



International Chamber of Commerce

The world business organization

Policy and Business Practices

ICC letter to Energy Ministers attending the G8 Energy Ministers Meeting 24-25 May 2009, Rome

Access to reliable, affordable, economically viable, socially acceptable and environmentally sound energy is fundamental to economic growth and sustainable development. In light of expected growth in world population and energy demand, long-term energy access and security are critical priorities. In deliberations leading to the G8 L'Aquila Summit, business stands ready to work in partnership to define comprehensive solutions to energy challenges.

The International Chamber of Commerce (ICC) as the world business organisation which speaks on behalf of enterprises from all sectors in every part of the world stands ready to bring the voices, actions and experiences of businesses to work with governments to meet these rising concerns.

According to the International Energy Agency World Energy Outlook (WEO) for 2008, investments of \$26 trillion will be required on the supply-side for projects related to energy access, to diversify energy supplies, modernize infrastructure, and promote greater efficiency, between now and 2030. If we are to see the energy revolution presented in the 2008 WEO, it is vital to address the question of secure and pertinent investment in energy supply as well as on the demand side in developing, emerging and developed economies. This will be instrumental in a move towards a future low-carbon economy.

The global economic crisis has underscored the urgency of sustainable development, emphasizing a mutually reinforcing balance of economic, social and environmental progress. Moreover, it highlights the need to work efficiently and cooperatively to develop the policy and financial drivers needed to delink environmental impacts from economic growth, provide energy access and security. There is an urgency to act, and while the crisis creates new challenges, it also underscores the importance of seeking cost-effective opportunities for action.

Sustainable development depends on economic growth and recovery. We urge you to support an economic rebound that creates jobs and promotes technological innovation and good environmental practices. Indeed, the more rapid and successful attainment of environmental objectives should be a priority in government stimulus plans and should favour environmental stewardship and resource efficiency.

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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 28 59

E-mail icc@iccwbo.org Website www.iccwbo.org

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Energy challenges should be addressed through an integrated framework of policies reflecting a broad range of issues. They should enhance the capacities of business to deliver adequate products and services to answer these challenges in a creative and efficient manner. In the attached annex, ICC provides G8 policy-makers with insights on a number of key elements including, access to energy, climate change, energy options, integrated policies, energy efficiency and security, financing, and innovation.

Yours Sincerely,

A handwritten signature in black ink, consisting of a large, sweeping loop on the left and a series of smaller, connected strokes on the right, ending in a horizontal line.

Guy Sebban
ICC Secretary General



ICC INSIGHTS ON ENERGY CHALLENGES

ACCESS TO ENERGY

As access to modern energy services increases, quality of life improves. Moreover, a robust and flexible energy infrastructure is of critical importance to the provision of many other services as well as industry and manufacturing. Energy contributes to meeting basic needs, such as clean water, food preservation, transportation, healthcare, sanitation, education and communications. 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 long-term investment in every element of the supply and use chain. More sustainable energy pathways play a key role in ensuring that economic activity advances social development and environmental protection in both developed and developing countries.

CLIMATE CHANGE

Today's major challenges transcend national borders and boundaries. Effectively addressing them requires concerted long-term international cooperation. Climate change is one of the most pressing challenges of our times, associated as it is with meeting real needs for energy, development and economic growth. ICC recognizes the fundamental role of technology in the fight against climate change and the need for new alliances and collaboration. International programmes should be promoted to leverage resources and partnerships to accelerate the development of emerging but not yet commercially available technologies as well as to facilitate the wider deployment of mature zero-carbon and low carbon technologies.

ICC supports the G8's priority attention to climate change, integrated with energy security, and its dedication to multilateral approaches to global challenges. Moreover, we encourage G8 governments to contribute to other opportunities to catalyze international cooperative action in these areas, such as those created by the Major Economies meetings and the Asia Pacific Partnership which complement the ongoing United Nations Framework Convention on Climate Change (UNFCCC) negotiations leading towards the completion of a post-2012 framework agreement on climate change in Copenhagen this coming December.

KEEP ALL ENERGY OPTIONS OPEN

In light of growing energy demand and energy security concerns, all energy options should remain open and international policymakers should avoid choosing specific technologies and energy sources. There is no one-size-fits-all solution, as 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 their energy solutions in the most efficient manner, in alignment with their respective resource base and strategic development objectives. Whilst policy makers should generally strive for a consistent framework over the typical period of investments, policies should take



both long term considerations and current realities into account.

INTEGRATED POLICIES

Energy supply and use is an integral and cross cutting element of economies and of interconnected global markets. Energy challenges should be addressed through integrated policies reflecting a broad range of issues including, development priorities and needs, social conditions and aspirations, international trade rules, environmental policies, the promotion of innovation, technology development and deployment and energy efficiency. The 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 establish the infrastructure to support them.

