G8 Meeting of Energy Ministers
Rome, May 24-25 2009

Presentation of Energy Charter Secretariat Background Paper

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SESSION III: PROGRAMME OF ACTION TO ADDRESS ENERGY POVERTY: FOCUS ON AFRICA

Monday, May 25 2009

Your Excellencies, Ladies and Gentlemen,

Ensuring that energy services are available for all communities, including the poorest, is a prerequisite for promoting sustainable development. This is especially the case in respect to the countries of Africa. If the international community is to address successfully the urgent task of meeting the United Nations Millennium Development Goals, we need to act urgently on the issue of energy poverty. While there is broad agreement on this point, finding the best way to achieve this goal has proven elusive.

To date, energy policy in Africa has not succeeded in providing affordable, reliable and environmentally acceptable energy resources to all of the population of the continent. This despite the availability of important indigenous hydrocarbon and renewable sources. Foreign investment has been focused primarily on the producer countries and conducted in the form of bilateral agreements. Relatively little of the energy from producer nations is available to their neighbours. With projections suggesting that Africa will face significant increases in energy demand in the decades ahead, there is a clear case to consider how to meet the pressing energy needs of the continent.

The provision of electricity to the countries of Africa, notably in sub-Saharan African, offers one of the most effective means to promote sustainable development. To address this issue effectively will involve finding solutions to a variety of interrelated and complex issues. Not least the requirement to set prices to cover costs while keeping them to a level affordable to all. Another priority will be to ensure the large scale investment required to build electricity grids and generating capacity.

Enhanced cooperation amongst the countries of Africa in the area of electricity would offer important technical and commercial advantages.

The establishment of large energy markets bound by shared rules would promote economies of scale in energy projects, the optimisation of transmission networks and increased opportunities to employ environmentally ‘clean’ sources – notably hydropower and wind.

Together these elements would promote efficiency, reliability and common energy security. The establishment of practical mechanisms for cooperation in the energy sphere also has other benefits. The creation of regularised dialogue mechanisms serves as an important means to enhance transparency and to build trust and confidence.

A key aspect of the work of the Energy Charter is the ability to promote cooperative solutions appropriate to local and regional markets and demands. A good example of this is the support in recent years of the Energy Charter Secretariat for the creation and operation of the Regional Task Force on Electricity Cooperation in Central and South Asia. The Task Force brings together delegates from the countries of the region, representatives of international organisations and experts. The common aim of the group is to find effective and mutually agreeable ways to enhance the cross border trade in electricity and the creation of a regional electricity trade. The Energy Charter Secretariat has taken a leading role in developing Cross-Border Model Electricity Agreements to assist the work of the group.

International experience has highlighted the key role that multilateral cooperation between states can achieve in promoting mutually beneficial energy policies. In Africa the integration of the

continent's energy markets through enhancing the environment for investments and steps to ensure the reliable and secure transit of energy products would do much to improve the provision of energy. The advantages of a regional approach to the supply of electricity, in particular, are clear – in technical, commercial, but also in political terms.

The Energy Charter Treaty or ECT is the foremost example of this type of cooperation. The Energy Charter Treaty occupies a valuable and distinctive place in the international architecture of energy governance. The Treaty was initiated as an inter-governmental framework to provide legal stability for investments and to secure trade and transit of energy. The objective was to promote energy market reforms, structuring, commercialisation, energy price reforms and to promote increased energy efficiency.

States that become Contracting Parties to the Treaty are committed to common central principles. These are openness, non-discrimination and market orientation. The Energy Charter principles allow producer-states to increase their attractiveness to foreign investors, facilitate transit and also serve to bind together, uniquely, the interests of energy producing, consuming and transit countries.

The Treaty demonstrates that it is possible to bring a large and diverse group of countries together within a legally binding international framework on the basis of common principles and mutual interest. This approach has been especially important for the promotion of regional cooperation in energy issues.

The ECT functions as a legal framework to promote investment in the energy sector, supplemented by provisions on dispute settlement and energy transit. The Treaty thus serves to strengthen rule of law in the energy sector.

Moreover on the basis of the Treaty, member states have established the Energy Charter Process (ECP). The ECP is designed to provide member states with the opportunity to work cooperatively to advance the implementation of the Treaty, and to develop common responses to emerging issues. Exchanges of experiences take place between member countries in different stages of development with different policy strategies. Regular country reviews of the investment climate, restructuring and privatisation and energy efficiency policies are conducted.

The Charter supports the analysis of cooperation, trade, transit issues, transit tariffs and access conditions. Issues related to trade distortions, trade facilitation are dealt with and interaction with the private sector is encouraged.

The Energy Charter Treaty, on the basis of its experience in strengthening regional cooperation in energy issues – including in the area of electricity – can make an important contribution to the promotion of the energy policies necessary to achieve sustainable development in Africa. The ECT is a neutral and flexible framework and the Treaty's principles can be readily adapted to the continent's specific regional and local needs. There are currently 51 member states of the Energy Charter Treaty, and two Regional Economic Integration Organisations (The European Communities and Euratom).

Within the Energy Charter Treaty, member states actively support an enlargement of the Treaty. In recent years, the particular focus of this process has been on the countries of Asia and the Middle East, reflecting the growing proximity of these energy markets to those of Eurasia. The Energy Charter Treaty

also encourages observers, both states and international organisations. It is open to all and stands ready to assist in overcoming the energy challenges facing Africa today and in the future.

It is well understood that Africa is not a homogenous continent. There are clear regional and sub-regional needs that require an approach reflecting local social and economic characteristics and demands. Nevertheless, a regional approach would benefit from a common legal framework to guarantee investment and to ensure the development of the cross-border trade in electricity. Such rules are the basis of the Energy Charter and these can be readily adapted to the specific requirements of African countries.

The Energy Charter Conference would welcome with seriousness the extension of the Energy Charter approach and experience to the countries of the African continent.