
Africa Energy Indaba

Johannesburg, South
Africa

WEC in Africa
Marie-José Nadeau
(February 18, 2014)

Excellencies,

Distinguished guests,

Dear WEC colleagues,

Ladies and Gentlemen,

Good Morning.

It's a pleasure to be here and I would like to thank the organizers for staging what I know has grown to become Africa's foremost energy event.

I would like to start by mentioning the emotional impact that the passing of Nelson Mandela had in my country. In Canada, we all came to admire the great courage and wisdom shown by South Africans, especially in recent history.

It is especially exciting to be on the African continent at such a time in history. From Ghana to South Africa, African economies are growing faster than those of almost any other region of the world, expanding at an average rate of 6% a year. Africa offers numerous business opportunities. We can only wish that this positive trend develops to the benefit of all Africans – especially the poor.

The World Energy Council is proud to be associated with the Africa Energy Indaba, an event that provides the backdrop for our annual Africa regional meeting.

I should also like to recognise the support of NEPAD, and of course our South African member committee – SANEA – and in particular the leadership of my colleague and good friend Brian Statham.

Brian not only chairs our member committee here in South Africa; he also chairs the Indaba steering committee. Moreover, he chairs so excellently the World Energy Council's Studies Committee, providing the strategic direction to much of the analysis and content that we will be discussing over the next few days.

So I know that we are in knowledgeable hands here and it gives me great pleasure to address you now at this important event.

We will shortly formally launch the WEC's 2014 World Energy Issues Monitor here at the Indaba for the first time.

This annual flagship report of WEC's leadership community gauges the opinion of over 800 of the world's energy leaders, identifying the macroeconomic, business environment – geopolitical and regional – and technology issues that keep energy leaders awake at night.

The Issues Monitor is a valuable tool for policymakers and business leaders alike, as it provides one of the only opportunities to take the temperature of the global energy sector.

We do this monitoring at the global, regional and, increasingly national basis. This year's report has deep-dives in 24 countries, including South Africa, which help us better understand the dynamics of the sector in relation to the regional and global picture.

Looking at this year's report I was struck how macroeconomic concerns are invariably at the top of the list of critical uncertainties not just here in Africa, but elsewhere in the world.

This is understandable. Macroeconomic issues such as global recession, energy prices, energy affordability, energy poverty, commodity markets and capital markets are issues that are of common concern to us all.

Less understandable, from my perspective, is that answers to questions grouped under business environment – such as innovative regulation, new market players, regional interconnection and energy subsidies – rank lower in the list of perceived critical uncertainties.

Why do I say this?

Well, in general terms, if, on the one hand, the macroeconomic issues are elements of the problems, on the other hand, the issues raised under business environment are elements of the solutions.

In short, the World Energy Issues Monitor tells us that we remain more focussed on the problems than on the solutions. This is a mind-set that we need to change. This mind-set change is also important as we turn our attention to the issue of energy access.

Access to affordable energy underpins the energy equity element of WEC's energy trilemma. Energy security – which encompasses the need for reliable energy infrastructures – and environmental sustainability of our energy systems, represent the three pillars upon which we need to address the energy challenges.

Energy access remains a major global issue, notably in Africa, but not limited to this continent. It is astounding that in the 21st century, 1.2 billion people continue to remain without access to any form of modern energy. This is equivalent to the entire population of India, the world's second-most populous country after China.

International organizations such as WEC, governments, multilateral agencies as well as the public and private sectors all have an active role to play in the response to this enormous challenge. Through its expertise and global network, WEC can provide valuable pointers that can help facilitate the path towards improved access to energy.

This is why I am particularly pleased that we have been able to bring together a meeting of our Global Electricity Initiative here at the African Energy Indaba.

The initiative which is coordinated by the WEC brings under one umbrella activities of the World Business Council for Sustainable Development and an organization I am also associated with, the Global Sustainable Electricity Partnership.

The Global Sustainable Electricity Partnership, co-founded by EDF from France and Hydro-Quebec, from Canada some thirty years ago, is an organization of the world's leading electricity companies, including ESKOM. It promotes sustainable energy development through electricity sector projects and human capacity building activities in developing and emerging nations.

The Global Electricity Initiative coordinated by the WEC is unique in that it puts forward proactive actions and lessons learned by the utilities in their endeavors to increase access to affordable and clean electricity.

The Initiative now has 72% of the world generating capacity. This is a great achievement and it provides a real opportunity to make a difference. I would like to challenge the team here today to increase this to include 80% of the global generating capacity by September this year, in time for the UN Secretary General's Climate Summit of Heads of State and Government.

The Global Electricity Initiative builds on WEC's support to the UN's Sustainable Energy for All activity, led by the UN Secretary General's Special Envoy, our friend Kandeh Yumkella.

Along with colleagues from organizations like the World Bank, we are determined in our commitment to tackle the challenge of energy access. And the Global Electricity Initiative is a concrete example of businesses within the WEC family, undertaking voluntary action to mitigate and adapt to climate change, increase energy access and reduce their global environmental footprint.

Which brings us full circle to the topic of the business environment because, more than anywhere, this is ultimately where the solution to energy access lies.

The corporate sector, both public and private, have a key role to play along with governments, multilateral agencies and the international financial system. But clearly, business is being held back by a range of constraints including inappropriate legal and regulatory frameworks, perceived political risks and access to capital.

