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Investment of \$17 Trillion Needed to Meet Growing Global Energy Demand, Commission on Sustainable Development Told

'Clean Energy' Investment, Use of Subsidies, Efficiency As Resource among Issues Raised in Three Thematic Discussions

By US Fed News

The Commission on Sustainable Development today concluded the first of its two-week session by debating challenges and opportunities related to investing in energy and industrial development, and was told that satisfying the growing global energy demand would require an infusion of some \$17 trillion, with nearly one third of that amount required to meet the needs of the developing world. ...

Among the key challenges to reducing "energy poverty" was strengthening the protection that encouraged the necessary investment, the Managing Director of the Brussels-based International Council for Capital Formation, Margo Thorning, said. Another was to reduce the bias against nuclear power, a source of clean, cost-effective energy. It was also necessary to examine the potential impact of carbon caps on energy investment. The targets for carbon caps were uncertain, so the investor did not know when the target might change. Also, the future price of carbon remained uncertain. The public sector should reduce barriers and encourage investment through tax incentives. Governments should keep taxes on capital income and capital gains low, and encourage free trade and stable governance. ...

Thematic Discussion on Energy Investments

The Commission this morning considered the challenges and opportunities related to investing in energy and industrial development, with the participation of panellists with expertise in the energy and finance markets.

Chaired by Yvo de Boer (Netherlands), the meeting heard from Fatih Birol, Chief Economist of the International Energy Agency in Paris; Margo Thorning, Managing Director of the Brussels-based International Council for Capital Formation; and Christine Woerlen, Climate Change Focal Area, Global Environment Facility.

Energy investment, including in oil, gas, coal and electricity, was a crucial part of the global economy, stated Mr. Birol. To meet the growth in the global energy demand, some \$17 trillion would be needed. While there was currently much discussion on the issue of oil prices, poor countries were being hit the hardest by "perverse" oil prices. To meet current and future demands, some \$10 trillion would be needed for electricity alone. That amount of money seemed huge, but compared with the global capital markets it was affordable, as \$17 trillion was only 1 per cent of global gross domestic product (GDP). The question was whether global capital could be channelled to energy projects, especially in the electricity sector.

The electricity market was growing strongly and new power plants were needed to meet global demands, he said. Some 1.6 billion people - one fourth of the global population - had no access to electricity. Despite technological and economic growth, without intervention, by 2030, some 1.4 billion people would not have access to electricity, mainly in sub-Saharan Africa. That was morally unacceptable. About \$6 trillion was needed for energy development in the developing countries. ...

On the issue of CO₂ emissions, he noted that such emissions would increase significantly if current policies continued. The countries of sub-Saharan African and South Asia would only contribute to a minor part of that increase. The situation of China and India, however, required specific attention, as the amount of CO₂ emissions from coal-fired

power plants in those countries were expected to equal the emissions of the countries of the Organisation for Economic Cooperation and Development (OECD) in the next 25 years. In short, to address the climate change issue, it was necessary to look at coal-fired plants in developing countries, especially in China and India, he said.

Ms. Thorning said that, among the key challenges to reducing energy poverty was strengthening protection that encouraged the needed investment. Another challenge was reducing some of the bias against nuclear power, a source of clean, cost-effective energy. It was also necessary to examine the potential impact of carbon caps on energy investment. The targets for carbon caps were uncertain, so the investor did not know when the target might change, thereby leading to uncertainty. Also, it was not possible to know the price of carbon in future years, which also added to uncertainty. The role for the public sector was reducing barriers to investment and encouraging investment through tax incentives. Governments should keep taxes on capital income and capital gains low, and encourage free trade and stable Governments.

With regard to encouraging financing for projects with high perceived risks, Ms. Woerlen said that the Global Environment Facility had tried a loan and revolving fund approach, which had achieved good investment. However, it was still not satisfied with the leverage those funds had obtained, as they could not contribute to significant changes in investment behaviour in the energy sector. One barrier for clean energy investment was high initial costs. Grants, subsidies and sustainable financing schemes could help overcome that barrier. ...