ENERGY EFFICIENCY

Energy efficiency is a fundamental element in the progression towards a more sustainable energy future and has been on the business agenda for years with significant strides already achieved. As global energy demand continues to grow, actions to increase energy efficiency will be essential. There are many environmental benefits to energy efficiency including reduced emissions and reduced use of resources. Energy efficient technologies and demand-side management processes are in general, relatively cost-effective and can be rolled out on a large scale, especially in developing countries. For example, energy efficiency standards for appliances in China are expected to save 200TWh of electricity by 2009, equivalent to China's total residential sector electricity consumption in 2002.

However, the cumulative benefits of the implementation of energy efficiency or demand-side management interventions are not always understood by consumers. The uptake of energy efficient technologies or behavioural change may be limited in the absence of appropriate policy support and may be dependant on the relative price of energy, public awareness, and technology availability. Governments should continue to promote and support energy efficiency among producers and consumers of energy as well as educating, regulating and incentivising consumers. With the right fiscal and regulatory frameworks, business can work in synergy with public authorities to improve the efficiency of current systems and reduce future demand.

ENERGY SECURITY

Energy security is a critical concern for companies of all sectors operating in global markets. Business needs a secure and reliable energy supply and infrastructure, which impacts the feasibility and cost of doing business from perspectives of investment, competitiveness and productivity. Energy security at the national level is governed by many aspects, including the extent and diversity of local reserves and the need for importation, regulatory frameworks as well as the stage of technological development. Thus it is critical that policies and frameworks to promote energy security at the international level complement national energy security issues. Diversification of the energy mix and interconnected primary energy



systems will increase energy security considerations as well as reduce risk and increase flexibility. Secure and reliable infrastructure and transport mechanisms along with associated policy and regulations are needed. In addition, long-term contractual arrangements may be required. Strong long-term energy technology research, development and deployment should be pursued by both governments and industry in the pursuit of more sustainable future energy systems. Enabling frameworks are a prerequisite for developing and attracting investment in sustainable energy systems and thus strengthening energy security.

FINANCING

Innovative financing solutions are needed in all countries' energy sectors. Even in favourable economic climates, financing for energy investment cannot be taken for granted, and enabling conditions in any given country's energy sector will affect investment flows. In countries with limited capital, and specifically for least developed countries, the role of private Foreign Direct Investment (FDI) should be complemented by multilateral development finance, Official Development Assistance (ODA), and local private funds. Technological maturity needs to be considered along with the associated incremental costs of implementation and differing risk profiles. It is also important to consider the type of investment which will be required; some technologies will need both up-front capital investment as well as crediting mechanisms such as the UNFCCC's Clean Development Mechanism (CDM) to assist with cash flow for projects, whilst others may only need cash flow support. In addition, a combination of flexible financing mechanisms will be required to cover the broad and growing range of new investments that are needed. For markets to work efficiently and effectively, prices should give customers a clear basis for their decisions while ensuring optimal resource allocation.

INNOVATION

The private sector is the prime developer and conduit for innovative energy production technologies, yet further government and multilateral financing, as well as expanded and more targeted public-private research cooperation are critical too. Leveraging resources and partnerships to develop breakthrough technologies in order to fundamentally change our energy future is an urgent priority. These policies should include developing national research programmes targeted at geography or technology-specific needs, and to recognize and support opportunities. In addition, governments can support technological innovation through enabling policies and frameworks, including carbon pricing, tax incentives, effective patent systems and other incentives for research and development (R&D). Intellectual property rights, particularly patents, provide the primary means for assuring necessary private sector investment in the invention, development and deployment of the technologies needed to reduce emissions. When governments consider potential mechanisms to foster transfer of technology they should not resort to solutions that might jeopardise this essential role of intellectual property.

National technology development strategies must cover fundamental research as well as



emerging and near commercial areas in order to ensure a pipeline of new technologies. To accelerate energy technology development and deployment on a global scale, ICC recommends analysis of the fundamental issues encountered in the large scale deployment of emerging technologies. These studies need to reflect understanding of local potential and capacity, as well as identify gaps and needs. Policymakers should strive to scale up successful projects and practices, and work with companies in this regard. Much of this research and development is long-term in nature and therefore requires a collaborative approach. A basket of policy options which address the various stages of technology maturities of the technologies, as well as national circumstances will have to be developed.

Business has a crucial and important role to play in shaping how energy is developed and utilised today, as well as the future energy options for tomorrow. We are willing and able to work with all stakeholders to find appropriate solutions whilst meeting growing demand for energy.

For more information please visit www.iccwbo.org/policy/environment/id1461/index.html