IEF Symposium on Energy Poverty

8-9 December 2009, Johannesburg, South Africa

Concluding Statement by IEF Secretariat and South Africa Ministry of Energy

The International Energy Forum (IEF) and the Department of Energy of South Africa Symposium on Energy Poverty gathered policy and energy specialists from the IEA, NEPAD, OPEC, OFID, TERI, WEC, WEF and the World Bank as well as independent experts and industry representatives in Johannesburg on 8 - 9 December 2009.

This symposium was held following the recommendations of the 11th International Energy Forum (Rome, 20-22 April 2008) that noted that "over two billion people do not yet have access to modern energy services. This perpetuates the poverty cycle and inhibits economic development, availability of clean water and food, while preventing education and training and acceptable health standards." Ministers at the Forum called for the solidarity of IEF countries and a step change in the collective efforts of all relevant international organizations to help achieve the Millennium Development Goals by halving poverty rates by 2015. The same message was echoed at the ad-hoc Jeddah and London Energy Meetings, where Ministers called for the intensification of efforts from national, regional and international finance and aid institutions to alleviate the consequences of high and volatile oil prices on the least-developed countries and agreed on the importance of multilateral measures to mitigate this effect.

Symposium participants discussed the most effective means to alleviate energy poverty through informed dialogue and enhanced cooperation and partnerships, and reviewed the role of different stakeholders. They made the following statements and recommendations:

1 - Characterization & Consequences

- Energy poverty affects nearly every corner of the globe to some extent, but the predicament is particularly prevalent in sub-Saharan Africa, South Asia and Latin America. 2.5 billion people lack access to modern fuels for cooking and heating and this figure is set to increase to 2.6 billion by 2020, according to IEA projections. 1.5 billion people have no access to electricity (85% are in rural areas) and this figure has remained largely static over the past few years because populations have grown fastest in the regions most afflicted by energy poverty.

- The causes of energy poverty cannot be divorced from the causes of general poverty, the two are intertwined; for countries in which the per capita income is less than $1 USD a day, 90% of the population use biomass or dung for their cooking. Lighting, cooking, heating and automotive energy are the four essential elements that must be addressed.

- Improving energy access may not be a sufficient condition to accelerate economic and social development but no nation in history has significantly reduced its poverty levels without increasing their energy usage. It is crystal clear that access to modern energy services is one of the cornerstones to reducing poverty, and a key element in

achieving the MDGs. As energy poverty stalls progress on achieving the MDGs access to energy should be added as a 9th Millennium Development Goal.

- The use of non-commercial fuels poses a severe health risk, affects longevity, reduces the productive capacity of entire communities and makes education more difficult especially for young females.

- Participants underlined the need to break the vicious circle of energy poverty: low level of per capita national income reduces the ability to pay, constrains demand expansion and hence severely limits an entirely market – based approach.

- Capacity building in statistics is necessary to provide a basis for the development of benchmarks and indicators for energy poverty against which needs can be defined and progress measured.

2 - Means of Addressing Energy Poverty

- Significant efforts are underway to reduce the number of people suffering from a lack of access to modern energy services. The achievements highlighted in some examples are encouraging; however there is no silver bullet and more efforts should be made to reduce energy poverty, and the scale of these efforts should be stepped up.

- Although a decidedly international problem, energy poverty has a local dimension and can be improved through domestic energy policy reform, including the formulation and implementation of energy poverty reduction plans as an integral part of national energy plans. Combating energy poverty demands a managed coordination of financial, social and energy policies.

- On the finance side, the symposium agreed that energy poverty programs are severely underfunded, and the credit crisis has made this even more difficult. Participants noted that the cost of universal electricity access amounts to $35-40 billion a year between 2008 and 2030, nearly $800 billion in total, while the investment in the developing world's power sector fell from $47 billion in 1997 to $14 billion in 2006. This investment gap needs to be filled.

- Beyond capital, energy poverty also faces problems more specific to individual regions and communities. Site-specific solutions are an essential component of ending energy poverty. To ensure sustainability it is imperative that local communities take an active role in the choice, planning, development and maintenance of programmes in place.

- Models presented in Africa, Latin America and South Asia offered lessons to inform future efforts. Participants reviewed diverse funding mechanisms and observed that more funding (both public and private) is needed to fill the investment gap; public funding for non-commercial aspects and business-oriented approaches for projects that are commercially and environmentally sustainable. They advocated models that are replicable, scalable and based on local autonomy. There was a call to learn the lessons of the history of electrification in the US, Europe and China where a leading government role was a crucial element.

- Participants also noted that especially in the current economic climate it would be wise not to concentrate only on large scale grid-based projects, but to also evaluate the potential of smaller community-based solutions with lower costs, and higher potential for immediate and sustainable results.

- Participants observed that institutional constraints are impeding investments: unpredictable legal framework, lack of good-governance, lack of harmonization between neighbouring countries in legal frameworks to allow trans-border projects. Domestic policy reform and regional cooperation need to address these barriers. In many cases a significant down-sizing of projects is needed to achieve tangible progress. They highlighted the importance of transparency throughout the project life-cycle. Including the engagement of the communities to benefit from these models.

