

WEC - Reykjavik 2009

Speech by Pierre Gadonneix on the Executive Assembly

Introduction

Ladies and gentlemen, friends,

The world has changed since you elected me chairman of WEC three years ago. Climate change is now at the forefront of the global agenda. But the economic crisis has tended to discourage efforts to tackle the climate threat. On the other hand, no-one is claiming any longer that the market can solve all our problems, and everyone recognises that public policies have a key role to play.

Our Issue Survey reflects this new awareness and shows that the climate and the global crisis are your main concerns.

So, the three central challenges we identified in Tallinn and Rome – security of supply, climate change and inequality – are more urgent than ever.

Today, I would like to focus on three related questions.

- **How does the economic crisis affect these challenges?**
- **What public policies need to be implemented?**
- **What role can WEC play?**

1 - The crisis has had a major impact on energy issues

Never has the world seen such a fast-moving crisis on such a global scale.

It has generated shocks across three levels for our sector:

First, global demand. Declines of 2% for primary energy, 3% for oil and 3.5% for electricity are expected this year;

Second, prices, with extremely volatile fuel and commodity costs;

And third, investment capacity, primarily affecting smaller and medium-sized players.

Meanwhile, the three long-term energy challenges – climate, security of supply and inequality – are as urgent as ever, and even more daunting.

1.1 On the climate front: Granted, the crisis has caused a drop in CO2 emissions. However, this is not a real solution. The crisis has also made it very tempting to invest in less capital-intensive, higher polluting technologies, rather than promoting cleaner, more expensive options. CO2 emissions have already reached the limit to ensure that global warming does not exceed 2°Celsius. We have a limited CO2 credit and we are on the verge of insolvency. As we pull out of the economic crisis we must ensure that we do not intensify the climate crisis.

1.2 Meanwhile, the issue of security of supply is being further compounded by the downturn in investment. We have no choice but to invest in energy efficiency and new generation capacity, doing our best to diversify our resources. Otherwise, the economic recovery could cause fossil fuel prices to surge, and that in turn could potentially compromise long-term growth.

1.3 At the same time, the crisis is increasing inequality, widening the gap both within and between countries. The ILO forecasts that the number of working poor worldwide will increase by 200 million. Worse, climate change increases inequality since the poorest regions will be those hit the hardest.

Can we address the challenges that lie ahead without paying more attention to these inequalities? From an economic standpoint, the answer is no: inequality hinders development and depresses demand. Combating inequality is a way to foster economic recovery.

From an environmental standpoint the argument is no less valid: giving access to modern energy to the two billion people who live without it will reduce pollution locally. In addition, the faster and broader rollout of clean technologies via international support mechanisms can reduce local pollution and CO2 emissions. These efforts also imply access to education.

It is my conviction that the economic crisis underscores how the three challenges of climate change, security of supply and inequality are intertwined: we cannot resolve one without addressing all three. To my mind, and in the light of the crisis, tackling inequality is a central challenge.

We currently have the technologies to meet these challenges, and others are being developed. If they are to be rolled out as quickly and widely as possible to all countries; if we are to deploy them to the poorest countries, and if the innovations are to be ready when they are needed, then we must have effective public policies.

2 - Today more than ever, we need public policies that reflect the world we live in

2.1 Public policy will be essential in putting our energy systems on the path to clean growth.

We launched a study that focused specifically on this priority, highlighted in the WEC 2050 scenario. More and more people across the world have come to share our vision as governments intervene on a massive scale to stem the crisis.

Governments have begun to act by introducing stimulus plans, about 15% of which have been set aside for clean energy, including energy efficiency, renewables, nuclear, networks and transport. This is a step in the right direction, but we must go further.

Climate change is a global problem, as is security of supply. Our solutions must therefore be global, and show solidarity between nations. This will be our main challenge in Copenhagen.

2.2 WEC's report on public policies contains useful guidance for decision-makers

Our first report on energy public policies, to which you made a major contribution, will be discussed here in Reykjavik. In it we outline four key priorities to be taken into account in Copenhagen.

- The first is long-term visibility.

As we all know, the time horizons for investments in our sector are several decades.

