



International Chamber of Commerce

The world business organization

Policy and Business Practices

ICC Comments on the World Bank Energy Strategy Approach Paper (October 2009)

Access to reliable, affordable, economically viable, socially acceptable and environmentally sound energy is critical to economic growth and sustainable development. Energy is fundamental to meeting basic needs, such as clean water, transportation, healthcare, sanitation, education, and communications; it underpins the economic fabric of all countries. Moreover having in mind the Millennium Development Goals (MDG) it is critical to recall the close link between energy use and the MDGs, including its contribution to poverty reduction, improved education and gender equality.

In our review of the World Bank Group (WBG) Energy Strategy, the International Chamber of Commerce (ICC) have noted that the focus is principally on the energy questions of developing and least developing countries as well as renewable energies and energy efficiency.

However we must bear in mind that solutions for energy access must respect environmental constraints, climate change, biodiversity, air quality, water and soil uses, etc. In order to best respond to these challenges, potential solutions should combine the benefit of traditional energy sources, renewable energy sources, energy efficiency and demand side management. In addition, solutions will be implemented by businesses in the framework of national and international policies.

Below please find specific responses on several key questions raised by the World Bank Group.

1. Where do you think the help of the World Bank Group (WBG) in the energy sector in developing countries is most needed?

In nearly all instances, as the Approach Paper states, poverty reduction and economic development depends on access to energy. For needier regions, basic access to affordable energy to enable sustainable livelihoods as a pathway out of poverty will continue to be the starting point. These are not mutually exclusive, and WBG will need to develop a broad and integrated portfolio approach, rather than a narrowly defined focus on one single energy option.

Such a flexible and stepped approach would not impose a single set of options or criteria; instead, it should focus on providing cost-effective and long-term improvement to quality of life and economic development.

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Environmental awareness need not preclude economic growth; in fact both can work in synergy. Though greenhouse gas (GhG) emissions restrictions are not currently imposed on Least Developed Countries (LDCs) they are confronted with air quality issues, soil and water limitations and contamination. The WBG has the opportunity to help develop capacities to confront these challenges in LDCs by promoting efficiency and environmental, social and economic sustainability as they grow.

However, simply providing funding to projects in the world's poorest regions will not guarantee sustainability of the energy system, or of the activities it supports. An enabling framework supporting legal, technical and economic approaches has to be simultaneously developed.

Regarding legal aspect, several essential features such as rule of law, intellectual property rights, communication between sectors, transparency, government organization and structure, open markets, collaborative environment should be present. Thus it is crucial that as the WBG provides aid, it also assists in strengthening governance systems at national and local levels. Such systems must create policy environments that reward energy-efficient choices and encourage innovation, especially by providing economic incentives and government support. It could also be useful to establish connections to existing sustainable development policies and measures (SD PAMS) to drive economic development and promote clean technologies. Many countries are already working on this, and the SD PAMS supported should be appropriate for the given country, whatever its development phase.

The most effective policies will be those that accomplish these aims, while also encouraging technology transfer, stimulating competition and taking advantage of open markets. As the WBG assists in policymaking and capacity building, they also have the opportunity to promote the full harmonization of national legislation with global requirements for an integrated approach to addressing energy security and climate change issues.

2. Does the proposed approach adequately address the needs of the poor and marginalized? If not, how could it be strengthened?

In order to most effectively reach the poor and marginalized, it is important to understand their needs and create frameworks that enable social mobility, participation, and success. Working together with local organizations and the private sector can facilitate this. This can also come in the form of strengthening policy, training public authorities, and promoting local private enterprise, including via strengthened public-private and government-private relationships.

While enhancing energy access in poor countries, the WBG should integrate national policies with energy management standards ISO 50001 which will establish a closer linkage between business practices for the management of energy, core industry values of cost reduction, and GHG reduction.

