

UK ENERGY POLICY POST JOHANNESBURG

**UK BUSINESS COUNCIL
FOR SUSTAINABLE ENERGY**

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“It would be wildly utopian to believe that summits are going to solve the problems of the world, but equally it is crudely cynical to dismiss them. A summit provides focus for an issue, it forces an agenda, it persuades, cajoles, occasionally embarrasses governments into commitments and it at least provides some possibility of direction and action following.”

The Rt Hon Tony Blair MP, Prime Minister, Mozambique, 01 September, 2002

INTRODUCTION

The fundamental challenge following the Johannesburg World Summit on Sustainable Development (WSSD) is to ensure the outcomes of the Summit increase momentum on sustainable development. In national terms, this means translating the Summit’s political commitments into a UK agenda for action on sustainable energy.

The UK’s energy policy review is the opportunity to demonstrate this commitment. It is vital for credibility internationally and to ensure the vision that Johannesburg articulated is carried through into practical action.

Delivering a low carbon economy is increasingly at the core of the national and international response to meeting energy needs. In his speech prior to the Summit, the Prime Minister reminded us that:

“to stop further damage from climate change, and to stabilise the global climate system, in fact we need a 60% reduction [of emissions] worldwide.”

This will not be possible to achieve unless this objective is given priority in the post-Summit energy agenda. Already Trade and Industry Secretary Patricia Hewitt, in a recent speech to the Greenpeace Business Conference, signalled her commitment to turn this world-wide call into a firm programme for action for the UK.

The Prime Minister went on to highlight the inevitability of tightening obligations under the Kyoto Protocol when he stated:

“The agreements that we have on climate change, through Kyoto, are not radical enough.”

In anticipation of a second round of steeper international reductions under the Protocol from 2012, it will be critical to set emissions on a measurable downward trend within a decade, through a goal orientated policy for the delivery of sustainable energy.

The UK BCSE formulated key elements of an international and national framework for action on sustainable energy in the months leading up to the Summit. A conference, organised by the Council, to consult with the energy

sector in April 2002, confirmed wide support for the G8 Renewable Energy Task Force recommendations as a logical international framework. Particularly important was the linkage between provision of affordable, sustainable energy for those without access to energy services, and the need to simultaneously accelerate renewable energy uptake in industrialised nations.

Before and during the Summit, business organisations provided clear support for an international action plan for sustainable energy, including firm international targets for renewable energy, to provide a strong signal of political commitment. While a new global renewables target did not finally emerge, compared to the previous 1992 Earth Summit, sustainable energy moved to centre-stage. It was *the* area of high-level and rigorous debate, resulting in significant political commitment to action on renewable energy, energy efficient technologies and access to energy for the poor, going beyond the Johannesburg Plan of Implementation.

The UK government is well placed to build upon this international momentum by demonstrating leadership at home (as well as abroad) through a more thorough, consistent and ambitious domestic implementation programme for sustainable energy. Fine words on the international stage alone will not do it.

This report outlines what the outcomes of Johannesburg mean in the context of the current energy review, and build upon a set of priorities laid out by the UK BCSE in a letter to Prime Minister Tony Blair prior to the Summit¹. The Council has also submitted its views to the team creating the new UK energy policy.²

Johannesburg set out a vision. The challenge is now to implement it in the UK through the forthcoming Energy Policy White Paper.

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22 November 2002

¹ See Appendix I for copy of letter from UK BCSE Chair Brian Count to the Prime Minister 15 August, and replies from Brian Wilson, MP, Minister of State for Energy and Construction, and Lord Whitty, Minister for Food, Farming and Sustainable Energy.

² Copy available at www.bcse.org.uk

WSSD KEY OUTCOMES AND THE IMPLICATIONS FOR UK POLICY

International context

The energy outcomes of Johannesburg reflect international attempts to tackle energy from the perspective of both poverty alleviation³ and environmental protection, specifically the need to tackle climate change.

