

# **UNCTAD**

## **Multi-Year Expert Meeting on Commodities and Development 2013**

**Recent developments and new challenges in commodity markets, and policy options for commodity-based inclusive growth and sustainable development**

Room XXVI  
Palais des Nations  
Geneva, Switzerland

### ***Linking Renewable Energy to Rural Development***

by

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BETTER POLICIES FOR BETTER LIVES

# UNCTAD: Multi-year Expert Meeting on commodities and Development

**Addressing challenges of sustainable commodity production:  
climate change and renewable energy development**

## *Linking Renewable Energy to Rural Development*

21 March, 2013

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# 16 regions across Europe and North America



OECD Green Growth Studies

## Linking Renewable Energy to Rural Development



**Puglia, Italy**

**Extremadura, Spain**

**Québec, Canada**

**Scotland, UK**

**Mid Sweden , Sweden**

**Zealand, Denmark**

**North Karelia, Finland**

**Troms County, Norway**

**Fryslân, the Netherlands**

**Prince Edward Island, Canada**

**Maine, US**

**Vermont, US**

**Iowa, US**

**Oregon, US**

**Tennessee, US**

**Abruzzo, Italy**

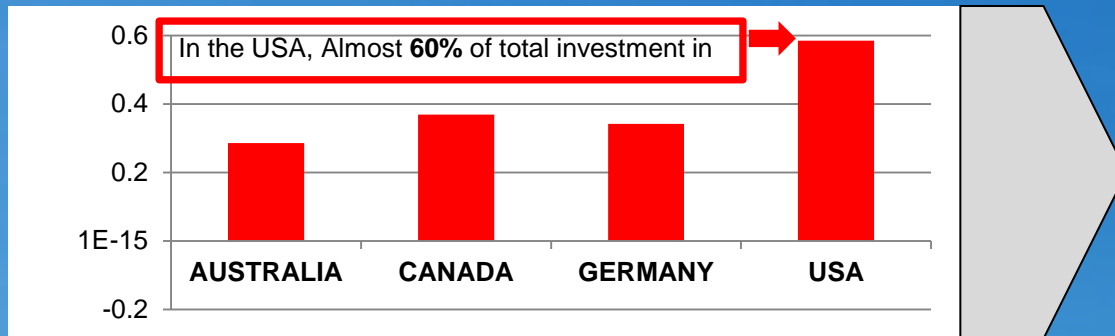
# Why this study?

- In most countries, governments have invested large amounts of public money to support RE development and are requiring significant quantities of it to be sold by energy providers. But:
- Every country that has taken part in an OECD Rural Policy Review has identified “green power” as a major rural development opportunity. Examples include:
  - Spain – solar and wind
  - England – off-shore wind and wave
  - Finland – forest based cellulosic ethanol and wood co-generation
  - China – all technologies
- How much of this is possible? Where is it possible? And will “green power” be a major driver of rural development? what are the economic impacts of these policies and investments

# Core issue job creation in rural areas?

- At the macro level the issue is net new jobs – to what extent will green power displace other jobs?
  1. How much will green energy jobs displace jobs in traditional power supply?
  2. If green power is more expensive, how many jobs will be lost due to lower GDP?
- At the local level the question is how many jobs are associated with a specific project?
  1. How many jobs in operation and maintenance?
  2. How many jobs in construction, and for how long?
  3. Will there be local manufacturing jobs?
    - » Green power technologies
    - » Tied to local power generation
  4. What are the associated multipliers?

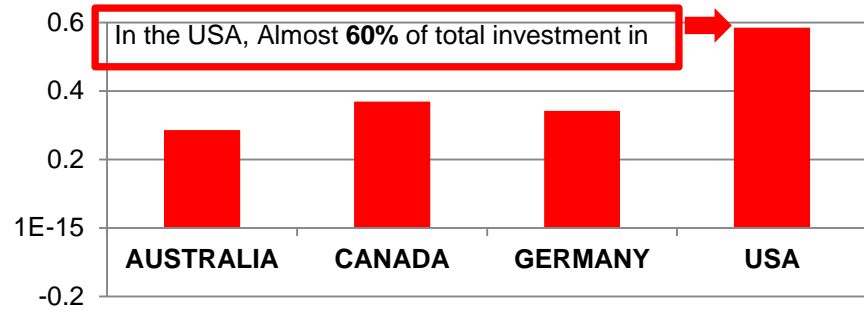




RE is not a **panacea**.  
*per se*, it has a low impact on employment. It can negatively affect energy costs .

