

**UNCTAD-UNECE Special Session of the 7th International
Investment Promotion Forum**

**Attracting foreign investment in advanced fossil fuel
technologies; building a bridge to the low-carbon economy**

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Opening Statement

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The views expressed are those of the author and do not necessarily reflect the views of UNCTAD.

Ladies and Gentlemen,

I welcome you to the session on “attracting foreign investment in advanced fossil fuel technologies”, organized jointly by the United Nations Conference on Trade and Development (UNCTAD) and the United Nations Economic Commission for Europe (UNECE), with the support of the Ministry of Commerce of China, the China Council on International Investment Promotion and the Provincial Government of Jiangxi.

As fossil fuels are the most important source of energy for most countries and will remain indispensable for many years to come, investment in advanced fossil fuel technologies is a critical step towards a greener future for the world’s energy sector. This session aims at fostering awareness and understanding of the issue among developing and transition economies, and enhancing their capabilities in attracting foreign investment into advanced fossil fuel technologies for electricity generation. The facilitation and exchange of experiences and the promotion of dialogue between public and private sectors can support the achievement of this objective.

Why do we focus on advanced fossil fuel technologies?

As emphasized by Dr. Supachai, the Secretary General of UNCTAD, tackling climate change is no longer about whether to take action: it is now about which actions need to take and by whom. In the energy sector, which accounts for about one fourth of global greenhouse gas (GHG) emissions, recent consultations at the United Nations Commission on Sustainable Development have revealed that Fossil fuels will continue to be the largest energy source in many developing countries in the decades to come. Effective mitigation therefore requires not only the promotion of renewable energies, but also efficiency improvements in the use of fossil fuels for electricity generation. Countries have realized the importance of developing and deploying advanced energy technologies, which would still enable the use of fossil energy resources, in particular coal, in a manner that is favourable to climate change mitigation.

Advanced fossil fuel technologies include state-of-the-art power plant design and technology, coal gasification, underground coal gasification, coal liquefaction, and so on. These technologies could play an important role in meeting growing energy needs, while mitigating the negative effects of climate change. They are more environmentally friendly than the techniques currently used in many developing and transition economies. Together with carbon capture and storage technologies, they could make a critical contribution to the availability of affordable and cleaner electricity as well as to the transition to a low-carbon economy.

What role is there for international investment?

In the transition from current technologies to more advanced ones, developing countries face two major challenges: first, securing financing for investment; and, second, accessing relevant technologies. International investment via transnational corporations (TNCs) can help tackle both these challenges. Indeed, the 2010 issue of our flagship publication, the *World Investment Report*, demonstrated that TNCs are already active in low-carbon foreign investment in general. We estimate that, in 2009, FDI flows into three key low-carbon business areas alone amounted to \$90 billion. Similarly, the potential of TNC contributions to international investment in advanced fossil fuel technologies is significant, as the world’s energy sector is undergoing a major transition.

The *World Investment Report 2010* also shows that attracting low-carbon foreign investment and technology offers opportunities as well as challenges for developing countries. Yesterday's fruitful discussions at this Forum were a clear proof of this.

To harness foreign investment for building a low-carbon economy, government policy can play a crucial role. At the national level, policymakers need to maximize the benefits and minimize the risks of low-carbon foreign investment. In addition, national strategies to promote low-carbon foreign investment and related technology dissemination need to be coordinated with climate change and investment policies at the international level. Given the lack of financial resources and institutional capabilities to do this effectively in many developing countries, UNCTAD is proposing a global partnership to create synergies between investment and climate change policies to promote low-carbon foreign investment.

How does our meeting today fit into this overall context?

As part of an international support scheme put forward in the *World Investment Report 2010*, UNECE and UNCTAD are jointly implementing a project to enhance the capabilities of developing and transition economies to attract FDI to advanced fossil fuel technologies for electricity generation. This project aims to support their economic competitiveness, ensure energy security and achieve low-carbon, sustainable development. The selected target countries for the project are Afghanistan, China, India, Kazakhstan, Kyrgyzstan, Mongolia, Tajikistan, Ukraine and Uzbekistan.

For each of the nine target countries, a national task force has been envisaged, which composes government officials from relevant ministries and other institutions and experts from the climate change and energy fields. Furthermore, for each country, a national expert is identified for undertaking a "baseline study", which contains information on relevant facts, the specific needs of the country, as well as an overview on the roles of relevant government actors in the energy sector. Later, we will incorporate the nine baseline studies into a paper that will identify best practices from the nine countries and integrate them into global best practices.

The project includes a final conference attended by officials from beneficiary countries, potential investors and other relevant stakeholders, as well as a series of regional meetings. This session is the second in that series, and benefits from taking place as part of the 7th International Investment Promotion Forum in China. Today, with us are two distinguished experts on the topic, Prof. Yang from China and Mr. Otgochuluu Chuluuntseren from Mongolia. Later you will hear from them about the ongoing baseline studies on their two respective countries.

Ladies and Gentlemen,

Despite considerable efforts to attract FDI in the last few years, actual levels of FDI into the electricity sector in developing and transition economies have been low. In particular, the potential for leveraging FDI for transferring advanced fossil fuel technologies has not been fully exploited. The mobilization of necessary resources for building a cleaner energy sector requires an attractive investment climate, including a business-friendly, predictable, transparent and efficient regulatory environment. Therefore, it is crucial to support the emergence of such an investment framework, by enhancing the awareness and capability of government officials on the one hand and by promoting dialogue between governments and businesses on the other hand. I am sure that your discussion and deliberation at today's session will make a significant contribution in this regard.

Thank you.