Three months ahead of the Summit, the United Nations Secretary General, Kofi Annan, outlined that the core energy agenda was to:

*“Provide access to more than two billion people who lack modern energy services; promote renewable energy; reduce over-consumption; and ratify the Kyoto Protocol to address climate change”.*⁴

The main output from the Summit – the Johannesburg ‘Plan of Implementation’ – was designed to set a detailed action plan to inject impetus into the sustainable development blueprint, ‘Agenda 21’, agreed at the Rio Earth Summit a decade previously. Energy was not specifically on the international agenda in Rio, yet it was one of the most intensively discussed, controversial, topics in Johannesburg, indicative of the powerful, strategic interests involved.

Many business groups⁵, NGOs and governments⁶ supported a target-setting approach for sustainable energy, specifically for increasing the share of renewable energy in the energy mix globally. The review and subsequent phase-out of environmentally damaging subsidies, and the formation of a *new* poverty-reducing international plan for access to energy, were also widely supported despite not finally making it through the UN system.

While justifiably criticised for failing to agree specific or new goals in these areas, the effectiveness of the final Plan of Implementation can only be judged, in the end, on how seriously and ambitiously it is implemented at home. Hence the vital role of the forthcoming UK Energy Policy White Paper.

In addition to the Johannesburg Plan, a series of ‘partnerships’ (or ‘Type 2’) agreements were registered. These are voluntary, self designed, initiatives involving configurations of government, private sector, civil society and UN

³ The poverty alleviation agenda was led by a UN ‘Millennium Development Goal’ to halve the number of people living on less than \$1 per day by 2015.

⁴ May 14, 2002, speech by Kofi Annan at the American Museum of Natural History, New York.

⁵ See Appendix II: business organisations supporting specific renewable energy targets globally include: UK Business Council for Sustainable Energy, together with US, EU and Australian sister organisations, the Canadian Environmental Industries Association and the Brazilian Business Council for Sustainable Development.

⁶ Countries supporting the EU-led ‘coalition of the likeminded countries’ supporting a target driven approach for renewable energy uptake included many Eastern European countries, Iceland, Norway, Switzerland, Turkey, Argentina, Brazil, Croatia, Chile, Egypt, Uganda and the Alliance of Small Island States.

actors, and the most pertinent to the UK are outlined briefly, below. The UK government registered a 'Renewable Energy and Energy Efficiency Partnership' (REEEP) to promote international uptake of these technologies.

The Prime Minister's commitment to going beyond Kyoto and the recognition of the need for substantial cuts in CO₂ emissions, together with Mrs Beckett's restatement of the Government's policy to:

*"reduce, by 2010, emissions of greenhouse gases by up to 23% over 1990 levels, and to stimulate development and investment in renewable energy, low carbon technologies and other innovative mechanisms,"*⁷

are positive signs that Johannesburg has raised the level of the UK's ambition for sustainable energy.

JOHANNESBURG AGREEMENTS⁸

The Johannesburg Plan results on energy came in two main headings: Poverty Alleviation, and Sustainable Production and Consumption.

Many of the subparagraphs repeat UN language from previous agreements. However the issues on the agenda which were most controversial – the renewable energy target, energy subsidy review and new actions for energy access for poverty alleviation - are key elements of the shift to a sustainable energy future, and as such are the main focus of this briefing, along with other statements relevant to the UK energy white paper process.

For political credibility, it is important to demonstrate the UK is prepared and able to implement the full political intent of what was finally agreed in these areas.

Renewable Energy

"with a sense of urgency, substantially increase the global share of renewable energy sources, with the objective of increasing its contribution to total energy supply," [19(e)]

"Establish domestic programmes for energy efficiency, including, as appropriate, by accelerating the deployment of energy efficiency technologies, with the necessary support of the international community," [19(j)]

⁷ Speech on WSSD by Margaret Beckett, at SERA conference, July 17, 2002.

