International Chamber of Commerce
The world business organization

Energy
A Contribution of ICC to CSD 14

"**Access to energy is fundamental to our civilization, and economic and social development is fuelling a growing demand for reliable, affordable and clean energy. Moreover, 1.6 billion people, or roughly a quarter of the worlds population lack access to modern energy services"**

World Energy Council (WEC)

Businesses and Industries of all sizes all over the world depend on energy to deliver products and services, and energy is delivered by businesses and industries. ICC regards business views, expertise and engagement as essential in these discussions because of the business community's central role in policy implementation, economical development and technological innovation, and more specifically because of its role in developing, in delivering, in utilizing energy technologies and energy services.

ICC has been a longstanding participant in most international fora and meetings on energy, and its members interact with national governments and other stakeholders on many energy, development and environmental issues. Business is:

- *a constructive contributor and indispensable participant in the effort to deliver energy for sustainable development – alongside governments and civil society.*
- *a willing partner through provision of resources, innovation, development and deployment of technologies to allow access to and more efficient use of energy.*

What should be the outcomes of CSD 14-15
on Energy Policies and Perspectives from a Business point of view.

- A shared understanding of the interdependence of the elements of global energy supply and demand, and of the need for flexibility in the development of multi-energy systems, appropriate to local resources and needs, taking into account environmental and economical constraints;
- Promotion and development of policies integrating economic, social and environmental priorities;
- Establishment of enabling frameworks for infrastructure development and deployment of efficient technologies, which include transparent and stable legal, regulatory and economic systems, for investment, finance, and technologies;

International Chamber of Commerce
38 Cours Albert 1er, 75008 Paris, France
Tel +33 (0)1 49 53 28 28 Fax +33 (0)1 49 53 29 42
E-mail icc@iccwbo.org Website www.iccwbo.org

- Development of funding and investment approaches pertinent to the long term needs of energy system deployment, and development of appropriate synergies between Foreign Direct Investment, local capitals and Official Development Assistance where needed;
- Pursuing public private sector partnerships in a framework that encourages energy investment while taking into account partners' appropriate roles and responsibilities;
- Setting a policy framework that encourages the deployment of a wide range of energy and energy efficiency technologies, to maximize their beneficial contributions to sustainable development;
- Development of public and private sector collaboration for research into and development of advanced energy systems.

The indispensable role of energy for sustainable development

Access to reliable, affordable, economically viable, socially acceptable and environmentally sound energy is fundamental to economic growth and sustainable development. Energy poverty induces poor living conditions and global poverty in many developing countries. Energy contributes to meeting basic needs, such as clean water, food preservation, transportation, healthcare, sanitation, education and communications.

In light of expected growth in world population and energy demand, long-term energy access and security will be critical priorities. According to the 2004 WEC Survey of Energy Resources, energy supply and demand are global markets, and energy resources are abundant around the world. Despite rapid improvement of energy production, conversion and transport technologies,, making it possible to transport energy more efficiently over longer distances and creating favourable logistical conditions, energy accessibility both in technical and economical terms has not improved enough.

Energy strategies

- to improve access to energy in rural and urban areas in order to make progress against poverty and support development;
- to enhance energy efficiency and reduce environmental impacts of energy supply, transport and use;
- to increase the use of advanced energy technologies and renewable energies

should rely on a bundle of converging approaches to address energy supply and use systems, technologies, and financial considerations. From a Business and Industry perspective, ICC considers .that such approaches need to take the following key elements into account.

Access to Energy and Security of Supply

Maintaining and growing the energy supplies required to provide access to those lacking it and to meet future demand with reduced environmental impacts will require significant investment in the long term in every element of the supply and use chain. Access to secure and affordable energy involves a wide range of business actors in addition to the traditional sectors of power generation, utilities and natural resource extraction. Transport, grid maintainers, automotive and energy intensive sectors are also essential parts of the energy supply and use chain, and their needs and operating realities should be taken into account by decision-makers.

Access to energy should be ensured for industry, commerce and domestic uses, in urban, peri-urban and rural areas. In all areas, it should be adequate for the facilitation of commercial and industrial activities.

Multi-Energy Systems

In light of growing energy demand and security concerns, all energy options should remain open, and policymakers should avoid choosing "winners" and "losers." There is no one-size-fits-all solution. Clearly, a broad variety of energy resources and technologies will be required to meet the varying needs of individual countries or markets. Keeping all energy options available will enable every nation to tailor addressing energy needs in the most efficient way, in alignment with respective resource base and long-term strategic development objectives. All energy sources should be assessed on their merits and relative attributes, recognising that each faces issues, barriers and opportunities including cost, performance, safety, environmental impact, primary resource depletion and energy security. Public acceptance should be considered in this approach, and be motivated by pertinent and complete information. Furthermore, energy efficiency is critical to any comprehensive sustainable energy strategy as mentioned earlier and should be considered as an integral part of the energy mix.

Energy Efficiency

Energy efficiency is another critical component of any comprehensive sustainable energy strategy. Governments should continue to promote and support energy efficiency among producers and consumers of energy. While this can make a major contribution to limiting growth in energy demand, growing a diverse range of energy supplies and improving access to them is still essential.