RE has to have a job in rural areas: it has to provide cheaper energy (heating, electricity, cooling) or be functionally connected with a core activity



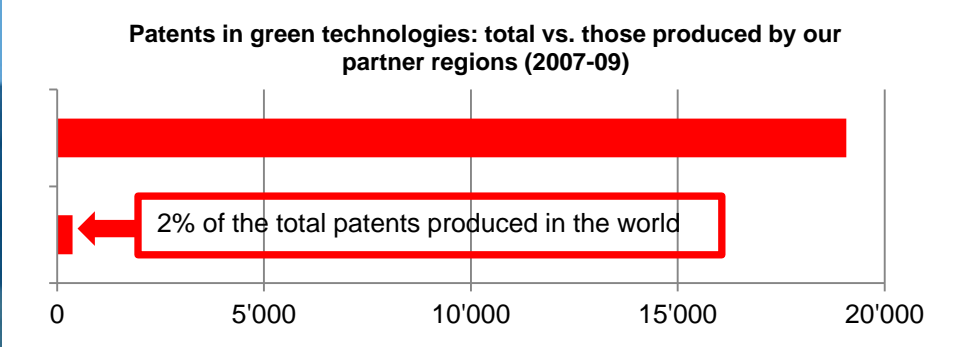


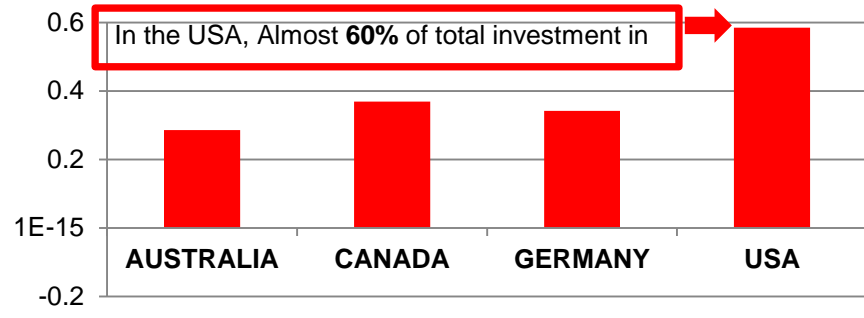
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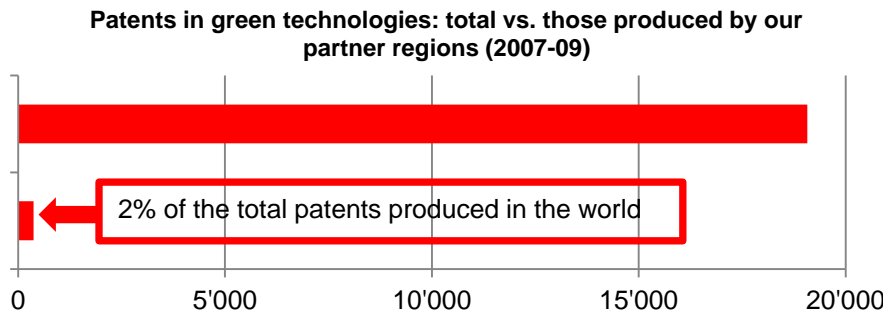
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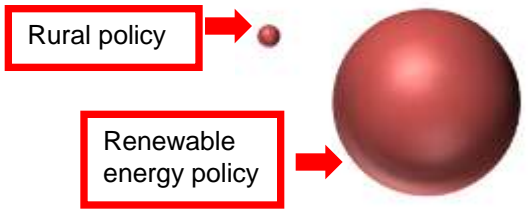
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**SMART Specialisation.** Key in rural areas, which tend to have a narrow industrial mix. And a sticky endowment of skills.