Establishing enabling environments at policy, regulatory and market levels is a prerequisite for the sustained development of energy access initiatives. This includes the need to design sustainable development strategies, the formulation of subsequent energy policies and regulations, and the creation of favorable market conditions.

Last October, during the World Energy Congress, WEC published a statement entitled Exposing the Myths, Defining the Future – It's Time to Get Real.

It points out that complexity and uncertainty are increasing at an accelerating rate and energy leaders in both the public and private sectors need to make inspired decisions. It exposed a number of myths which influence our understanding of important aspects of the global energy landscape and reveals that current pathways fall short of delivering on the global aspirations of energy access, energy security, and environmental sustainability.

I would like to focus on two of the myths that are particularly relevant to the developing world in general, and Africa in particular.

The first myth is that current programmes will deliver universal access to energy within the next 10 to 15 years. The reality is that universal access is far from becoming a reality.

While acknowledging recent progress and current programmes to reduce energy poverty, the WEC's analysis shows that on current paths, in 2030, between 730 million and 880 million people will be without access to electricity and in 2050, between 320 million and 530 million people will still lack access to electricity. The majority of this burden will fall on Sub-Saharan Africa where WEC estimates that between 266 and 400 million people could still lack access to electricity by 2050. This is a bleak outlook and it is unacceptable.

The second myth is that on a global scale, capital is cheap and abundant. The reality, especially in the developing world, is that capital is extremely sensitive to perceived political and regulatory risks.

Moreover, due to the growing pressures on public finances in most countries, public funds will not be available to substitute or augment the private financing of energy initiatives.

In short, we need to improve the business environment.

WEC firmly believes that to ensure universal access to energy, policy and institutional frameworks are urgently needed to de-risk and support entrepreneurial approaches.

While there are no silver bullet solutions in order to attract the needed investment, national policy and regulatory frameworks have to be balanced. We need robust, predictable and transparent frameworks that allow the market freedom to exercise informed choices in terms of innovation, technology and investment. Price controls, subsidies, trade barriers and absolute targets for individual technologies distort the market and can have unintended consequences, so policymakers must use them only sparingly.

Fortunately, we have good examples, here in Africa, of governments taking the right steps to ensure a good business environment by putting in place transparent, flexible and dynamic energy prices that reflect the true cost of energy.

WEC's most recent World Energy Trilemma report lauds the Southern African Development Community for the introduction of cost-reflective tariffs that is viewed as a great opportunity to attract foreign investment and provide more people with access to modern energy services.

Of course, pricing is just one element of a national energy policy.

In South Africa, as I understand, concerns also revolve around other daunting issues:

- How to provide access to electricity to the poor people?
- How to ensure that enough energy is available to meet the needs of a growing economy?
- At what cost and with what technologies?
- How to mitigate the impact on the environment, especially as a consequence of climate change?
- How to ensure a sound regulatory environment to stimulate investment in energy infrastructures to the benefit of all citizens?

All national energy systems are based in finding the right balance between these elements. Experience shows that there is no such thing as a "one size fits all" balance between the three pillars of energy access, energy security and environmental mitigation. Each country has different realities that require a different equilibrium.

However, the WEC's Energy Trilemma methodology provides a solid framework for every country to assess its own risks - political and regulatory - and work towards balanced, predictable and stable policy and institutional frameworks. Indeed, we encourage countries to use the Trilemma methodology to develop its national energy policy.

Let me turn to the environment, because climate change is the wild card that threatens to undermine everything we want to achieve.

I noted with interest that African energy leaders list the environment at the very top of the list of critical uncertainties in our Issues Monitor. Clearly, there is a growing concern about the pace of climate change negotiations, which often appear to be stalling.

As you know, the Intergovernmental Panel on Climate Change is in the process of publishing its Fifth Assessment Report with the first report on the physical science basis for climate change published last year. This year, we will see reports on the effects of climate change and on options to mitigate these impacts.

I have seen early versions of the report by IPCC scientists on the effect of climate change. Their conclusions are quite frankly worrying, if not scary.

It is clear that if we continue with business as usual, in addition to global warming, we can expect to see a growing number of extreme weather and changes in regional weather patterns. Floods of the sort seen in South Africa and Mozambique in 2010 and 2011 could not only occur more often but they are susceptible to become the norm. And changing regional weather patterns could have a dramatic impact across this continent.

In particular, such changes threaten to impact the hydrologic cycle that underpins hydropower. In some regions of Africa, a decline in rainfall levels and a rise in temperatures resulting in increased water losses could seriously affect the ability to generate electricity and store energy. For example, hydropower capacity in the Zambezi river basin may fall by as much as 10% by 2030, and 35% by 2050.

Climate change is a development challenge. This is clearly perceived by African leaders who, in our 2014 World Energy Issues Monitor, rank climate framework as a top critical uncertainty. In Africa where rain-fed agriculture is the back-bone of most economies, the consequences of frequent, severe droughts and flooding are susceptible to jeopardize development efforts. With so much at stake, African leaders need to step up their involvement in the global climate debate.

They will be supported in their actions by the young energy leaders' community. As indicated in our latest edition of the World Energy Issues Monitor, climate change is also at the top of the agenda of young energy professionals. I find it reassuring that they intend to tackle this challenge head on.

In closing, I look forward to the discussions that we will be having during the African Energy Indaba.

I invite you all to follow the World Energy Council's work and activities and to join the world energy leaders and practitioners in promoting the sustainable supply and use of energy for the greatest benefit of all.

Thank you.