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СЕКРЕТАРИАТ ЭНЕРГЕТИЧЕСКОЙ ХАРТИИ

THE ADEQUACY OF EXISTING INTERNATIONAL ENERGY INSTITUTIONS IN ADVANCING ENERGY FOR DEVELOPMENT

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The world today faces a number of pressing challenges in the area of energy. None though is more important than that of ensuring the provision of energy services to the poor. The link between energy and development is well established. Modern energy services are indispensable to improving productivity, creating enterprises, increasing employment and incomes, and providing effective public services – such as education and healthcare. Given the fundamental importance of energy for achieving sustainable development, it will not be possible to reach the United Nations Millennium Development Goals by 2015, as agreed by the world's leaders, without increased attention to the provision of energy to the world's poorest societies.

Despite the imperative to tackle energy poverty, around the globe there are significant populations – notably in Africa, parts of Latin America, and in Asia – that continue to lack even basic energy services. Access to electricity is of particular significance for many in developing countries. Worldwide, however, about 1.6 billion persons are without electricity services. While the large-scale electrification schemes currently underway in many middle income nations and in the poorer countries of Asia are likely to improve the situation in these areas, other parts of the globe remain desperately short of practical initiatives to increase rapidly household electricity access.

In sub-Saharan Africa, especially in the rural areas, the situation is particularly difficult. World Bank estimates indicate that only 51% of the urban population and 8% of the rural population has an electricity connection. Per capita consumption of electricity in Africa (excluding South Africa) averages 124 kilowatt-hours per year, barely 1% of the consumption typical in high income countries. Without access to modern and sustainable energy services, the poor in Africa are deprived of opportunities to improve their living standards.

According to the projections of the International Energy Agency less than half of African countries will reach universal access to electricity by 2050. With current trends indicating 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.

In seeking to improve the supply of energy resources, there are several major challenges. It is clear that 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 failure has occurred despite the availability of important indigenous hydrocarbon and renewable sources across the continent. Additionally, many countries in Africa lack the basic infrastructure that is indispensable for development. Often the financial and the political situations are difficult, thereby undermining the ability of local authorities to invest in the construction of the necessary infrastructure.

To date, private investment has tended to concentrate on the exploitation of local natural resources, notably hydrocarbons, for export to global markets rather than to satisfy local demand. The tendency of foreign investors to focus on the export of energy resources from producer countries reflects the fact that in most cases the local energy market is not profitable. As a result, relatively little of the energy from producer nations is available to their neighbours.

In seeking to overcome the widespread energy poverty in Africa, principally in sub-Saharan Africa, electricity offers one of the most effective energy resources to promote sustainable development. Africa, however, faces a chronic underinvestment in the generation and transmission of electricity. The installed generation capacity in Africa at 68GW is no more than that of Spain; and half of this is in South Africa. The continent lacks the capacity to satisfy current demand let alone to meet future projections.

The challenge of developing electrification is not, however, confined to a lack of investment. Africa also lacks the necessary legal and policy frameworks for developing complex, cross border energy networks to move electrical power to markets. Up till now, energy projects have primarily been conducted on the basis of bilateral agreements, normally involving a producer country and a multinational energy company or consumer country outside the continent. Bilateral arrangements do not, however, provide the comprehensive framework necessary to achieve stable regional cooperation on energy issues.

If the current situation is to be rectified, there is a clear role for international organisations, notably those concerned with energy, to assist local authorities.

The Role of International Energy Organisations

Various international organisations, particularly those concerned with development issues and finance, have an established presence in Africa. In recent years, there has been a growing attention to the issue of energy within these organisations, reflecting recognition of energy's importance for sustainable development. For example, the World Bank is scaling up its energy investment programme in Africa, including increased support for regional trans-Africa electricity networks (e.g. the west and southern Africa power pool interconnections). The African Development Bank is also making important contributions to improving the provision of energy in Africa.

International Organisations dealing with energy are few, but they are decisive in setting rules indispensable for an organised and civilised way of developing energy trade and infrastructure. While African countries have a significant involvement with a variety of international organisations, most African countries are not active members of the leading international energy institutions. In fact, the vast majority of African countries do not qualify, even if they would wish to become members of these organisations.

African countries are not part of the International Energy Agency, the prominent consumer organisation, which has high barriers to membership. Africa's involvement in the Organisation for Petroleum Exporting Countries, the prominent supplier organisation, is limited to the small number of producer countries (Angola, Nigeria, Libya and Algeria).

Two international energy organisations are open to African nations: the International Energy Forum (IEF) and the Energy Charter Treaty (ECT). The International Energy Forum is an important mechanism for dialogue. In recent years, IEF meetings have begun to consider the provision of energy to the world's poor. In this connection, the Forum will play an important role in setting out proposals to address the issue of energy poverty ahead of the meeting of IEF energy ministers in Mexico in 2010.