What we need from Copenhagen is a clear long-term agreement, with specific commitments to either emission reductions or effective public policies, depending on the country. Even if it means setting less ambitious targets, the priority will be to indicate clearly a far-reaching common path.

- Our second priority should be to monitor the design of public policies.

It is no secret that a root cause of the financial crisis was poorly designed national regulations. Energy and the climate are global issues by nature, so the risks are similar. Public policies in all countries should favour solutions maximizing CO2 savings while minimizing economic and social cost. At the same time, there must be a sense of coherence between national policies across the globe. This will also be a major challenge for Copenhagen.

- The third priority is better governance and real engagement with public opinion.

I believe that public policies need to be rethought all around the world. Education and health are central priorities and the main prerequisites for sustainable energy policies in poorer countries. Across the globe, people will need to change their behaviour, not an easy thing to accomplish. There's a big difference between agreeing with a principle and making it part of our daily lives. In order for new policies to be successfully implemented, we must learn to listen, and in turn educate and explain, developing a sense of collective responsibility and fostering understanding and acceptance of new projects.

- Our fourth and final priority will be to keep costs under control.

I see this as a fundamental issue, especially in times of crisis. We must be able to deploy the technologies that are mature and competitive without delay. These include energy efficiency solutions, hydro power, nuclear and wind power, high-efficiency coal and combined cycle gas plants. We must also continue and even step up R&D on the technologies of tomorrow, including carbon capture and storage, Generation IV nuclear, photovoltaic, clean vehicles, and second-generation biofuels. This investment strategy will help combat the crisis and stimulate the economy.

There is no doubt in my mind that economic rationality means having real energy prices that reflect all investment, operating and environmental costs, including CO2. Nearly all countries are reporting difficulties in this area, but it is the only way to guide and encourage the investments required to guarantee security of supply and tackle climate change. This priority implies addressing the question of those throughout the world living on the lowest incomes, for instance by targeting subsidies at those who need them the most, something many countries are seeking to implement.

We can achieve these four targets. We must all make greater efforts to deepen our understanding of the world we live in, and more than ever, policymakers need outside expertise when taking decisions. The WEC is in my view one of the best sources of expert guidance available to them.

3 - It is very clear to me that the WEC has a central role to play

Our new Secretary General, Christoph Frei, will be presenting a proposed action plan for the next three years. In this, he has my full and whole-hearted support.

Now, without going into detail, I will say a few words about the spirit motivating the plan.

3.1 It is based on our two main assets

The first is that WEC is uniquely positioned to make its voice heard across the world. We bring together all of the world's economic areas, all the rich, developing and poor countries. And every

kind of energy is represented. We count among us corporations, administrations and government agencies. All our proposals are based on broad consensus and therefore are likely to meet with broad acceptance.

The second is that WEC studies are remarkable in their ability to communicate real knowledge across a wide range of fields.

3.2 Thanks to these strengths we can be ambitious about the future

With the benefit of hindsight, we see how often WEC has been accurate, how relevant our studies have been. However, the question is, were we able to transmit our message, to publish key findings when it mattered most? The time has come for us to adapt to a fast-moving world. In sum, I am proposing that we unleash our full potential and generate new momentum.

- **In particular, this will mean bolstering our member committees**, the keystone of WEC, to generate more energy from inside the organisation, make it more visible, and establish closer and more regular interaction with decision-makers.

- **We must aim to make our research more widely known and give regular progress reports** instead of waiting for studies to be finalised.

All of this will require additional resources, which Christoph Frei will discuss in more detail.

The more our name is known and respected, the more readily we can attract stakeholders that are willing to support us. The more we get such support, the more our committees can do to build our reputation. In short, a virtuous circle.

Conclusion

We face a human, environmental and economic challenge of the highest order. The global crisis has only compounded the energy crisis, not solved it.

Paul Romer has said, "A crisis is a terrible thing to waste". It is my belief that we can turn the crisis into an opportunity, and truly change the way we do things.

The government action it has triggered is in my opinion a chance to show that investments in energy, the environment, and tackling inequality all help alleviate the economic crisis.

I am convinced that investing in a sustainable energy future will serve to re-energise the present.

WEC has a key role to play in helping the world rethink our energy challenges and act to resolve them. This is my belief. If you place your confidence in me again, this is the direction I plan to steer us in.