



Business Action for Energy | BAE

BAE News

Countdown to CSD 15

January 2007

A joint initiative for UNCSD 14 and 15 by the:

International Chamber of Commerce (ICC) www.iccwbo.org
World Business Council for Sustainable Development (WBCSD) www.wbcsd.org
World Energy Council (WEC) www.worldenergy.org



1. Overview of BAE

What is BAE?

BAE is an ad-hoc, temporary business initiative bringing together a comprehensive network of businesses, large and small, from around the world. They are drawn from many sectors and regions and participate through the representation of their associations.

Why has BAE been established?

BAE's role is to provide a platform to coordinate the delivery of international business positions, achievements, activities and partnerships on energy issues to the 14th and 15th sessions of the UN Commission for Sustainable Development (CSD), and to other important forums in the same timeframe. The initiative aims to develop common views among BAE participants and does not substitute for or attempt to coordinate individual, corporate, sector or other activities.

Who is part of BAE?

The BAE Executive Steering Committee comprises :



Mr Valli Moosa
Chairman of BAE and
Chairman of Eskom
Holdings Ltd.



Mr Bjorn Stigson
Co-Chair of BAE and
President, WBCSD



Mr Gerald Doucet
Co-Chair of BAE and
Secretary General, WEC



Mr Laurent Corbier
Co-Chair of BAE and Chair
of the ICC Energy and
Environment Committee

BAE brings together international, regional and sector organizations and major energy producers and consumers. At the national level, members include national committees, chambers, chapters of international business organizations and sector associations. The current list of participating organizations, including the founding organizations, are the:

Founding organisations:

- International Chamber of Commerce (ICC)
- World Business Council for Sustainable Development (WBCSD)
- World Energy Council (WEC)

Working group participants:

- International Aluminium Institute (IAI)
- International Petroleum Industry Environmental Conservation Association (IPIECA)
- Union of the Electricity Industry – EURELECTRIC
- World Coal Institute (WCI)
- World Nuclear Association (WNA)
- World LP Gas Association (WLPGA)
- International Emissions Trading Association (IETA)
- International Hydropower Association (IHA)

Why are CSD 14 and 15 important to business?

The two sessions specifically address the energy challenges and the different areas relating to demand (heat, habitat, industrial processes, transport, electricity) and supply (availability and price of natural resources and structure of the energy system). Beyond access to modern energy services and related industrial applications, access to electricity is a key element in reducing poverty and providing essential services such as education and healthcare.

Business is actively engaged in providing, transporting and utilizing energy. Supply and use of energy has to be sustainable, accessible, reliable, and affordable. Business is committed to contributing to reliable access to energy at affordable prices with acceptable impacts. Further, businesses (as consumers of energy) are actively engaging in consuming energy more efficiently and in producing products, which are more energy efficient. Thus the business community is ready to contribute its significant operational, technological and financial capacity to the development and implementation of sustainable energy policy.

Why the urgency?

Today some 2.4 billion people still use traditional biomass for cooking and heating, relying on energy sources associated with several health risks. The use of traditional sources has been significantly reduced over the last 150 years, but this reduction has stalled. If this trend continues, 1.4 billion people will still lack access to electricity in 2030. Lack of access to modern energy services is especially critical in parts of sub-Saharan Africa and South Asia, in particular in rural areas. These energy access inequalities are further highlighted by the disproportionate consumption of energy worldwide.



2. Business and Industry – Priorities for Action

Business regards energy for sustainable development, atmosphere/air pollution, climate change and industrial development as interwoven priorities that should be addressed in an integrated manner by governments, business and civil society. Businesses currently contribute through operational activities, job creation, innovation, investments, capacity building and the sharing of best practices.

Business regards the following five priority areas as key in contributing towards sustainable development :

1. Improving access and meeting Growing Demand: increasing supply and promoting energy efficiency

- Maintaining and growing the energy supplies required to provide access to those lacking it and meet future demand, with reduced environmental impacts, will require significant investment in the long term across the entire supply and use chain.
- All energy sources should be assessed on their merits and relative attributes, recognising that each faces issues, barriers and opportunities including cost, performance, safety, environmental impact, primary resource depletion and energy security.
- Business supports energy efficiency to help reduce energy costs, energy consumption, negative environmental impacts (in particular climate change) and improve energy security.
- In order to promote and enhance energy efficiency, business supports the establishment of energy efficiency programmes and partnerships; the adoption of energy efficiency strategies by Government, business and civil society in their own operations; the promotion and enhancement of energy efficiency along value chains and the provision of incentives for actions where the direct benefits of energy efficiency improvements are not gained.
- Funding agencies, including the World Bank and the International Finance Corporation, should continue developing energy efficiency projects for implementation, while UN organizations, including UNDP and UNEP, should promote and extend such projects globally.

2. Enabling Framework Conditions

- The business community can best contribute to addressing energy, climate change and industrial development challenges, when enabling framework conditions are in place.

- Governments and donor agencies should emphasize that access to financial resources goes hand-in-hand with good governance. They can do this by creating environments that are favourable to private investment, reducing investment risks, and providing credit support through grants, loans and/or guarantees.
- Key features of enabling frameworks include open markets; strong institutions and sound governance; risk management; protection of intellectual property; due diligence; rule of law and honouring contracts; cost effective, consistent policies and regulations based on transparent, stable, economic and uniformly enforced regulatory systems.
- These framework conditions will support energy investments thereby contributing to energy access and security. Further, sustainable industrial development will flourish if the private sector operates within the proper enabling framework conditions.