The IEF is a significant meeting place where African countries can explain their situation and seek assistance.[1] But, with no legally binding commitments, nor an immediate concrete benefit to offer, the IEF has important limitations.

The Energy Charter Treaty

The Energy Charter is of a different nature. Being the only multilateral treaty in the sphere of energy, it can be regarded by African countries as a tool particularly relevant for them. In the first place, the Treaty once signed and ratified by a country, is a powerful signal to the international community. It testifies to the willingness of a Member State to act according to international rules that are already

[1] The Sub-Saharan countries involved in the IEF are Mauritania, Cote d'Ivory, Nigeria, Sudan, Ethiopia, Gabon, Congo, Angola and South Africa – also all of the countries of North Africa.

shared by more than fifty members, including the European Union and countries of Eurasia, as well as Japan, Turkey and others.

In terms of addressing the pressing need of tackling Africa's energy poverty, membership of the ECT offers a number of clear advantages, notably in respect to promoting investment. Addressing Africa's chronic power shortages will require major investments in refurbishment and expansion of power infrastructure. Some 44.3 Gigawatts out of the total of 70.5 GW currently installed in the continent is in need of refurbishment. An additional 7 GW of new electricity generation capacity will need to be built each year to meet suppressed demand, keep pace with projected economic growth and provide additional capacity to support the rollout of electrification. This compares with an actual expansion of less than 1 GW per year during the last decade.

One of the biggest challenges to overcoming energy poverty in Africa will thus be mobilising the necessary investment to close the financing gap of more than $30 billion per annum. Membership of the Energy Charter Treaty gives a positive message to potential investors in energy projects who can be reassured by the security offered through the treaty as far as investment protection is concerned.

Another key advantage of the ECT is the opportunity that it provides to promote cooperative solutions appropriate to local and regional markets and demands. Currently 21 of the 48 Sub-Saharan countries have a total generating capacity of less than 200 megawatts each. This is well below minimum thresholds in terms of economies of scale. At the same time, the region does have substantial energy potential – particularly hydropower. This potential is largely concentrated in a handful of countries that are far from centres of demand and which lack the resources to undertake the expansion of electricity generation. In this situation, a strengthened cooperation between the countries of the continent in the electricity sector would offer important technical and commercial advantages.

The best way to expand generation capacity in Africa at the lowest unit cost is to develop large scale generation projects to supply regional power pools through cross-border trade. The economic rationale for large generation projects is generally strong when they are intended simultaneously to supply domestic needs in the country in which they are located and foreign (export) needs in neighbouring countries. The establishment in Africa 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.

A good example of how to develop such an approach 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 Southern Asia. The Task Force unites 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 Process: The establishment of practical mechanisms for cooperation in the energy sphere has other benefits. The creation of regularised dialogue mechanisms serves as an important means to enhance transparency and to build trust and confidence. On the basis of the Energy Charter 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.

The Energy Charter Process could serve as a means to assist policy development and energy governance in developing countries – drawing on the experience and expertise of Member States

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

The Energy Charter, while remaining true to the Treaty and its principles, is a living and evolving community. Membership of the ECT allows states to participate in the further development of the Treaty and is associated institutions to meet new challenges. The ECP is a wonderful way to join a broad community, to explore specific and common problems and to learn and share solutions. In today's globalised world, it is an advantage not to be isolated. Let me say clearly that the Treaty is open to every State ready to share its basic principles, the first one and maybe the most important for Africa being sovereignty over natural resources.

Conclusion

One way to ensure that globalisation works to the advantage of all is to engage the main actors of the world energy sector through international energy organisations. Africa cannot escape globalisation, certainly not in the field of energy. International experience has highlighted the key role that multilateral cooperation between states can achieve in promoting mutually beneficial energy policies. Unfortunately, most African countries are not members of the few international organisations specialising in energy. Given this, the continent's governments should be encouraged to adopt a more active policy of participation, for instance in the Energy Charter Treaty, which would offer them major advantages.

In Africa the integration of the continent's energy markets through enhancing the environment for investments, together with 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. 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.

Nevertheless, the development of energy trade and infrastructure cannot be secured only by becoming a member of an international energy organisation. The action of specialised financial institutions and others is the key to success. The World Bank and the African Development Bank, NGO bilateral assistance, and donor States all have vital roles to perform. Global, regional and local partnerships will all be vital; as will be building upon the initiatives already underway in this area.

The importance of a broad international cooperation to tackle Africa's energy poverty was recognised as a priority at the last G8 energy ministers in Rome earlier this year. At the meeting, ministers invited the Energy Charter to engage African and international institutions in the development of a strategy to combat the continent's energy poverty. The Energy Charter is currently preparing an Action Plan in accordance with the G8 decision. I look forward to cooperation with other key players in the future to ensure that this initiative makes a substantial contribution to ending energy poverty in Africa.