⁸ See Appendix III: full final text of the Johannesburg Plan of Implementation on the key controversial items in the energy area.

This establishes a clear mandate to the UK energy review process:

- **to set new national sustainable energy targets to ensure the rapid additional development of renewables and energy efficiency technologies post 2010;**
- **to establish new instruments to accelerate the uptake of end-use efficiency technologies and energy efficiency technologies.**

A strengthened set of sustainable energy targets, together with the policy measures to secure their implementation, should be set within a clear objective of achieving **long term** carbon reductions – as envisaged in the Prime Minister’s speech at the Summit reiterating the need for a 60% reduction worldwide.

In the **shorter term** ensuring an effective policy framework for increasing renewable energy and energy efficiency will be essential to reverse the rising emissions trajectory from the electricity sector. Nearly 30% of the rise in national CO₂ emissions since 2000 have come from the power sector⁹. As such, it is vital to reset regulatory and market mechanisms specifically in order to both meet the government’s national climate change policy, and to prepare for the more ‘radical’ Kyoto Protocol second commitment period, as envisaged in the Prime Minister’s speech.

At present the multiple objectives for the energy sector do not provide a sufficiently clear signal on the priority of reducing emissions.

Subsidy phase-out, need for policy consistency

“Policies to reduce market distortions would promote energy systems compatible with sustainable development through the use of improved market signals and by removing market distortions, including restructuring taxation and phasing out harmful subsidies.” [19 (p)]

“Take action, where appropriate, to phase out subsidies in the areas that inhibit sustainable development, taking fully into account the specific conditions ... considering their adverse effect particularly on developing countries.” [19(q)]

While it was the second of these paragraphs that engendered controversy over the matter of a deadline for subsidy review and phase out, the preceding paragraph sets the specific matter of subsidies in the context of a wider effort to reduce market ‘distortions’. The UK and EU, at the Summit, supported timeframes for review and the need to phase out environmentally harmful subsidies.

⁹ ‘UK’s new electricity market drivers up CO₂ emissions’ Reuters July 15, 2002, quoting two separate independent power sector analysts.

There are two issues inherent in these decisions:

Firstly, ensuring that different elements of energy markets and energy policy are consistent and mutually reinforcing in their promotion of sustainable energy.

This underlines the need to:

- **adopt a clear overriding objective to ensure all policies accelerate the transition, within the energy sector, to a lower carbon high efficiency economy and significant reductions in greenhouse gas emissions;**
- **set a timeframe for the identification and removal of all market or regulatory barriers to the uptake of sustainable energy nationally, including subsidies;**
- **secure within the EU, an overall review and plan for the removal of subsidies to environmentally damaging fuel sources, and other regional market or regulatory barriers to sustainable energy uptake, consistent with the UK and EU positions in Johannesburg.**

Direct and indirect subsidies of particular energy forms, such as fossil fuels and nuclear energy, continue to distort the market in favour of those sources, thereby undermining the effectiveness of sustainable energy and greenhouse gas reduction policies and markets. One of the barriers to removal of these subsidies is the absence of clearly defined, consistent reporting.

Secondly, the final part of 19 (q) above “...*considering their adverse effect particularly on developing countries*” embodies the theme that energy policies implemented in industrialised countries should not compromise the ability of developing countries to achieve sustainable development.

ENERGY FOR POVERTY ALLEVIATION

This is clearly a complex area, particularly when seeking to participate in solutions to meeting the energy needs of the poorest communities, or when assessing cost effective options for energy related projects that simultaneously reduce local health and pollution costs. There are some areas, however, which most obviously require attention in the UK.

An important task is now to ensure national policy goals to shift to a low carbon future are reflected, in an appropriate way, in UK supported activities in developing countries.

The Prime Minister's announcement at the Summit that £50 million per year would be made available through the Export Credit Guarantee Department (ECGD) for supporting renewable energy exports is a very welcome first step in this direction.

