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Statement by Mr. Sven Alkalaj

Executive Secretary

United Nations Economic Commission for Europe

Ministerial Session

Energy Charter Conference

*15 Years (1998-2013) of Energy Investment Promotion and
Protection under the Energy Charter Treaty*

Cyprus, 5 December, 2013

Mr. Chairman,
Excellencies,
Ladies and Gentlemen,

On behalf of United Nations Economic Commission for Europe, I would like to thank the Government of the Republic of Cyprus, the Chair of the Energy Charter Conference and the Energy Charter Secretariat for the invitation to address the Ministerial Session of the Energy Charter Conference on “15 Years (1998-2013) of Energy Investment Promotion and Protection under the Energy Charter Treaty”.

As an observer organization, UNECE participates regularly in the meetings of the Strategy Group of the Energy Charter. I would like to underline our long-standing and fruitful cooperation with the Energy Charter Secretariat. We have cooperated closely on specific projects in the area of energy efficiency and in the context of the energy security dialogue.

Just last month UNECE held the annual session of the Committee on Sustainable Energy. The theme of the Committee this year was “Securing Sustainable Energy Supply: Time to Act”, with a high-level segment on “Reliable and Stable Transit of Energy Resources and Its role in Ensuring Sustainable Development and International Cooperation”. Ambassador Rusnak, the Secretary-General of the Energy Charter Secretariat, was a high-level speaker, and I would like to thank His Excellency for his important contribution. His visit to Geneva gave us an opportunity to discuss synergies between our organizations and the possibilities for cooperation, in particular in view of the recent UN resolution on reliable energy transit.

On May 17 of this year the UN General Assembly passed the

resolution “Reliable and Stable Transit of Energy Resources and Its Role in Ensuring Sustainable Development and International Cooperation”. This resolution, put forward by the Government of Turkmenistan, was co-sponsored by 71 UN Member States. It calls for establishment and functioning of an international expert group to draft a new, comprehensive document aimed at ensuring global cooperation in the energy sphere.

The resolution also welcomed the proposal made by the Government of Turkmenistan to convene in early 2014 an international meeting of experts on the subject. It requested the Secretary-General to seek the views of Member States and relevant UN agencies on issues relating to the reliable and stable transit of energy resources and to inform the General Assembly of such views in the form of a general report of the Secretariat. UNECE would be prepared to cooperate with the Turkmen Government and the Energy Charter Secretariat in the organization of such a meeting, and to provide a platform for an energy security dialogue.

The UNECE region has a significant impact on the global economy. It makes up about one-fifth of the world’s population, generates almost two-thirds of global GDP, covers over one-third of the world’s landmass, and produces and consumes half of global energy. It also has a high ecological footprint. The region however is highly diverse, encompassing countries that require specific approaches and policies if we are to succeed in our transition to sustainable energy.

If we could get the rules of “the game” right, we could significantly improve the technical, economic, and environmental efficiency of the system, to the benefit of all citizens of greater Europe from the Atlantic to the Urals, of the entire ECE region, and indeed of the world. These rules of the game include

investment framework conditions as well as the terms and conditions for trade and transit. It is important in this conversation to recognize the mutual, common interest of all member States. Security of supply, security of demand, and security of transit are inseparable.

In the energy sector the environmental challenge is enormous. It is time to act on a scale that will address the challenge. Our member States must address market failures that hinder improvement of energy and carbon intensities. We must put in place the conditions that lead to investment in end-use energy efficiency. There is much work to be done to improve the efficiency of existing coal-fired power stations, and in parallel we must pursue and develop projects that cost-effectively capture and store carbon. It is essential that we develop renewable energy further so it can contribute to cost-effective attainment of environmental goals. Finally, an important stepping stone to a sustainable energy future will be a progressive switch to natural gas away from coal. Each technology has a role to play as there is no single solution. But these technologies and approaches cannot contribute if governments do not act to put in place sensible, coherent market policies and investment framework conditions that enable change to happen.

Energy security is a priority for the majority, if not for all, UNECE member states. It has been in the past and it is expected to be 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. 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 destabilize or damage the economy. Such a definition 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. It also requires trust, stable relationships, long-term arrangements, and dialogue. *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.* This includes both investment promotion and protection.

Second, affordability. This is the most 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 means delivering least cost energy services to consumers to meet their basic needs with the means they have. Prices must meet investment requirements and ensure affordable energy access in the short and long term. 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, 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 programmes 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. *Governments should provide a long-term, stable framework for all energy chains from the source to final use to ensure “proper” investment and consumption decisions.*

Ensuring sufficient, reliable and environmentally responsible

supplies of energy at prices that reflect market levels is a challenge for the countries of the UNECE region and globally. Investments are required to meet these challenges across greater Europe despite, or more correctly, because of the adverse economic conditions we face today.

The global population will rise from 7 billion today to 9 billion by 2050. It will be necessary to reduce greenhouse gas emissions by 50% to avert a climate change disaster while at the same time supporting economic development and energy access. Globally it is estimated that 1.3 billion people lack access to energy. Within the UNECE region the figure has not been estimated precisely, but is thought to lie in the range of 3 million.

These figures show the evidence that significant investments will be required to respond in a sustainable manner to the increase in energy demand and to provide access to modern energy services to the billions people who are deprived of it. Attaining this ambition will require deep public and private engagement in the form of effective framework conditions for investment and industrial commitments.

There is no doubt that the rule of law, proper implementation of regulation and transparency are essential for a greater involvement of the private sector. Creating a stable and transparent regulatory framework will facilitate investments in infrastructure and interconnections and support the integration of regional energy markets.

In all of these areas, UNECE's work is expected to have a direct and concrete impact and to catalyze or accelerate the transition to a sustainable energy future. We look forward to cooperating with you to enable this transition. UNECE works in full complementarity with the provisions of the Energy Charter Treaty to promote investments for a sustainable energy future in

the context of a stable regulatory framework.

2014-2024 will be the International Decade of Sustainable Energy for All. The challenge is to meet the goals of the initiative with rational, effective policies. Today's general directions are 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 expected to be sustained.

The ECE region has been a large emitter of greenhouse gases that cause global warming. Today it accounts for about one-half of global greenhouse gas emissions. On the other hand, it is a leader in efforts to improve the environment. The region comprises high and low income countries, countries that are energy-rich and energy-poor, and countries in the midst of economic transition. Meeting the imperatives of sustainable development and a low-carbon economy will require fundamental change in all aspects of society. Such change can occur only when rules are devised to enable the shift. In sustainable energy, ECE plays a defining role in development of multilateral agreements, standards, and related norms, best practices, and capacity-building.

ECE's Committee on Sustainable Energy is an intergovernmental body that provides our member States with a platform for international dialogue and cooperation. It is mandated to carry out a programme of work in the field of sustainable energy with a view to providing access to affordable and clean energy to all, in line with the "Sustainable Energy for All" initiative of the Secretary-General, and to help reduce greenhouse gas emissions and the carbon footprint of the energy sector.

Mr. Chairman,
Excellencies,
Ladies and Gentlemen,

Energy security, environment, sustainability, transit, investment framework conditions are all topics that cannot be addressed in isolation or by one party acting alone. UNECE is prepared to offer our platform for a multilateral dialogue on these topics of mutual and common interest. Let us work together to avoid the Tragedy of the Commons by becoming the Custodians of the Commons.

Thank you for your kind attention.