



United Nations

UNECE Weekly

Economic Commission for Europe

Issue N° 348 — 30 November-4 December 2009

ENERGY SECURITY AND THE FINANCIAL CRISIS

UNECE ENERGY WEEK 16-20 NOVEMBER 2009

With the upcoming climate change talks in Copenhagen just days away, the *UNECE Energy Week (16-20 November)* discussed the *impact of the financial crisis on the volume and timing of energy investments and its implications for energy security*. The week also featured an Energy Security Dialogue with the major energy players from the region and elsewhere.

In his opening remarks, Ján Kubiš, UNECE Executive Secretary, said that *“the global financial crisis provoked a new wave of energy security risks. Serious questions have arisen about the volume and timing of energy sector investments as the economic downturn reduced energy demand, sending oil prices veering from a nominal peak of \$147 to below \$50 per barrel in the space of a few months. The renewed oil price volatility has led to divergent views on how to proceed”*.

Participants also discussed clean energy production and the greening of the global economy, as many Governments are adopting policy measures to provide incentives for investment in energy efficiency programmes and renewable energy like wind, solar, geothermal and biomass.

Support by Governments and industry will target new technologies like electric vehicles for the coming revolution in sustainable transport, carbon capture storage (CCS) and smart grids. Total new investment in clean energy is expected to reach \$300 billion by 2020, though this is below the estimated \$500 billion needed to limit the rise in CO₂.

The global financial crisis and the economic recession it induced has led to a global drop in energy demand and significant price volatility, particularly in the hydrocarbon markets, that have reduced and delayed energy infrastructure investments jeopardising energy security in the region. (Conclusions of the Energy Security Dialogue session)

In the reference scenario of the World Energy Outlook 2009, the International Energy Agency (IEA) continues to foresee a long-term structural growth of energy demand of 4,800 Mtoe by 2030, which energy companies may find difficult to meet in the current context of scarce credit and recession.

Moreover, in the alternative 450 scenario, IEA estimates \$1,200 bn in additional investment needed to effectively reduce the level of CO₂ emissions by 2030.

The risks of underinvestment

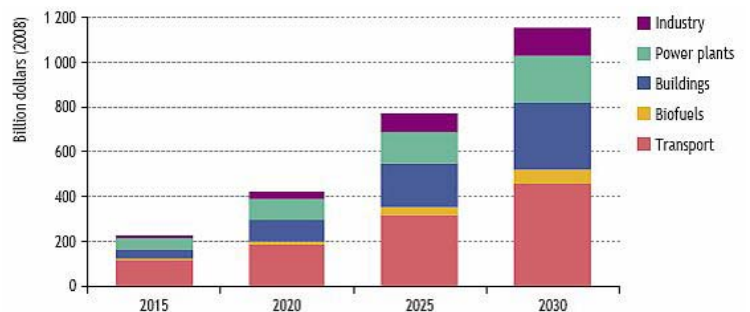
Participants stressed that securing energy supplies and ensuring the sustainability of the future energy mix will require massive long-term investments in energy technologies and infrastructure.

The volatility of demand, prices and the capital markets, however, makes it difficult for the energy sector to plan investment with a long-term perspective.

Extremely high prices on the immediate eve of the crisis led the industry to plan and develop projects which may not be feasible at current market conditions, although their freeze or slowdown could bear serious consequences for the functioning of energy markets in the future.

Cooperation between Governments and companies of both energy producing and importing countries is therefore vital to mobilize the capital and technology needed for these investments. Close collaboration is also the best way to effectively deal with the energy sectors' externalities in the domain of security, environment and human development.