However, it would seem a more thorough approach is required given that over £1 billion has been channelled, by ECGD, into coal-fired power station projects since 1997¹⁰. Such carbon intensive investments overseas, which are inconsistent with the shift to a low carbon economy, should be reviewed, and energy or industrial project proposals be audited to maximise efficiency and low or zero carbon alternatives where possible.

The G8 Renewable Energy Taskforce identifies options for ECAs including establishing minimum standards of energy-efficiency or carbon-intensity for projects¹¹.

Further, the targets adopted domestically to foster sustainable energy technologies should logically extend to international energy-related activities.

As such the government should:

- **initiate a cross departmental review of activities relating to energy activities overseas, including export credit agencies and other institutions, to ensure their activities reflect and go beyond domestic sustainable energy targets and policies;**
- **support mechanisms that ensure UK institutions are able to foster smaller scale renewable energy and energy efficiency technologies and services for overseas markets.**

In addition, the Johannesburg Plan agreed to:

“Take joint actions and improve effort to work together at all levels to improve access to reliable and affordable energy services for sustainable development sufficient to facilitate the achievement of the Millennium Development Goals, including the goal of halving the proportion of people in poverty by 2015.” [8]

“Accelerate the development, dissemination and deployment of affordable and cleaner energy efficiency and energy conservation technologies, as well as the transfer of such technologies, in particular to developing countries, on favourable terms, including on concessional and preferential terms, as mutually agreed;” [19(i)]

¹⁰ Parliamentary question from Lord Williams of Elvel, answered by Lord Sainsbury of Turville on November 7, 2002.

¹¹ The G8 Renewable Energy Task Force report, recommendation ‘C3’ states: “The G8 should extend so called ‘sector arrangements’ for other energy lending to renewables and develop and implement common environmental guidelines among the G8 Export Credit Agencies (ECAs). This could include: identifying criteria to assess environmental impacts of ECA-financed projects, and establishing minimum standards of energy-efficiency or carbon-intensity for these projects; developing a common reporting methodology for ECAs to permit assessment of their local and global environmental impacts.”

The G8 Renewable Energy Task Force Report, July 2001, provided an international blueprint for provision of renewable energy to one billion people, mainly in developing countries, within a decade.

Importantly it linked the provision of affordable renewable energy to the poorest communities with the need to accelerate market expansion in industrialised countries in order to cut sustainable energy technologies costs globally¹². The Task Force recommendations command strong UK Ministerial support¹³, but have lacked a coherent implementation plan domestically. As part of an international approach to UK's energy policy review, it should:

- **reinvigorate implementation of the G8 Renewable Energy Task Force recommendations establishing a timetable and a specific set of actions. This should include the review of international energy activities of the Export Credit Guarantee Department and other institutions, as above.**

The importance of tackling energy and poverty was reinforced recently when the then Minister of State at the Foreign and Commonwealth Office, Peter Hain, stressed the importance of renewable energy provision in Africa, for example, as part of a global energy security agenda¹⁴. The Department for International Development (DfID) also did substantive work in preparation for the Johannesburg Summit on the importance of energy for the poor, and specifically raising matters about the need to attract capital and innovative financing¹⁵.

PARTNERSHIPS

Partnerships are essentially voluntary schemes, registered with the UN, to initiate activities which will further implement or go beyond the Johannesburg Plan¹⁶. The intention is that they involve different sectors and 'partners' including government, civil society, business groups.

These partnerships demonstrate a consolidation of international support for renewable/sustainable energy, partly in response to the failure to reach formal agreement on the renewable energy target.

The challenge is to ensure that these partnerships evolve into a well-co-ordinated and efficient way to facilitate regional and multilateral action that will reinforce and build on domestic leadership.

