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Interactive thematic session

ENERGY

Summary prepared by the Conference secretariat

1. The Round Table thematic session on Energy was organized by UNIDO, which was responsible for the first two themes of the session, UNCTAD being responsible for the third theme.
2. A list of deliverables, as agreed upon at the High-level Meeting on Energy, held in March 2001 in Vienna, was presented at the Round Table.
3. The discussions evolved around the following three themes:
 1. Access to energy, particularly in rural areas;
 2. Enhancing energy efficiency;
 3. Efficient oil and gas pricing and procurement in LDCs.

4. Theme 1 discussions focused on two aspects of access to energy, namely, stable supply of hydrocarbons and access to energy in rural areas. Access to energy is vital for several reasons: a stable supply of hydrocarbons is critical for development, particularly for landlocked countries. LDCs have suffered a great deal recently due to the vagaries of oil prices. Increased oil prices have in some cases cancelled out the effect of debt reduction/cancellation granted by the developed partners. Rural areas' access to energy and electricity is essential for their economic development, as well as for social and environmental considerations. Rural electrification is a precondition for employment generation and proper functioning of schools and hospitals. Without access to electricity, wood and other forms of biomass are used in an unsustainable way.
5. LDCs are often endowed with significant potential sources of energy that could be tapped to support sustainable development. These sources are often renewable energy sources, such as hydroelectric power, sustainably exploitable biomass, photovoltaic power, etc.
6. Many constraints were identified as obstacles to rural electrification. These include the lack of financial resources for investment, physical constraints, as well as lack of skills to plan, build and maintain rural electricity infrastructures.
7. Possible solutions or remedies for overcoming these constraints were identified. They concern the decentralization and distribution of power supply with an increased participation of the private sector. Particular attention was given to the promotion of decentralized energy generation, especially through the Multifunctional Platforms and the cooperation programmes between LDCs and donors for the local assembly/manufacture of renewable energy equipment. Small-scale operators could play a very significant role in this area. The development of infrastructures for supply of hydrocarbons, especially in landlocked countries, was emphasized. Such infrastructures could include hydrocarbons corridors and storage facilities. Increased regional cooperation in the supply and distribution of energy, interlinking networks, a reforming and strengthening of the regulatory framework for energy and increasing financial resources available for improving access to energy were stressed. The increased use of alternative sources of energy and enhanced research and development were also highlighted. The session called for the mainstreaming of the energy development policy into the overall development strategy of LDCs .
8. The international community was called upon to step up its efforts to enhance LDCs' access to energy.
9. The Norwegian Government indicated it has recently committed itself to step up support to energy access programmes and policies in LDCs. It is considering significantly increasing the funding for access to energy programmes. This would be carried out with special attention being paid to social and environmental issues relating to energy supply.

10. The deliverables in this area will be implemented by UNIDO in cooperation with other relevant agencies.

11. Theme 2 considered that energy consumption for sustainable development must focus on the twin elements of access and efficient consumption. Increasing access, without corresponding vigilance on consumption issues may not maximize the contribution of energy to growth and poverty reduction. Rational energy use was defined as a reduction of energy consumed for a given purpose or service. It comprises the following dimensions: avoiding unnecessary consumption, reducing specific demands, improving efficiency and performance and ensuring effective energy performance.

12. The session discussed the many difficulties faced by LDCs in improving their efficient use of energy, particularly barriers that are either of a market, institutional or financial nature. Market barriers include a weak enabling environment for energy-efficient investments by the private sector, such as inadequate legal and regulatory frameworks and a lack of fiscal or financial incentives, or low consumer awareness and interest. Institutional barriers include the absence of explicit national policies at the end-user level. Access to finance is a pervasive problem in LDCs, as it limits opportunities to investigate new and innovative avenues to enhance the efficient use of energy.

13. While these are general barriers, many participants in the interactive debate presented country-specific problems. In the case of Zambia, a new energy conservation and efficiency programme was implemented. This programme is designed to reduce poverty through increasing supply options, examining the role of economic and social conditions related to energy use and capacity-building for consumers of energy at the household and firm levels.

14. Other energy saving proposals include substitution by renewable energy sources such as biomass, wind and solar, that could be included in any energy efficiency programme. In LDCs however, implementation of substitution programmes is particularly difficult, mainly due to lack of investment funds.

15. Deliverables in this area will be implemented by UNIDO in cooperation with the relevant agencies.

16. Theme 3 commenced with a presentation of the energy situation in African LDCs. These LDCs have very low rates of commercial energy consumption, despite the fact that several are producers (and exporters) of oil, gas and hydro-electric energy. Much of the gas produced in the region is flared off and is thus wasted. There is much room for improvement here. Renewable energy is important, but traditional hydrocarbons have a major role to play if African LDCs are to grow and reduce poverty. To enhance this role, Governments should elaborate integrated energy development strategies, which also take into account possibilities at the regional and subregional levels.

17. The West African Gas Pipeline Project, a major project bringing together four countries (Nigeria, Benin, Togo and Ghana) to tap the abundant natural gas currently being being flared off, is regarded as a good example of existing possibilities for regional cooperation. The concerned Governments are thus providing a framework within which the private sector can invest in a major energy infrastructure project.

18. Emphasis was placed on the macro-economic importance of fuel (e.g. the two major increases in LDC debt levels being linked with oil price increases) and on the importance of having proper policies, particularly for the pricing of energy resources.

19. The possibilities for LDCs to harness the components of oil and gas prices in order to reduce the negative effects of oil and gas price volatility were also discussed. LDCs can, in principle, manage most of their oil price risk, provided they develop the necessary institutional capacity. They can even link such risk management to financing, for example through the issuing of energy price linked bonds to finance energy projects.

20. The deliverables presented consist of innovative initiatives for natural gas exploitation and development; support to regional initiatives, including for regional petrol storage and for cross-border energy trade (e.g. through pipeline networks and interconnecting grids); the improvement of pricing policies to enhance energy efficiency; and programmes to improve the capacity of LDC decision makers to manage the energy sector. Participants also agreed with the OPEC countries that the stability of oil prices should be maintained. The scope for and potential of regional cooperation was stressed. The need for assistance in the domain of energy policy formulation, particularly in the light of the many options open to LDCs and the importance of investment as a key constraint in improving energy-sector efficiency, were recognized. A causal link was made to the Kyoto Protocol which, if ratified, would give developed countries an incentive to invest in energy sector improvements. All these issues were also referred to during the discussions held on the first and second themes.

21. On behalf of the LDCs, the co-chair from Mali acknowledged the decision of the Norwegian Government to make energy, one of their top priorities in development cooperation with developing countries and LDCs during the next biennium.

22. The co-chair called for a follow-up structure to ensure that the deliverables discussed at the meeting are realized and expressed the wish to have the World Bank and the IMF associated with it.

23. The general coordination for the follow-up of all the initiatives discussed under theme 3 will be under the overall responsibility of UNCTAD.
