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TRADE AND DEVELOPMENT BOARD
Commission on Goods and Services, and Commodities
Expert Meeting on Energy Services in International Trade:
Development Implications
Geneva, 23 – 25 July 2001

**OUTCOME OF THE EXPERT MEETING ON ENERGY SERVICES IN
INTERNATIONAL TRADE: DEVELOPMENT IMPLICATIONS**

1. The Expert Meeting on Energy Services in International Trade: Development Implications was held in Geneva from 23 to 25 July 2001. In accordance with the Trade and Development Board's decision taken at its twenty-fourth executive session, the outcome of the Meeting will be circulated by the secretariat to the member States with a request for policy comments. It will subsequently be transmitted to the sixth session of the Commission on Trade in Goods and Services, and Commodities, which will make recommendations on actions to be taken by member States and UNCTAD.
2. The paragraphs below set out experts' suggestions for actions, which could be considered under the headings of (a) policy instruments and strategies, (b) international trade negotiations, (c) analytical work, and (d) follow-up actions. Not all the views expressed were necessarily shared by all the experts, and they are recorded without prejudice to any official positions that may be taken by Governments hereafter.
3. The experts noted the crucial role that energy plays with regard to sustainable development and the very limited access that important segments of people in developing countries have to commercial energy. They considered that the lack of access to modern and sustainable energy is a major cause of environmental and health hazards in vast areas of the developing world and a major impediment to quality of life, while recognizing both the fundamental role of energy as the largest component of gross domestic product in several countries and the very rapid changes taking place in that sector. Moreover, they recognized that these changes fundamentally underlie economic competitiveness, and that building

domestic capacities is fundamental to the next stage of exporting value-added energy services, especially for developing countries.

A. POLICY INSTRUMENTS AND STRATEGIES

4. The experts made, *inter alia*, the following suggestions for consideration by Governments:

5. Action is needed to promote wider and, whenever possible, more efficient and affordable access to energy for people and industry, especially in many developing countries. Among other means, this can be achieved through regulatory reform. Investment in the energy sector is a precondition for achieving the goal of making energy available to the poor, and thus the necessary environment to attract domestic and foreign investors should be established. Multilateral, regional and bilateral financial resources should be made available to that end whenever possible. The energy services sector should play an important role in countries' overall economic growth.

6. Measures are needed to increase the competitiveness of suppliers of energy services, particularly in developing countries, and to foster the development of the networks of small and medium-sized enterprises (SMEs) so that those suppliers can increase their share in the energy services market, and provide a source of innovation. Both the regulatory regime and the physical infrastructure may need to be developed and/or strengthened.

7. Strategic alliances between local and foreign firms and between large companies and SMEs should be encouraged in order to enable the identification of market opportunities. The participation of local knowledge and talent should serve to build trust and long-standing business relationships. Large companies' purchasing practices can provide a stimulus for SMEs.

8. Progressive liberalization of market access conditions for energy services should be pursued, taking into account differences among countries in their level of development, regulatory frameworks and market realities. The process of liberalization should be carried out under the appropriate regulatory framework with a view to ensuring the achievement of national policy objectives, including public services obligations, and the establishment of fair competition conditions. Liberalization should not necessarily be equivalent to deregulation. It should entail re-regulation in order to ensure the attainment of the above-mentioned goals.

9. Transfer of technology in the energy sector is essential. However, the technology that is transferred should be appropriate to the situation of the receiving country in terms of level of development and environmental situation. Access to technology should be affordable, and may include licensing or other procedures relating to its use. Local firms should contribute to making foreign technology suited to domestic conditions and benefit from technological spillover.

10. Renewable energies may help in addressing shortages of electricity, especially in rural areas. An assessment of their affordability, sustainability and appropriateness may be suitable before opting for this alternative.

11. Support should be given to energy services companies, especially SMEs in developing countries, including through the creation of local venture funds. Special loans should be made available to support the development of local entrepreneurship and address cash-flow shortcomings.

12. Temporary admission of specialized equipment could facilitate the provision of energy services. If this is provided by countries, they should pursue non-discriminatory treatment of local and foreign energy services suppliers in order to put them on an equal competition basis.