¹² See Appendix IV: short summary of G8 Renewable Energy Taskforce recommendations, July 2001, co-authored by Sir Mark Moody-Stuart and Dr Corrado Clini. It found that it is feasible to provide one billion people with renewable energy within a decade – given an international policy and financing framework.

¹³ eg press release from Energy Minister Brian Wilson, May 2, 2002 'Wilson tells G8: energy has crucial role in world poverty battle'.

¹⁴ Peter Hain, 'Enhancing Energy Security', October 17, 2002.

¹⁵ 'Energy for the Poor, Underpinning the Millennium Development Goals', Department for International Development, August 2002.

¹⁶ See www.johannesburgsummit.org for a summary of all the partnerships registered before the Summit.

Two key initiatives directly concerning the UK are:

1. An EU-forged 'Joint Declaration' by a so-called 'coalition of like minded countries' at the Summit's final session. The countries "*intend to go beyond the agreement reached in the area of renewable energy*"¹⁷, and further states that this group will "*work together to substantially increase the global share of renewable energy sources, with regular review of progress, on the basis of clear and ambitious timebound targets set at the national, regional and hopefully at the global level.*"

The EU further launched a Partnership on 'Energy for Poverty Alleviation and Sustainable Development' – designed to further efforts to improve energy services for the 'energy poor' in developing countries, principally through bilateral arrangements integrating sustainable energy factors into existing national poverty reduction strategies.

2. A UK Partnership, launched by the Secretary of State, Margaret Beckett, to promote Renewable Energy and Energy Efficiency (REEEP) at the Summit¹⁸. The main objective of which is "*To accelerate global market growth and deployment of renewable energy and energy efficiency systems (REES) in pursuit of national environmental, economic, social and security objectives.*"

This is supported by governments including Brazil, Italy, Mexico, Morocco, New Zealand; other partners include WWF, Shell, UK Business Council for Sustainable Energy, IT Power, ITDG and others. The initiative is still under development and the intention is that activities fitting within this framework will be active by mid-2003.

The UKBCSE supports these and other energy related partnerships and looks forward to a defined set of action points and political agreements for taking these further. Expanding on the statement the Council and its sister organisations made at the summit, the Council would expect efforts to be focused on market development for sustainable energy technologies.

For a summary list of other energy-related partnerships see Appendix VII.

¹⁷ See Appendix V for the full text of the EU Coalition of like minded countries. The list of countries supporting this initiative includes many Eastern European countries, Iceland, Norway, New Zealand, Switzerland, Turkey, the Alliance of Small Island States, in addition the EU Commission noted that Argentina, Brazil, Croatia, Chile, Egypt and Uganda had supported the initiative in their final remarks at the Summit.

¹⁸ See Appendix VI for the full text of the UK's REEEP.

CONCLUSION

At the Summit the Prime Minister was at pains to lay out the full significance of the Earth Summit in Rio de Janeiro a decade previously. He stated:

“Without Rio the issue of climate change would never have made it centre stage. Without Kyoto, although we were deeply committed as a country and a government to tackling climate change, without Kyoto and without the binding targets Britain would not have adopted a climate change levy, introduced the world's first economy-wide national greenhouse gas emissions trading systems; reformed the company car taxation system to a new green based system; and invested over £200 million in combating fuel poverty and improving energy efficiency.”

The Johannesburg Summit is focused on the challenge of implementation, and as such should produce an equally determined set of additional policies and new approaches. The opportunity in front of us is to ensure the Energy White Paper process is fully utilised to achieve such a new round of policies leading to a fully coherent and consistent approach for the much enhanced delivery of sustainable energy.

UK Ministers have been centre stage in the international negotiation. The forthcoming Energy White Paper is the domestic opportunity to turn the carefully crafted words of international negotiations into practical reality in the UK.

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22 November 2002

The views expressed in this paper cannot be taken to represent the views of all parts of all the companies in the UK BCSE. However, they do reflect a general consensus.