Integrated Energy Policies

Energy supply and use poses political and economic issues related to economic growth, security, employment, investment, climate change, environmental impacts and trade. Consequently, energy challenges should be addressed through integrated policies reflecting:

- Development priorities and needs;
- Social conditions and aspirations;
- Trade rules;
- Environmental policies including climate change, air /atmospheric pollution policies;
- Promotion of innovation;
- Technology development and transfer policies (Export, Finance, Removing trade barriers and Intellectual Property policies);
- Energy efficiency.

The Role of Consumer Choice and Decision Making

Consumer understanding, behaviour, choice and decision making are key factors for successfully addressing energy challenges. The way consumers use energy and maximize the recovery of energy through, for example, recycling, has the potential to impact significantly on the supply side. Therefore, consumers have to be educated about and be provided with choices and options for energy that are more sustainable.

Market and Price Driven Approaches

For markets to work efficiently and effectively, prices should give customers a clear basis for their decisions while ensuring optimal resource allocation. In many energy markets, distorted signals are being sent by counter-productive subsidies. ICC believes that the free market is the best framework for efficient deployment of energy resources.

As a last resort, subsidies could enable access to energy for energy-poor populations, and for countries in transition to more commercial merchant economies. When used, they must be transparent and be used with a view to catalyse a sustainable activity. As such they should be consistent over time and include definitive exit strategies, which will enable the long term economic viability of the activities induced by this access to energy.

Economic and Legal Enabling Frameworks for Sustainable Energy Systems

Efficient implementation of integrated policies requires enabling frameworks supported by good governance that provide an attractive and secure investment environment. Required enabling framework conditions include:

- transparent and stable economic and uniformly enforced regulatory systems based on sound science, risk management and cost/benefit analysis;
- rule of law;
- protection of intellectual property;
- safe and stable communities;
- free markets and fair competition;

- efficient financial markets;
- effective and innovative financing schemes;

Fight against Bribery and Corruption

Enabling frameworks are a prerequisite for developing and attracting investment in sustainable energy systems. Due to its unique relationships with governments, concerted anti-corruption, solicitation and bribery efforts in the energy industry remain a priority. To promote investment in the energy sector, the business community sees a strong need to eliminate acts of bribery and corruption, which is a shared responsibility. Governments have an important role to play in assisting companies in the prevention of bribe solicitation as well as in prosecuting offenders. ICC at the international level is strongly involve in raising awareness and promoting good practices.

Responsible Public Private Partnerships for Energy Services

Governments, national or local, businesses, and other key stakeholders should work in partnership to provide sustainable energy services, notably in projects realised through Public Private Partnerships that bring together the best of each partner's capacities. To be successful, these partnerships should reflect the skill sets and resources of each partner, and be developed with a long-term view appropriate to energy investment.

Long Term Planning and Investment Time Scales

Evolution of energy systems will involve considerable time and expense to alter energy and raw material inputs, operations and products and to develop and introduce technological innovations, as well as to establish the infrastructure to support them. Policy makers should strive for a consistent framework over the typical period of investments, which, in the energy sector, can amount to several decades.

Furthermore, the planning basis for business development, investment decisions, and cost-recovery may be profoundly affected by governmental commitments and changes in the international framework in the longer term. Uncertainty regarding longer term time frames has already introduced concerns and delays in decision making, especially regarding international investments for energy production and distribution projects to develop long-lived infrastructure.

Policies should take these long term considerations and realities into account, and strive for consistency and predictability over the corresponding time span.

Financing for Energy

While the world's energy resources are sufficient to meet projected demand, mobilising required investments will be the key challenge for the coming decades and underlines the

importance of a competitive energy sector that can attract the necessary investment. Financing for energy investment cannot be taken for granted, and the key question will be whether conditions in any given country's energy sector are right to attract the necessary investment.

Investment in energy projects is a long-term venture with investors facing considerable risks and challenges, which vary by region and the stage of the energy chain. Overall, investment conditions must be appealing and returns high enough to trigger the necessary investment. For energy producing and large energy-intensive industries, capital equipment lifetimes range from 30 to 50 years. With regular maintenance and newly available technology, capital stock can often last decades longer than its expected/proposed lifetime. New process technology, i.e., technology that improves the efficiency and cost effectiveness of a factory or power plant, requires performance improvements of an exceptional magnitude to induce a firm to retire equipment where capital costs have already been paid.

Creating Synergies among Sources of Finance for Energy

Innovative financing solutions that create synergies between sources of finance are also necessary to encourage energy investment. In countries with limited capital, and specifically for least developed countries, the role of Foreign Direct Investment should be complimented by Inter-Governmental Organisation funds (World Bank, GEF, UN Agencies etc.), Official Development Assistance (ODA), and local private funds. Through such innovative financing solutions, project creation and implementation benefit from a variety of sources of funds, which are mutually reinforcing, each fund being adapted to the type of investment and risks it covers.

Research and Development

To expand and take advantage of the full potential of energy options, all relevant stakeholders should allocate resources to research and development of new technologies all along the energy chain. Businesses dedicate substantial resources in technology advancement and the development of innovation. Business should also be a partner in defining mechanisms to identify, develop, commercialise and transfer technologies aligned with national priorities and development strategies.

Education

To operate effectively, and especially to develop and deploy advanced technologies, business and industry rely on the availability of well trained and motivated scientists and engineers.

Education is essential to supporting research and facilitating efficient deployment and operation of energy technologies. Furthermore, education is important for helping users make smart energy choices.