World's energy demand growth in 2030 investment needed for abatement



Source: International Energy Agency

As the cleanest fossil fuel, gas is expected to have a strategic role in the transition to a sustainable energy future globally and within the UNECE region, while gas supply and infrastructure are expected to remain of crucial importance for energy security in Europe. (Conclusions of the Energy Security Dialogue session)



An opportunity for international energy cooperation

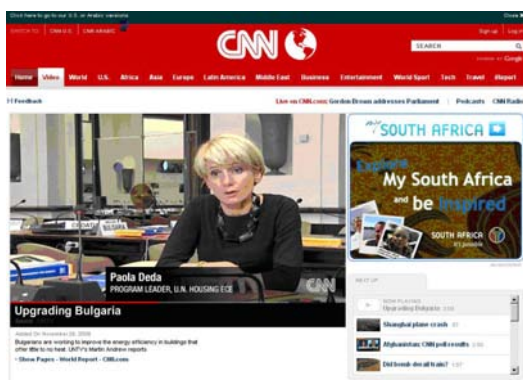
The Energy Security Dialogue featured presentations on the impact of the financial crisis on corporate planning and investment strategy from executives of major energy companies, such as Gazprom, E.ON Ruhrgas AG, Statoil ASA and Eni S.p.A. In the growing complexity of energy markets, some energy companies have adopted corporate strategies that include greater dialogue and cooperation with Governments, intergovernmental processes and international organizations.

Government representatives focused on the impact of the financial crisis on energy investment and energy security and the public response. Governments and energy industries alike are seeking new or modified legally binding agreements and institutional arrangements for international energy cooperation.

Important synergies with related UNECE programmes were also highlighted:

- ▶▶ Cooperation with the Committee on Housing and Land Management on [energy efficiency in housing](#) including work on green homes and climate-neutral cities
- ▶▶ Work on [fuel quality](#) and [vehicle efficiency](#) through the World Forum for Vehicle Regulation (WP.29)
- ▶▶ Work on [wood energy](#) and [woody biomass](#), an important renewable through the Timber Committee
- ▶▶ Cooperation with the "Environment for Europe" process and possible inputs to the 7th ministerial conference in Astana (Kazakhstan) in autumn 2011 on the theme of [greening the economy](#) including energy efficiency. ■

For more information visit <http://www.unece.org/energy> and/or contact Gianluca Sambucini (info.energy@unece.org)



UNECE PROMOTES VEHICLE PERIODICAL TECHNICAL INSPECTION AGREEMENT IN LATIN AMERICA

Juan Ramos Garcia, Chief of the Vehicle Regulations and Transport Innovation Section in UNECE's Transport Division, participated in the first Central and South American meeting of entities linked to periodical technical inspection of vehicles in use, held in Cartagena, Colombia, on 18-20 November.

Representatives from Argentina, Brazil, Chile, Costa Rica, Uruguay, Ecuador, Panama, Paraguay, Peru, Venezuela, and Colombia discussed standards for periodical technical inspection (PTI). Most of the countries have a PTI system or are in the process of establishing one. Some countries expressed interest in becoming parties to the UNECE 1997 Agreement concerning the adoption of uniform conditions for periodical technical inspection of wheeled vehicles and the reciprocal recognition of such inspections.

The meeting also evaluated the advantages of becoming party to the UNECE 1958 Agreement concerning the adoption of uniform technical prescriptions for wheeled vehicles, equipment and parts which can be fitted and/or be used on wheeled vehicles and the conditions for reciprocal recognition of approvals granted on the basis of these prescriptions.

The application of the Rules annexed to the 1997 Agreement and of the Regulations annexed to the 1958 Agreement will represent a considerable contribution to road safety, reducing the number of accidents, and fatalities and injuries, having as a cause the deficient technical condition of vehicles. It also contributes to reducing pollutants from new and in use vehicles.

Becoming party to the 1958 Agreement is of particular relevance for countries such as Colombia or Argentina which have an important automotive parts' industry. ■

For more information contact Juan Ramos Garcia (infotransport@unece.org)



UNECE FILM ON ENERGY EFFICIENCY IN HOUSING

A 3-minute film on UNECE's activities fostering energy efficiency in housing was broadcast on CNN's World View show last week-end.

Bulgaria: Renovating old homes and buildings to make them more energy efficient is part of a broader project on the same issue done with UN TV. The final product (a more comprehensive film of approx. 7 minutes) will be presented at a UNECE side-event at COP-15. ■

The film can be viewed at: <http://edition.cnn.com/video/#/video/world/2009/11/28/wv.martin.bulgaria.retrofit.untv>