3. Investments and Financing for Sustainable Development

- Significant investment is required to maintain, grow and deliver the energy supplies required to meet future demand in a sustainable manner. Business (as a major investor), other investors and governments need to collaborate and work in partnership in order to promote energy access and meet growing energy demand.
- Current prioritization and allocation of funds will influence technologies, infrastructures, and energy options for decades to come. Changes in energy systems happen slowly because of the large investment base and infrastructure, the long lead time and lifetime of installed fixtures and the ongoing investments that are required to maintain and grow capacity.
- Governments can promote and enable investments in energy for sustainable development by leveraging official development assistance, promoting technological cooperation and exploring innovative financing arrangements.
- Additional financial resources to replace and expand energy infrastructures are imperative. Additional funds have to be sourced from donors, multilateral agencies, and through foreign direct investment, particularly for developing countries.



- Governments and donor agencies are urged to assist innovative partnerships (between local governments, the private sector and civil society) that use various sources of funding to jump-start and test shared-risk models. Donor agencies should also streamline the process of releasing official development assistance for relevant projects and initiatives.

4. Research, Development and Technology Innovation

- Business is investing resources towards technology advancement and deployment of lower carbon, renewable and more efficient technologies. Developing and utilizing both existing and new energy technologies are critical to improve access to energy, promote energy efficiency and reduce greenhouse gas emissions.
- Recognizing that ongoing technological innovation may provide solutions to current challenges, all energy sources should be considered as options to meet increasing energy demand.
- Governments need to support business technological development and deployment activities by funding R&D activities, assisting in capacity-building, supporting R&D and technology transfer across borders, providing an R&D friendly environment and engaging major stakeholders in discussions on the advancement of innovation and new technologies.

5. Partnerships

- Business believes that voluntary multi-stakeholder partnerships can address energy, climate change and industrial development challenges. Successful partnerships allow the strengths and areas of participants to be combined for practical and visible results.
- The business community works with partners to identify, develop, commercialize and deploy technologies suited to individual national priorities, resource availability and development strategies. Business will continue to play an important role in finding solutions, within its sphere of responsibility, in partnership with other stakeholders.
- Governments need to continue to support partnerships by participating in partnerships and establishing a regulatory environment that supports the formation of partnerships.
- Governments, business and civil society need to partner to leverage resources to provide training, share knowledge and skills, share more sustainable energy technologies and cooperate to accelerate their dissemination.

3. Technology Focus – Hydropower (compiled by the International Hydropower Association)



Hydropower produces more than a sixth of the world's electricity and supplies 87% of electricity derived from renewable sources, yet only a third of the world's potential resources have so far been developed. This is an opportunity being missed, as there is great scope for hydro in countries where the need for electric power is greatest.

Hydropower is a renewable, safe, clean and reliable source of energy. It already supplies electricity in 161 countries, and its development is most advanced in some of the richest and most environmentally aware nations.

Hydro enables power effectively to be stored in freshwater reservoirs, allowing it to be released to meet sudden peaks



in demand or loss in supply from other sources. This makes it the natural renewable partner for other technologies – such as wind, wave, tidal or solar energy – which do not themselves provide a continuous supply.

It also improves energy security. As long as seasonal water flows are stored sensibly, hydro generation is predictable. It is immune to fuel price fluctuations. In a mixed energy system, hydropower's flexibility also enables fossil-fuel plants to operate in a steady state at their highest efficiency, further reducing emissions. Hydro also matches well with base-load generation from nuclear power plants.

Clearly there is a need to make the best use of all effective technologies. At present, hydropower's development varies hugely. Europe makes use of three-quarters of its hydropower potential, Asia less than a quarter. And in Africa, only 7% of the hydropower potential has been exploited although tens of millions of people live without electricity.

While communities that have already developed hydropower enjoy cheap and reliable power – the costs of implementing new projects are onerous. High planning and construction costs create a financing challenge – though the subsequent running costs come in at just a tiny fraction of them. Innovative, longer-term financing and clean-energy credit will be required to transcend the financial barriers and exploit the economic and sustainable benefits of hydropower in the developing world. This is an ambition worth achieving, and the hydro sector is seeking to work with all stakeholders to find appropriate solutions.

The International Hydropower Association works with International Organizations and United Nations

programmes related to water, energy and climate change. The objective is to advance knowledge and understanding in relation to hydropower, and to optimize its performance. IHA has produced Hydropower Sustainability Guidelines (adopted in 2001). Since then, the Association has been developing its Sustainability Assessment Protocol for the planning, implementation and operation of hydropower schemes. The Protocol was formally adopted by the Association in August 2006. IHA is currently working with several partners on training aspects for the application of the Protocol, and the document has been acknowledged by the Organization for Economic Co-operation and Development.

The Sustainability Assessment Protocol is used to assess the biennial Blue Planet Prize, which recognises excellence in sustainable practices at hydropower facilities. The Prize is awarded in collaboration with UNESCO. One of the recent winners, the Anindhikola scheme in Nepal, won for excellence in socio-economic benefits and capacity building. Described as "inspirational" by the judges, it delivers reliable water and electricity to 100,000 local people in rural Nepal, making electricity affordable for the first time to 22,000 low income families. It has also enabled local cooperatives to establish irrigation systems, which have stabilised food security in the region.

Article compiled by Richard Taylor - Executive Director of the International Hydropower Association. Further information can be found at www.hydropower.org

Contact us

Please refer to the following website for further information www.businessaction.org

You can also contact the secretariat for assistance:

Rochelle Chetty (BAE Project Manager)

Tel: +27 11 800 5004 – Fax: +27 11 800 2938

e-mail: rochelle1.chetty@eskom.co.za