In order to be pertinent, the strategy should address both the situations of decentralized mostly rural areas and dense urban and peri-urban ones. Technologies and governance should be adapted to these specific contexts and populations. Their needs include



electricity for lighting, cooling and force as much as heat for cooking and economic activities. Mobility should be addressed in an integrated manner, taking into account needs such as job access and the circulation of goods.

The strategy will need to find a balance between providing energy access and energy for economic development, which will require a very different route. Efficient use of a reliable energy is key and one sees very often that the initial lack of capital has induced high cost for energy security. Any approach should consider integration into global energy systems.

3. Does the proposed approach strike the right balance between meeting the needs and priorities of low-income countries and those of middle-income countries?

The needs of different countries will vary drastically depending on both the level of income and country-specific circumstances. Low-income countries will be more concerned with widening access and affordability of energy (though it should be noted that efficiency does play a role in affordability) while in middle income countries higher living standards will afford more varied opportunities for energy efficiency and low-carbon growth. When discussing concrete issues the strategy could address the differing needs of higher income countries. For example, in paragraph 41 district cooling could be added along with district heating, as cooling will be very energy consuming in high temperature countries as the standard of living increases. In order to ensure that adequate support is tailored to each country's needs, it is important to recognize, as the WBG strategy does, that no "one-size fits all" approach exists. Different countries operate under different circumstances and tailored approaches will be required. National policies must take into account current realities and international agreements, and international input must be sensitive to the differing country-specific circumstances, needs, and abilities.

4. Where there are trade-offs between meeting the local energy needs of individual countries and reducing global greenhouse gas emissions, what principles should the World Bank Group follow in resolving the trade-offs?

The principle aim of the WBG is alleviating poverty and promoting economic development. Developing countries will certainly increase their energy demand as their economies and livelihoods of their citizens improve, which is the intention of World Bank support. In many cases this will mean increased GHG emissions.

From an equity standpoint, disqualifying funding for a needed energy project because of its GHG would need to be considered very carefully in balance with other social and economic benefits. To include efficient energy use policies in the governance of every project is key to making sure that GHG that are emitted provide economic and social benefits in the most pertinent manner.

Therefore, climate considerations should not be limited to mitigation, but should integrate sequestration and adaptation aspects, and encompass the management systems and capabilities that would assist in operating a given project to minimize climate impacts and other environmental impacts. These considerations should also be integrated into a global regulatory framework for sound, safe and environmentally friendly decisions.



The WBG has a key role to play in changing the energy trajectories of developing countries and catalyzing change in key technological areas which will vary from country to country. Thus it is essential to look at local needs and resources and customize packages of step change technologies whilst providing financial support to cover the incremental costs as far as possible.

5. What should be the role of the World Bank Group in promoting new technology and/or helping to transfer existing technologies to new markets, and how much weight should the Bank Group give to each?

New technologies may provide more reliable, more efficient energy sources, appliances and processes. To open access to these technologies via a review of best practices may help national or local authorities as much as private investors to select approaches which are best fitted to local circumstances or needs.

Therefore, to guarantee access to these technologies, it is critical for countries to have in place stable, long term policies that recognize open, competitive markets and reliable frameworks, contain strong contractual arrangements and recognize intellectual property. In addition, policies can include subsidies, tax incentives, workable and effective patent systems and other positive incentives for R&D.

The WBG states that it plans to continue financing existing and relatively new technologies but not pre-commercial technologies. Promoting innovative technologies is important, though existing technologies and management systems are also available to address the most pressing issues of energy poverty and reducing greenhouse gas and other emissions. The trade-offs between funding “non-commercial” technologies compared to deploying existing technologies should be carefully considered in the context of both near term and longer term issues.

However, ICC considers that solving simultaneously the questions of access to safe and reliable energy, environmental challenges and climate change, and the optimal use of resources will require transformation of the energy systems already in place or to be deployed. A combined strategy of R&D and mass market deployment of the new products and technologies could realize synergies to further accelerate technological progress. Greater collaboration between government R&D institutions and the financial community can help advance and accelerate the commercialization of technology. Issues such as the funding of incremental costs and the development of local capacity will also need to be simultaneously addressed. With such a framework, global learning can support shortening the time to market of key technologies – a critical factor if the pace of change is to increase.

