



# UNECE Weekly

United Nations Economic Commission for Europe

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**NEW SUPPLEMENTS**  
In order to provide an in-depth analysis of topical issues, UNECE Weekly is launching a new series of Supplements. The first, of which the following is an extract, concerns a burning issue - energy security.

## ENERGY SECURITY A JUSTIFIED ANXIETY?

As a result of the tightening of world energy markets, concern over energy availability and security of energy supplies has re-emerged as a pressing issue. It is once again uppermost in the minds of policy makers and the general public.

### Availability and security

The heightened sense of concern over energy security is due to many factors: the continuing high crude oil prices and their volatility; the instability and continuing conflict in Iraq; the tensions in the Middle East; sabotage and terrorist attacks; the growing energy import dependence of



major consuming countries; the recent disruption of natural gas supplies in Europe; infrastructure constraints, particularly in power generation, transmission and distribution as well as in oil refinery capacity; the corporate and policy failures, such as the Enron bankruptcy; and the 2003 electric power blackouts in North America and Europe. All of these factors are contributing to anxieties regarding energy availability and over the security of energy supplies.

### Old issues, new concerns

Indeed, it could be argued that the underlying long-run fundamentals of

## PAYING FOR OUR ECOSYSTEM

Ecosystems provide a wealth of services that are fundamental for proper environmental functioning and economic and social development. Such services include water purification, flood mitigation, erosion control and regulation of water supply, in addition to the aesthetic and recreational roles of forests, wetlands and other natural ecosystems.

While the demand for these services, including provision of clean freshwater, is continually increasing, the capacity of ecosystems to provide such services is hampered by their ever-growing degradation. This situation has many causes – not just economic growth and demographic changes, but also the fact that the value of such environmental services is often not captured and therefore not included in decision-making. Decision makers tend to prefer investing in water-related infrastructure (e.g. dams for flood control, water filtration plants for drinking water) rather than improving the capacity of water-related ecosystems to mitigate floods and purify water.

### Innovative financing

In recent years, innovative financing mechanisms, and specifically payment for ecosystem services (PES), have been recognized as crucial for addressing some of the identified failures in environmental

management. PES are valuable because they make it possible to take into account environmental externalities. When there are serious environmental concerns but limited financial resources, PES can generate additional alternative resources, redirect funds to environmentally friendly technologies and sustainable production patterns, create incentives for investment, and increase private-sector involvement in environmental protection.

### World Water Forum

The brochure “Nature for Water - innovative financing for the environment” will be presented at the *fourth World Water Forum (Mexico City, 16-22 March 2006)*. It explains how PES can help solve water management problems, and what legal, administrative and institutional arrangements are needed for implementing PES. It discusses valuation of ecosystems as well as the underlying principles of various PES schemes. It also highlights other measures needed to support PES implementation.

The brochure is available at [http://www.unece.org/env/water/meetings/payment\\_ecosystems/brochure.pdf](http://www.unece.org/env/water/meetings/payment_ecosystems/brochure.pdf).

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energy markets, which prevailed in the 1970s and early 1980s when energy supply and demand were tightly balanced and energy markets rocked by two sharp oil price rises, have reappeared. Needless to say, energy markets today are different from those that prevailed in the 1970s but recent energy market developments have revived the same issues and concerns that were prominent in the 1970s and

early 1980s though in a somewhat different environment.

As a result, UNECE countries will have to further strengthen their energy security by enhancing energy conservation and efficiency, expanding the type and variety of energy sources available to consumers, diversifying sources of supply, developing indigenous supplies,



## ↓ ENERGY SECURITY (cont.)

building-up and maintaining strategic stocks in some cases, encouraging the private sector to carry commercial stocks, and promoting research and development in new and alternate sources of energy.

It is also important to emphasize that strengthening international relations, economic cooperation and the international rule of law can be helpful in improving energy security. Likewise, low living standards, inadequate economic development and social, ethnic and political unrest can undermine energy security for all. Therefore, concerns about energy security cannot be fully separated from and resolved without addressing broader economic and social problems.

### Coal and nuclear power: The debate

The renewed preoccupation with energy security will invariably affect the debate regarding coal and nuclear power and its future role in meeting the energy needs of countries. Likewise, decisions will soon have to be taken regarding the expansion as well as the replacement of existing nuclear and coal-fired electric power capacity that will be decommissioned in the foreseeable future.