B. INTERNATIONAL TRADE NEGOTIATIONS

13. Experts expressed the view that multilateral and regional negotiations on energy services should be pursued in recognition of the role that energy plays in development and taking into account the development policies and objectives of developing countries.

14. Experts addressed a number of issues that are under discussion in the General Agreement on Trade in Services (GATS) negotiations in the light of the current negotiating proposals. These included proposals for clarification of the scope of energy services and improvement of current classification, including through a possible “checklist” which could be used as a tool to facilitate negotiations in the World Trade Organization (WTO) and at the regional level. However, the importance of preserving the legal certainty of the Members’ commitments under the current classifications was emphasized. Also, it was stressed by some that classification should take into account the specificity of different energy markets in terms of differences in energy sources and diversity in regulatory frameworks. Moreover, a discussion was held on the suitability of developing an instrument specific to the energy services sector and comparable to the Reference Paper on Basic Telecommunications, and the possible content of such an instrument (e.g. development concerns to link in a clear manner energy services and development – including the achievement of public services goals – and promotion of competition and of foreign investment in the energy sector consistent with development goals). It was recognized that some experts had expressed different positions with respect to these issues. Also, the need to take into account in that regard the overall context of the WTO negotiations was noted.

C. ANALYTICAL WORK

15. In most energy-related studies the energy services component has been neglected, and the ongoing international negotiations on energy services would be greatly facilitated by analytical work in this area and by data about market reality.

16. Experts identified a number of areas for further study and analysis, with the understanding that the Commission on Trade in Goods and Services, and Commodities may select the priority areas where UNCTAD may carry out additional analytical work according to its mandate, namely:

- (a) Analysis of the main structural characteristics of the energy services markets; key aspects of technological change; and the role of international and national standards and regulations on trade in energy services. These studies could

contribute to the assessment of trade in services that the WTO Council for Trade in Services is carrying out at present;

- (b) National experiences with structural reform of the energy sector in developing countries, and potential difficulties and opportunities for domestic energy services suppliers resulting from it; analysis of the impact of energy-related subsidies on development and trade;
- (c) Compilation and analysis of a list of successful experiences of developed and developing countries in the energy sector from the investment, technology, enterprise development and other viewpoints. This could include the role of SMEs in the energy services sector, and possible disciplines to strengthen them and further their market participation;
- (d) Analysis of the main issues as identified in the current GATS negotiating proposals on energy services and their possible implications for developing countries, taking into account the overall framework of WTO disciplines and the ongoing services negotiations;
- (e) Analysis of issues arising from cross-border transit of energy.

D. FOLLOW-UP ACTIONS

17. Experts identified a number of areas where further action is needed. Among them, the Commission on Trade in Goods and Services, and Commodities may select the priority areas where UNCTAD may take action according to its mandate, namely:

- (a) Organizing workshops and seminars on different issues, such as the role of SMEs and cooperation schemes in the energy services sector. These activities could bring together government officials, trade negotiators, representatives of the business community and other relevant stakeholders to increase their awareness about the trade and development aspects of energy services, exchange information about best practices in the sector, and identify emerging opportunities for suppliers in developing countries;
- (b) Exploring the interest of the Organization of the Petroleum Exporting Countries (OPEC), the Energy Charter Secretariat and other relevant organizations in carrying out studies, in cooperation with UNCTAD, in the area of energy services with a specific focus on development and trade, and their potential for doing so;
- (c) Exploring the interest of regional development banks in developing, in cooperation with UNCTAD, methodological tools for assessing the impact of investment and production in the energy services sector on economic growth, and their potential for doing so;

- (d) Continuing to provide, in accordance with the UNCTAD Plan of Action agreed at UNCTAD X, technical assistance and policy advice through relevant mechanisms to producers and users of oil and gas in developing countries, in particular in the context of implementing privatization and liberalization schemes, aimed at protecting Governments as well as private users and consumers from the risks of high price volatility.

18. The experts welcomed the kind offer made by the representative of the Economic and Social Commission for Western Asia (ESCWA) to host a meeting in Beirut (Lebanon) to continue the discussions on some of the issues raised during the course of the Expert Meeting.