Finally, as a knowledge-based organization, it should be the role of the WBG to constructively complement and enhance existing efforts, and to identify and fill existing data and information gaps.



6. What other suggestions or comments do you have?

The ICC agrees with the WBG that the present financial crisis will have lasting impacts on energy supplies and consumption efficiency in the future, and would add that this only underscores the urgency of sustainable development, emphasizing the need for a mutually reinforcing balance of economic, social and environmental progress.

During 2008-2009 several governments announced one-time “green stimulus” spending plans to jump-start low-carbon development and stimulate economic growth.

How will the WBG Energy Strategy accommodate this major input - totalling over 520 billion from major economies – and sustain low-carbon energy technology investments in the future once stimulus spending is concluded?

Another key question will be how will the World Bank Group Energy Strategy work in the evolving environment? In the domain of GHG policies, what will be its role together with the facilities created under the UNFCCC (proposed technology mechanism), existing WB funds (Climate Investment Fund, BioCarbon Fund, Carbon Fund for Europe, Community Development Carbon Fund, Danish, Spanish and Italian Carbon Funds, etc.) or other development banks, and the UN SG’s High Level Panel on Finance.

Certainly two key words will be synergy and streamlining if the global scheme is to facilitate the identification of public and private finance partnerships to achieve the goals of the energy strategy.

The challenge we face today and will continue to grapple with long into the future is how to meet the growing energy demands of a rapidly expanding and industrializing global population while simultaneously facing the pressing challenge of climate change and a need for increased sustainability.

Though this is no easy task in the face of a globally weakened economy, the stage is being set worldwide for action to be taken, and this immediate action is necessary. The WBG acknowledges this in the Energy Strategy Approach Paper, especially in its discussion of new financing mechanisms to address a changing energy sector. Furthermore, many opportunities exist in this context and within emerging economies.

Ultimately, keeping all energy options open and accessible and investing in existing technologies as well as in the research, development, and deployment of new technologies to promote efficiency, security and access are essential to confronting climate and energy problems while also working towards the Millennium Development Goals. The ICC is ready to work together with the WBG as a key partner and representative of business and looks forward to the opportunity to be of further assistance.

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The International Chamber of Commerce (ICC)

ICC is the world business organization, a representative body that speaks with authority on behalf of enterprises from all sectors in every part of the world.

The fundamental mission of ICC is to promote trade and investment across frontiers and help business corporations meet the challenges and opportunities of globalization. Its conviction that trade is a powerful force for peace and prosperity dates from the organization's origins early in the last century. The small group of far-sighted business leaders who founded ICC called themselves "the merchants of peace".

ICC has three main activities: rules-setting, dispute resolution and policy. Because its member companies and associations are themselves engaged in international business, ICC has unrivalled authority in making rules that govern the conduct of business across borders. Although these rules are voluntary, they are observed in countless thousands of transactions every day and have become part of the fabric of international trade.

ICC also provides essential services, foremost among them the ICC International Court of Arbitration, the world's leading arbitral institution. Another service is the World Chambers Federation, ICC's worldwide network of chambers of commerce, fostering interaction and exchange of chamber best practice.

Business leaders and experts drawn from the ICC membership establish the business stance on broad issues of trade and investment policy as well as on vital technical and sectoral subjects. These include financial services, information technologies, telecommunications, marketing ethics, the environment, transportation, competition law and intellectual property, among others.

ICC enjoys a close working relationship with the United Nations and other intergovernmental organizations, including the World Trade Organization and the G8.

ICC was founded in 1919. Today it groups hundreds of thousands of member companies and associations from over 130 countries. National committees work with their members to address the concerns of business in their countries and convey to their governments the business views formulated by ICC.



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