### Availability also a problem

In addition to energy security, energy availability is a problem in some UNECE countries. Individuals and households in the poorer and less developed UNECE countries as well as the poor in developed countries are not energy poor in an absolute sense; they tend to consume more energy per capita than the average use in developing countries. However, the problem is that energy costs represent a significant proportion of their disposable income. Furthermore, countries heavily dependent on imported energy can experience a significant deterioration in the terms-of-trade and consequently a fall in real national income if faced with significant increases in the cost of imported energy.

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## Coming up ...

15-16 March

Working Party on Inland Water  
Transport, Special Session



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## FIGHTING FLOODS AND POLLUTION

Ninety per cent of water basins in South-East Europe are transboundary, shared between two or more countries. Flooding, water pollution and threats against water ecosystems are some of the common challenges for the countries.

### Strengthen cooperation

This was the background to the International Workshop on "Transboundary Water Management in South-Eastern Europe: The

Photo courtesy of the  
Danube Environmental Forum



Complementary Roles of the EU Water Framework Directive and the UNECE Water Convention" that took place in Belgrade on 2-3 March. The aim of the Workshop was to strengthen cooperation on

transboundary waters shared by EU and non-EU countries in South-Eastern Europe.

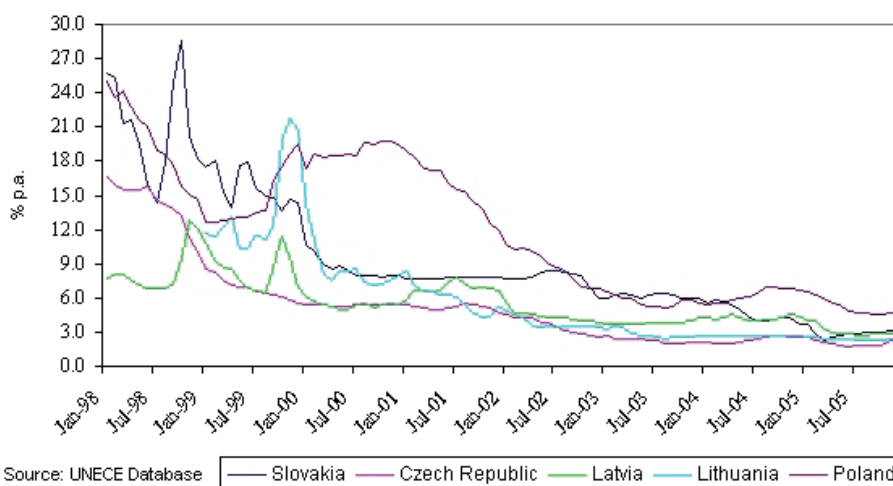
There are positive examples of transboundary water cooperation, for example on the Sava river, a tributary of the Danube. In other cases the development is slower, also due to political relations between countries. It was concluded that the experience gained in the implementation of the UNECE Water Convention and the EU Water Framework Directive is important. The UNECE will consider including projects and activities in the region in the work plan of the UNECE Water Convention.

High level water managers from all seven South-East European countries (Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Republic of Moldova, Romania, Serbia and Montenegro, and The former Yugoslavia Republic of Macedonia) participated in the workshop.

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## Facts and figures

Short-term interest rates of selected new EU members are moving closer to the EU rate.



Source: UNECE Database

Short-term interest rates are returns (rates or yields) on terms of 3 months' duration.

(Slovakia: 3-month BRIBOR, Czech Republic: 3-month PRIBOR, Latvia: 3-month RIGIBOR, Lithuania: 3-month VILIBOR, Poland: 3-month WIBOR).

The short-term interest rates for the selected countries have fallen significantly during the last 8 years, sliding from a range of 25.8 – 7.68% in January 1998 to a range of 4.6 – 2.17% in December 2005. The volatility of the short-term interest rates for these selected countries has gradually decreased over time and since January 2003 they have followed a reasonably smooth pattern. The five selected countries are among the 10 new EU members (since May 2004). During the last couple of years the overall trend in their short-term interest rates has moved closer to the EU rate, which as of December 2005 was 2.47%.