



**UNECE
COMMITTEE ON SUSTAINABLE ENERGY
SPEAKERS' LUNCHEON**

**Managing Change: Enabling the Shift
to Sustainable Energy**

Summary Note

Enabling the shift to sustainable energy requires careful attention to change processes. During the meeting of the Committee on Sustainable Energy, a lunch was held on November 27, 2012 with speakers. Participants considered what the critical dimensions of managing change processes might be. The following note summarizes the discussion as an aide-memoire of the highlights of the conversation and is not a word-for-word transcript. Speakers were provided additional opportunities to provide comments, and those have been incorporated. Chatham House rules apply, and the various reflections are not attributed.

- *The future is unknowable, but the pre-conditions for change are not.*
- *Change requires political will.*
- *Acting near-term for long-term outcomes poses special challenges.*
- *One size does not fit all – different countries have different needs.*
- *Command & control vs Adam Smith – our choices are leading us to C&C.*
- *Public private engagement is essential.*
- *Manage change, or change will manage us.*
- *Credible, inclusive dialogue is the foundation for creating political will.*
- *Sustainable Urban Development is a critical challenge.*

The future is unknowable, but the pre-conditions for change are not. Policy-makers and market participants must recognize the potential for fundamentally changed circumstances not only because one must be prepared for changing market realities but also because the pre-conditions for changing market realities are clear. An excellent example is the shift in US gas markets that has occurred since 2008. The shift was sudden and was completely unexpected, and as a consequence the US is moving to become a gas exporter and to achieve self-sufficiency in oil. Both parts of that equation affected global markets and surprised market participants. The key driver in the shift has been investments in response to high market prices as innovative investors have sought income. Securing affordable and sustainable energy means mobilizing global capital markets, which means there needs to be a business case that justifies investment, whether by traditional market players or by new entrants with new approaches. This is always the case. Investments often are blocked by risks of various sorts, including political and regulatory risks, and there should be a concerted effort to remove the blockages in order to enable the shift to sustainable energy. ECE could contribute to enabling the shift by working to remove the investment barriers by establishing needed normative instruments and standards while promoting innovation.

Change requires political will. It is extremely important to understand that people and communities are at the foundation of political will. There must be political will in order to act, and since political will ultimately derives from the population, creating political will obliges engagement with the people. There is a need to raise public awareness on health and the environment. The level of income determines priorities, but at all income levels the population demands progress on all dimensions of quality of life in an interconnected way. Demands from populations will affect the body politic at local, national, regional, and international levels. Managing change processes therefore obliges us to understand how to influence and exchange views to support progress in countries with populations with heterogeneous perceptions and needs. There is a need to exchange experience and to discuss possible instruments. There may be room for negotiation of conventions, but that can only come at the end of a process that leads to collective political will.

Acting near-term for long-term outcomes poses special challenges. Managing change does require political will, and that becomes especially difficult when long-term vision is asked of short-term politicians. There needs to be a short-term action plan, or a sequence of short-term action plans that collectively deliver the desired long-term outcome. Targets must be segmented so that politicians can “own” the policy, and the short-term, action-oriented plan needs to be supported by the public since the public can stop projects. There needs to be full and honest engagement with the public. 2020 is now around the corner, yet it is not clear that the 20:20:20 targets of the EU will be delivered. If we put together visions for 30:30:30 or 50:50:50 we will find ourselves running up against the deadlines if we do not put intermediate, staged targets in place that the public supports and that the relevant political bodies can own. Can UNECE do something in this regard?

One size does not fit all – different countries have different needs. Each country has its own circumstances and therefore different views on what is to be done to achieve the objectives of sustainable energy for all. As a consequence of that reality, there is no agreement on specifics. The EU’s 20/20/20 policy was naïve in its conception and was more of a sound bite than a real policy. Achieving real change will require a clear, mandatory goals based on “sustainability” that can mean different things in different places. There is also a need to get the right indicators in place with performance benchmarking that reflects national differences.

Command and control versus Adam Smith – our choices are leading us to command and control. World markets have been trending towards liberalization and free trade. In such a world prices are the

right indicators, and they provide important signals to both buyers and sellers. They therefore must reflect the real consequences if they are to perform their signaling function. Too many subsidies kill the market. If we overburden the market with subsidies and obligations to buy or sell, we slide inexorably toward a command market where outcomes are dictated by planners. Do we accept no-growth prices, or do we wish to move to the next stage of liberalization where barriers to entry and exit are removed, with many buyers and sellers, prices fully reflect costs, there is full information, and so forth – all of the definitions of liberal, competitive markets? There is a clear need to institute coherent energy governance with rules that enable sustainable production and consumption decisions. The development of the governance framework, the market rules, and investment conditions must occur with deep public engagement if major change is to be enabled. ECE could usefully engage with WTO on this topic.

Public private engagement is essential. Globalisation of the world economy is a reality that we are witnessing. Companies are way ahead of countries on the realities of what globalization really means, and it would be beneficial if politics could catch up with companies. The governments of member States must pay attention to the needs to companies and create the investment framework conditions that enable companies to invest. There is a clear linkage between investment and energy security issues, and it will be important for ECE to connect with the EU/Russia dialogue. The strength of the ECE platform is the variety of the participants. Other arenas are limited to governments, which limits the scope of debate to a political level. Engaging a dialogue among governments, industry, the public, and NGOs will contribute more substantially to the kind of debate and outcomes that can lead to an efficient shift to a sustainable energy future. The public, or at least part of the public, is often greener than Governments. It is important that this educated group be allowed and tempted to go greener, and both business and Government should be receptive to good proposals from the public, including NGOs.

Manage change, or change will manage us. Either we manage change, or the change will manage us. The discussion is global in nature and goes beyond the bi-lateral EU/RF dialogue. ECE's Committee on Sustainable Energy should focus on topics where this platform can deliver useful and useable results. There are a number of key patterns that merit attention (e.g., water in central Asia) and where ECE can play a useful, recognized role.

Credible, inclusive dialogue is the foundation for creating political will. The environmental debate turns on percentages. There is a need for political will at the top, which involves setting the long-term goal, then cutting it into smaller, manageable steps. There are many instruments, legal, commercial, and other to induce the needed behavioral changes. A good example is the use of feed-in tariffs to encourage investment in renewables. What is less clear is the overall effect of the various options in countries that have different needs and situations. ECE can explain and discuss the options in a neutral way, including all stakeholders, to enhance the effectiveness of the steps taken to enable the needed shift.

Sustainable Urban Development is a critical challenge. By 2050 70% of the world's 9 billion people will live in cities, up from 50% of today's 7 billion. Urban dwellers will rise from 3.5 billion today to 6.3 billion by 2050, the equivalent of adding 270 cities the size of greater Paris in 35 years. City-based energy consumption was 72,649TWh in 2009 (75% of world total) and is set to increase as urbanisation rises. Efficiency gains of up to 10% are possible. Cities generate ~50% of world GDP, so even small efficiency gains would improve energy intensity significantly.