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Keynote Address by Steivan Defilla, Director of the Energy Charter Secretariat

Excellency, Mr. Chairman, Mr. Secretary General, Esteemed GO15 Representatives, Ladies and Gentleman,

I am highly honoured to have been invited to the 2nd GO15 Forum in Dubai and to be able to deliver a keynote speech to this year's GO15 Forum bearing the title: "The Power Grids and the challenges of the climate change". Last year you celebrated your 10th anniversary in Guangzhou, so this year is the occasion to look towards the future. In my speech I will try to outline the role Energy Charter can play in this context.

As you may know, more than 70 states from all continents as well as the European Union and the Economic Community of West African States ECOWAS met in The Hague on 20 May this year and adopted and signed the International Energy Charter, a political declaration on sustainable energy. This charter fundamentally transforms the role of our organisation. Whereas since our creation in 1991 the European Energy Charter had essentially been a tool for regional East-West cooperation on energy security, its new daughter, the

International Energy Charter has added new elements transforming it to a tool for global North-South cooperation on sustainable energy.

The signatories of the Charter emphasized access to sustainable energy as a particular new subject. We are proud to observe that their message preceded the same message anchored a few months later in the Sustainable Development Goals adopted by the UN General Assembly in September.

Energy Charter has now members or observers in all continents and is rapidly expanding. We are particularly satisfied that besides the EU and all their member states, also the United States and China have signed the Charter in the Hague and that since then we have been able to start active cooperation.

As you may know, the Chinese President Xi Jinping spoke at the UN General Assembly in favour of the adoption of the Sustainable Development Goals. He proposed discussions on a Global Energy Interconnection to facilitate efforts to meet the global power demand with clean and green alternatives. In this context I am glad to be able to announce that on 27 November of this year we will have an international experts meeting in Beijing exploring the possibility to negotiate a multilateral framework for cross-border transport and transit of energy through fix infrastructures. This meeting is of high relevance and is therefore open to

government delegates of all countries as well as to industry. I hereby reiterate a special invitation to the members of GO15 to participate in this meeting.

The International Energy Charter and the multiple ways it allows for intergovernmental cooperation will benefit all participating countries. The Hague Conference was a clear demonstration that the Energy Charter Process is inclusive, that it is non-discriminatory, that it is open to any country willing to share its principles. Simultaneously to the Ministerial Conference, a business event was held, underlining the fact that Energy Charter is not only about governments, but gives an essential role to the business sector. GO15 has been participating in the Energy Charter Conference since 2012 and is also a member of our Industry Advisory Panel. I wish to underline that individual membership in our Industry Advisory Panel is open to each GO15 member.

The electricity sector is the backbone for a gradual transition to a decarbonised economy. A decarbonised world will be a world where electricity plays the dominant role for final consumers. Electricity will become cheaper, available for the budget of the poor, but also smarter as applications on smart phones will be created to monitor demand, and of course cleaner, as electric cooking stoves may gradually eliminate health risks affecting millions of users of wood stoves. Electricity will penetrate into private transport. Smart and driverless electric

vehicles will increase user comfort. A Formula-E Championship under the FIA Fédération Internationale de l'Automobile started on 13 September 2014 in Beijing. Transfer of technology might no longer be going only from North to South, but also in the opposite direction. Electric heat pumps used for cooling in the South will be used for heating in the North. HVDC super grids will supplement the traditional AC grids not only between continents but also across continents. Some developing countries will go along this process faster and overtake developed countries. In 2014, the capacity addition of wind turbines in China has been larger than the capacity addition of wind turbines of all OECD countries taken together. Urbanisation will increase, making big cities even bigger and creating enormous infrastructure challenges. Micro-grids might become informal electricity suppliers of populations living in illegal slums.

The dilemma of sustainable development is that the poor are too poor to afford change, whereas the rich are too rich to need change. The creation of a strong middle class is part of the solution.

For GO15 members this process will create big challenges, but also new market opportunities. They will feel whether the regulatory frameworks set up by their governments are adequate to attract the much needed investment. Regulated

prices do not always reflect costs. Power cuts and blackouts are then the consequence. Policy uncertainties further raise the risks for investors.

Supplying sustainable, reliable and affordable energy for consumers requires investments of at least $48 trillion over the next 20 years. In many countries coal is still the fuel of choice attracting up to 70% of investment. Yet the price of renewables is rapidly falling. In Egypt wind electricity was tendered at 4.1 cents/kWh earlier this year, whereas Dubai has attributed photovoltaic electricity for 5.98 cents/kWh.

The reliability and sustainability of future energy systems depends on an adequate level of investment. The enormous amount of investment necessary in the energy sector over the coming decades will not be achieved without mobilising the private sector and independent power producers. The electricity industry faces the need to improve its attractiveness to foreign and to domestic institutional investors. If governments change the rules of the game in unpredictable ways, it becomes very difficult for investors to engage.

The new International Energy Charter of 2015 re-states the need for energy security already recognised in the 1991 Charter. For our organisation, energy security has four components, namely security of supply, security of demand, security of transit and absence of energy poverty. In order to attain its objectives,

the Energy Charter works in favour of making energy markets more efficient, promoting and protecting investment, and increasing energy efficiency.

The Energy Charter Treaty signed in 1994 is a tool protecting foreign investors against arbitrary decisions impacting their investments. It also allows to promote cross-border infrastructures and enhance trade in energy equipment goods and technologies which are required to make energy more sustainable. In cooperation with our member states, we elaborate in depth assessments of the investment climate or of energy efficiency policies of their countries. Together with WTO we work in favour of eliminating customs duties on imports of environmental goods. The Treaty is an element of a long-term stable framework which the global investor community keeps asking for.

Energy Charter offers its services to the electricity industry whenever it desires to invest abroad, either by direct participation in production capacities or by facilitating cross-border interconnectors. In North East Asia the Energy Charter, together with the Mongolian government, is at the heart of the Gobitec and Asia Super Grid project aiming at developing electricity trade between the countries of the region. In Central Asia the Energy Charter produced a methodology for electricity transit pricing in view of resolving an old dispute. In the South Caucasus region where not all countries manage to cooperate with their neighbours, the

Energy Charter created a platform for regional electricity cooperation. Energy Charter has also helped cities to elaborate sustainable energy action plans by acceding to the Covenant of Mayors. In order to gather government, business and academia around one table, we organise Energy Charter Forums on specific subjects and locations all over the world. Last but not least, Energy Charter maintains a knowledge centre for training and capacity building of tomorrow's energy executives. Twice a year we have regular training courses, and all over the year we accept fellows for academic research. Our knowledge centre looks forward to identify topics related to specific GO15 activities and to address them together with individual GO15 members.

Excellency, Mr. Chairman, Mr. Secretary General, Ladies and Gentlemen, I hope my remarks will enrich the discussion of today's second GO15 forum. I realise that GO15 and Energy Charter both address the same global challenges and that an enhancement of cooperation between our two organisations might be to the common benefit of overcoming them.

I thank you for your attention.