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Statement

by

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at

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"Increasing stability and security:
Improving the environmental footprint
of energy-related activities in the OSCE region"

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Excellencies,
Distinguished delegates,
Ladies and gentlemen,

At the outset, let me begin by thanking the Government of Ukraine and the OSCE Secretariat for inviting the United Nations Economic Commission for Europe (UNECE) to address today's meeting. Also, I would like to thank the Government of the Czech Republic for its generous hospitality.

It is my great pleasure to address you at the 21st OSCE Economic and Environmental Forum. The topic of this Forum – "Increasing stability and security: Improving the environmental footprint of energy-related activities in the OSCE region" - combines many challenging and important environmental and energy policy issues.

The UNECE region – with its membership which is almost the same as that of the OSCE - has a significant impact on the global economy. The region:

- makes up about one-fifth of the world's population
- generates almost two-thirds of global GDP
- consists of over one-third of the world's landmass
- produces and consumes half of global energy

It also has a high ecological footprint.

The region however is highly diverse, encompassing high and low income countries which require different approaches and policies. There is thus a wide range of lessons learned and good practices that could and should be shared.

In the energy sector the environmental challenge, particularly related to climate change, is enormous and the time to act is now and action must be on a scale that addresses the challenge. Policy responses must be bold if the world is to get on the path to a sustainable future. There is need to:

- address market failures that hinder improvement of energy and carbon intensities
- invest in end-use energy efficiency
- improve the efficiency of existing coal-fired power stations
- progressively switch to natural gas away from coal
- develop the technologies of renewable energy further so they can contribute to cost-effective attainment of environmental goals
- put in place systems of smart grids, smart cities and all things 'smart' that will allow renewables to play a bigger role, and in the interim use natural gas as an efficient back-stop for intermittent renewables
- pursue and develop projects that cost-effectively capture and store carbon

For countries that wish to maintain the nuclear option, it is easy to say but hard to do. It can only happen if the nuclear sector meets its safety obligations, gains public acceptance and can be competitive taking into account full-cycle costs and other externalities

In sum, in the complex world of energy, each technology has a role to play. There is no single solution.

The coming decade, 2014-2024 will be the International Decade of Sustainable Energy for All. The goals of the Sustainable Energy for All Initiative include ensuring access to modern energy services, improving the energy intensities of national economies, and encouraging renewable energy technology as an instrument in decarbonizing the energy sector.

The challenge is to meet these goals with rational, effective, and equitable policies. A shift to green that is too abrupt and that does not consider financial consequences or social implications may discredit the legitimate contributions of new technologies and delay effective progress in meeting targets. The Aarhus convention was explicitly agreed in 1998 in order to enhance public engagement in environmental decision-making, and since it went into force in 2001 it has had an important impact on the manner in which governments engage with the range of stakeholders as it pursues environmental, energy, social, and economic policies.

In other words, one should proceed with caution. But today's general directions appear clear: promulgate sensible economic, energy, and environmental policies; address market failures; build capacity for technology transfer; and develop financial instruments that are appropriate for local circumstances. Finally, the work that is being done must be seen as benefiting society as a whole if policies are to be sustained.

Improving the environmental footprint of energy-related activities in our region involves efforts to reduce the environmental impact of primary energy production and transport. Such efforts may include:

- reducing emissions from coal mines, through modern management of methane or optimal development of coal resources. UNECE has expert groups actively involved in coal mine methane management and on classification of energy reserves and resources.
- reducing leaks in the gas transportation and distribution networks and gas production, a topic that can be addressed by the UNECE Working Party on Gas
- reclaiming land and improving water management (notably this is a concern for development of shale oil and gas).

We must also improve the environmental footprint of energy transformation to electricity and heat. Improvements may come at the end with emissions control at power plants – not only carbon dioxide, but also sulfur dioxide, nitrous oxides, ash, particulate matter, and other pollutants. Or the improvement may come from better technology used for the transformation. Increasing the efficiency of old power plants with new technology could have a major effect. The average efficiency of coal plants worldwide is 29%, whereas the best technology available has efficiencies upwards of 44%. UNECE's work involves not only dissemination of best practices and best technology, but also assisting with energy policy formulation and financing. The improvement can also involve implementation of combined heat and power plants, distributed generation, deployment of renewable energy, smart grids, energy efficiency, smart cities, and so forth. All of these efforts are necessary if we are to reduce the environmental footprint of energy activities and thereby enhance both stability and security.