- Participants cited Integrated Energy Centres in South Africa as a successful PPP and an example of Sasol corporate social responsibility investing back to local communities. They underlined the successful implementation of South Africa's electrification programme (increasing from 30 – 70% in the last decade) supported by a cohesive regulatory framework (electricity pricing policy, Pro-poor electricity Policies...) as an example of the potential that can be achieved with co-ordinated and sustained effort.

- Participants underlined the need to improve energy efficiency i.e through the use of more efficient cook stoves to reduce wood consumption and pollution, as well as the improvement of distribution of oil products including LPG, and the use of renewables where it makes sense.

- Participants observed that realistic, measurable and achievable targets for energy access programmes should be set up with buy-in from private sector.

3-Cooperation and Partnership

- Energy poverty is not an issue that recognizes national borders and more concerted international cooperation will be needed to significantly reduce energy poverty in the next decade. Participants called for greater cross-sector, intergovernmental and private sector cooperation.

- Price volatility, distance from population centres and the unfortunate realities of endemic poverty are often beyond the reach of national governments. Participants called for greater international awareness of the issue, greater cooperation and more collaborative efforts to resolve the issue of modern energy services access.

- The need for greater dialogue between governments was also noted by the symposium. International efforts can better leverage the economics of scale to reach the largest number of energy consumers and help reduce energy poverty.

- A number of initiatives and activities are underway. The New Economic Partnership for Africa's Development (NEPAD) has championed Africa's burgeoning network cooperation among electricity providers and distributors throughout Africa. Regional electricity network dialogue improves grid stability, expands access and lowers rates

for users by reducing the marginal cost to distributors. Significant obstacles certainly remain, but the seeds of international and regional cooperation have begun to materialize.

- The Venezuelan national oil company, PDVSA, presented a "Proposal for a Solidarity-Based Energy Cooperation" designed to combat energy poverty in the 49 poorest countries in the world and based on its energy cooperation initiative in the Caribbean basin called Petrocaribe. Venezuela demonstrated the potential for intergovernmental cooperation to assist in the reduction of energy poverty and called for the creation of an ad hoc group to discuss the feasibility of the proposal. This proposal was widely discussed by participants.

- Cooperation is also occurring in and with the private sector. In 2005, at the World Economic Forum's annual meeting, Canada's British Columbia Hydro and Power Authority, South Africa's Eskom and Sweden's Vattenfall joined up with the World Business Council for Sustainable Development, the World Energy Council and the World Economic Forum to form the Energy Poverty Action (EPA) initiative aimed at reducing energy poverty through local, targeted energy projects focused on rural off-grid electrification.

- They highlighted the need to develop regional cooperation involving both private and public sectors and develop cross-border transmission and regional grids in a realistic way.

4-Role of the different stakeholders

- Reducing energy poverty requires the joint and coordinated efforts of all stakeholders, to develop effective policies and measures and to implement policies through international collaboration. Developed and developing countries, international financial bodies and development and aid agencies, national and regional institutions, governments and private corporations should join their effort through cooperation and partnership to help moving towards the alleviation of energy poverty.

- The role of developed countries would be to provide assistance to developing countries both in terms of finance and technology, to alleviate energy poverty and support human resource and institutional capacity building.

- An enhanced political will and government commitment is required, from all countries including developing countries themselves. Clear and sustainable policies and institutional framework should foster both public and private sector investment and encourage win-win public-private partnership. Pro-poor "smart" subsidies should be temporary, transparent and well oriented.

- Participants observed that, in addition to their traditional role of lending to public and private sectors, international financial institutions should scale-up their operations, enhance international coordination and effectiveness, support national or regional programmes and trans-border projects and support human resource and institutional capacity building. Participants suggested that financing from international financing institutions should be refocused on infrastructure, regional integration projects and local projects that have tangible results in alleviation of the poverty situation.

- International agencies and NGOs should help in building the necessary local capacity to manage, operate and maintain projects by providing technical and management support and training. Examples of significant and tangible achievements showed that aid and development agencies assistance is most efficient when they act as an interface between business and development, work directly with business partners, and facilitate business involvement; focusing on designing business models, assessing needs and resources and proposing innovative funding mechanisms.

- Energy specialists, research centres and academia should be more convincing in presenting the case for alleviating energy poverty to governments and decision makers.

- Participants recommended that energy poverty issues be added as the 9th Millennium Development Goal to achieve universal access to modern energy services.

- Participants called for a new impetus and more widespread support for the initiative "Energy for the Poor" launched by King Abdullah at the Jeddah Energy Meeting and supported by the G20 leaders. With global support it has the potential to mobilize the significantly increased funding required to bridge the energy poverty investment gap (tens of billions of US dollars per annum) and encourage multilateral cooperation and the definition of concrete objectives for domestic policy reform necessary to achieve tangible progress. Supported by IEF Ministers in Cancun the IEF Secretariat in co-operation with IEA, OPEC and WEC could take the lead in detailing and enacting the key components of the "Energy for the Poor" initiative. Its success and sustainability will depend on the genuine commitment of all IEF countries and their willingness to co-operate based not only on consideration of the less-well-off, but also on the understanding that like climate-change poverty knows no borders. Solutions developed by this initiative will have potential positive impacts across the globe.

- The International Energy Forum Secretariat assured the participants that the findings and recommendations of this symposium will be presented to Energy Ministers at the 12th International Energy Forum in Cancun, Mexico, 30-31 March 2010.