Coordination failure between RE and rural policy (all levels)



RE policy has been looking for **short-cuts** to avoid dealing with transaction costs: **wrong**

Innovative role of the central level and intermediate institutions at the regional level



# How to do it right - issues for discussion

**Carefully mix subsidies with investment to avoid distortions**

**Link RE sectors to rural businesses already in place**

**Interact with rural communities to empower them and to induce local ownership**



# How to do it right - issues for discussion

**Carefully mix subsidies with investment**

**Try to link RE sectors to rural businesses already in place**

**Interact with rural communities to empower them and to induce local ownership**

## **Old Paradigm**

## **New Paradigm**

### **Objectives**

Equalization. Focus on farm income

**Competitiveness** of rural areas

### **Key target sector**

Sector based

**Holistic** approach to include various sectors of rural economies

### **Main tools**

Subsidies

**Investments**

### **Key actors**

National governments, farmers

**Multilevel-governance**

# Benefits from RE deployment to rural areas

	Investment	Tax revenue	Employment	Entrepreneurship	Supply chain	Remote rural
Puglia, Italy	X			X	X	
Extremadura, Spain	X	X				
Québec, Canada	X		X			X
Scotland, UK	X					
Mid Sweden , Sweden			X	X	X	
Zealand, Denmark			X		X	
North Karelia, Finland			X			
Troms County, Norway						
Shetlands Wires						
Fryslân, the Netherlands						
Prince Edward Island, Canada						
Maine, US					X	
Vermont, US		X			X	
Iowa, US		X	X	X	X	
Oregon, US		X		X		X
Tennessee, US		X	X	X		
Abruzzo, Italy		X				

POI Energy -  
EUR 1.6 billion  
Shetlands Wires  
GBP 685 million

Land-use and  
Working permits  
business  
& property taxes

Triple payback  
for exploiting  
regional assets

Service  
delivery and  
supporting  
development

# What does RE offer rural areas

**New revenue sources:** RE increases the tax base for improving service provision in rural communities. It can also generate extra income for land owners and land-based activities. For example, farmers and forest owners who have integrated renewable energy production into their activities have diversified, increased, and stabilised their income sources.

- there are opportunities to capture location rents that can support local economies, but **only before the deal is signed**.

**New job and business opportunities:** Although RE tends to have a limited impact on local labour markets, it can create some valuable job opportunities for people in regions where there are otherwise limited employment opportunities.

- *Direct jobs:* operating and maintaining equipment.
- *Indirect jobs:* most long-term jobs are indirect, arising along the renewable energy supply-chain (**New revenue sources**), and by adapting existing expertise to the needs of renewable energy.



# What does RE offer rural areas

## Innovation in products, practices and policies in rural areas:

- Rural areas are the places where new technologies are tested, challenges first appear, and new policy approaches emerge.
- The presence of a large number of actors in the RE industry enriches the “learning fabric” of the region.
- Small and medium-sized enterprises are active in finding business niches as well as clients and valuable suppliers.
- Even when the basic technology is imported from outside the region, local actors often adapt it to local needs and potentials.

# What does RE offer rural areas

**Capacity building and community empowerment:** As actors become more specialised and accumulate skills in the new industry, their capacity to learn and innovate is enhanced. Several rural regions have developed specific institutions, organisms, and authorities to deal with RE deployment in reaction to large investment and top-down national policies.

**Affordable energy:** Being able to generate reliable and cheap energy can trigger economic development. RE provides remote rural regions with the opportunity to produce their own energy (electricity and heat in particular), rather than importing conventional energy from outside.

- *cheaper power through hybrid system*, but could lead higher power costs.
- *Off-grid alternatives* are possible (individuals or co-operatives).

# Policy Approaches to improve RD

The New Rural Paradigm approach can help overcome the policy challenges

- **Strategic issues:** identification of the policy strategy; harmonisation of environmental, energy, and economic policy objectives (place-based approach); rural proofing RE
- **Economic development issues:** capitalise on functional linkages between RE activities and rural businesses. Involve multiple actors and sectors (RE should not be a “standing alone” sector within local economies – help from the rural development policy).
- **Governance issues:** rural intermediate institutions can help link RE deployment with local communities and businesses, improve design of RE incentives; and foster social acceptance.

Thank you!



For more information

[www.oecd.org/rural/Renewables](http://www.oecd.org/rural/Renewables)  
[www.oecd.org/gov/ruraldevelopment](http://www.oecd.org/gov/ruraldevelopment)

