into effect against the backdrop of exploring a new form of energy cooperation after the end of the Cold War. Since the advent of the 21st century, economic growth in emerging and developing countries has been driving energy demand to a steady increase. Under such circumstances, partnership with the private sector became more important to secure stable and continuing investment in the energy sector. Accordingly, the roles of the Energy Charter Treaty have become more relevant in providing a stable legal basis and environment for investment activities of the private sector as well as liberalizing trade and transit in the energy sector.

The Ministerial Conference on the International Energy Charter was held in The Hague in May 2015 with the participation of 75 countries and related organizations, with 64 parties signing the new Charter from Asia, Africa, Europe, and the Americas. This fact clearly demonstrates that the Energy Charter process remains instrumental in strengthening global energy security and promoting energy cooperation, and that the modernization efforts of the Energy Charter process are widely welcomed. The International Energy Charter sets out in its preamble that signatories are willing to develop cooperation with regional and international organizations for the sharing of experiences and specific examples from national practice in the area of sustainable development, access to modern energy services, energy poverty reduction, green economy, clean energy, energy efficiency, as well as development, introduction and broader use of new clean technologies. The umbrella of the International Energy Charter allows signatories to reinforce their political will to create an investment climate favourable to mobilize private investors towards the achievement of the long-term goals set out in the Paris Agreement, and to facilitate much needed energy access.

4. Objectives

Considering the tectonic shifts in global energy landscape, the recent political developments on international energy fora and the role of the Energy Charter process, the main objectives of the Ministerial Session of the 27th Meeting of the Energy Charter Conference are to provide a global forum for discussion on the theme of “**Relevance of the International Energy Charter to Global Challenges: its potential contributions to sustainable development and global efforts on climate change**” and to formulate a common understanding through discussion in a form of non-legally binding political outcome document of the Conference. The following points will be discussed among participants.

- ✓ How do we understand the current global energy landscape and political developments on international energy fora?
- ✓ How do we position the roles of the Energy Charter process in the context of global energy architecture based on the above-mentioned understandings?
- ✓ What kinds of restrictions or risks would hinder our efforts to create an investment climate favorable to mobilize private investors for the achievement of the long-term goals set out in the Paris Agreement, and to facilitate much needed energy access?
- ✓ In what ways can the Energy Charter process contribute to promoting investment in improving energy access and realizing a low-carbon economy? Especially, how do we respond to Asian and African regions where high energy demand is expected?
- ✓ How can the Energy Charter better address the industry voice and unlock the potential for private sector-led trade and investment?
- ✓ How can we better promote accession by countries to the Energy Charter Treaty in the new regions?
- ✓ How can we create a synergy between our activities under the Energy Charter process and work of other international energy related organizations, international energy fora and non-ECT member countries, especially Asian and African countries, in order to strengthen cooperation on improving energy access and addressing climate change?

(End)