Energy security is a priority for the majority, if not all, UNECE member States. It has been in the past and is expected to be even more so in the future. It is not surprising then that UNECE's mandate and expertise includes energy - specifically, the ability for UNECE members to secure affordable and sustainable energy supply.

UNECE, with its sister UN agencies that have strong energy programmes can collaborate with OSCE and other relevant international organizations - such as the Energy Charter Secretariat – and our respective member States in providing a secure energy supply. UNECE contributes to that collaboration and dialogue from a technical/economic/sustainable development perspective, while OSCE provides a high-level platform to bring member States' political engagement.

The mandate, though simply stated, is in fact complex. It includes security. It includes affordability. And, it includes sustainability.

First, security. Energy supply is considered secure if it meets demand in an environmentally sustainable manner at price levels that do not damage the economy. This implies supply that is robust in the face of disruptions, whether physical or political, at prices that are "affordable".

In this context, energy security requires investment, diversification of primary fuels, technology and flexibility. *Above all, it requires governments to put in place the policies and regulations that empower producers and consumers to respond to a dynamically changing environment.* The UNECE

Committee on Sustainable Energy has a specific mandate to continue its energy security dialogue.

Second, affordability. This concept is challenging. It implies that end-use prices should be affordable - without considering the ability to pay or the cost of supply. But the term is nuanced. Affordability takes account of life-cycle costs, including returns on investment, and both the resources and requirements of the buyer. Ensuring affordability is equivalent to ensuring that investments are made throughout the value chain - from primary energy development to final consumers - and that all involved have fair access to energy markets. *Again, it requires governments to put in place the policies and regulations that empower producers and consumers to respond to a dynamically changing environment.*

Finally, UNECE mandate includes sustainability. Sustainability has three inter-related dimensions:

- Economic, where investment and consumption decisions are made in a framework of sensible policies. One cannot oblige buyers or sellers to take decisions that run counter to their economic self-interest.

- Environmental, where sustainable resource use meets human needs while preserving the environment so that the needs can be met not only in the present, but also in the future.

- Social and political, where policies and programs are sustained over time because they are perceived as working for the welfare of society and are therefore supported by the people.

The energy sector is at the nexus of economic and environmental sustainability. The world is changing rapidly in terms of environmental considerations, technological progress, and globalization. And the pace of change is accelerating.

The economic challenge is to secure affordable and sustainable energy services for energy consumers. However, because the world is changing so rapidly, governments cannot afford to bet on specific technologies. It is investors who should be putting their capital at risk. *And yet again, governments should focus on providing a long-term, stable framework for all energy chains from the source to final use to ensure "proper" investment and consumption decisions.*

This afternoon Mr. Scott Foster, UNECE's Director of Sustainable Energy, will be presenting the results of a study conducted with OSCE on improving the environmental footprint of energy-related activities in the OSCE region.

Without stealing too much thunder from this afternoon's session, OSCE participating States must reduce the environmental footprint of their energy activities, which at the same time can address energy security, environmental and economic challenges.

The report makes several key recommendations to improve the situation, and I will just mention them briefly here.

- First, increase awareness, which enables populations to support their governments' actions;

- Second, facilitate deployment of new technology that is needed. Deployment means ensuring adapted technology is available along with needed finance and management capacity;
- Third, develop and disseminate comprehensive solutions through engaged dialogue at OSCE, UN and other international partners such as the Energy Charter Secretariat and the OECD;
- Fourth, but not least, engage strongly with all stakeholders, particularly the private sector, to ensure that changes take place at the scale needed to meet the challenge.

Mr. Foster will further elaborate on these recommendations this afternoon.

In all of these areas, UNECE's work is expected to have a direct, material impact and to catalyze or accelerate the transition to a sustainable energy future. We will need your help in doing so, and we look forward to working with you.

Ladies and gentlemen, improving the environmental footprint of energy-related activities requires a high level of political consensus. For many years OSCE has proved itself to be a constructive forum for forging and articulating such a consensus among its participating countries.

UNECE, through its Committees on Sustainable Energy and on Environmental Policy, and their expert bodies, could help translate these commitments in the field of energy and environment into tangible action on the ground.

Thank you again for the opportunity to address this Forum. We face many challenges in the area of energy and the environment, and our collaboration is an effective means of bringing our respective political and technical capabilities to bear.

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