

**Speech by
Heidemarie Wieczorek-Zeul,
Federal Minister for Economic Co-operation and Development,**

**at the
First World Renewable Energy Policy and Strategy Forum
"Renewable Energies – Agenda 1 of Agenda 21"**

13 June 2002 in Berlin

Mr. Chairman,
Dear Hermann Scheer,
Dear Jürgen Trittin, dear Peter Strieder,
Ladies and Gentlemen,

I am particularly pleased to be taking part once again in an event that is concerned with **regenerative energies**. Almost exactly one year ago we held the pioneering International Impulse Conference for the Creation of an International Agency for Renewable Energy (IRENA) here in Berlin. And I can tell you something: since then I have been unable to get this topic out of my mind!

1. Development policy concerns

Let me explain why I consider sustainable energy to be a key task of development policy. The most urgent task facing **development policy** is, reducing poverty, a state which for 2 billion people means hunger, disease, lack of education, terrible living conditions, rightlessness and often violence, war and flight or displacement too.

At the **Millennium Summit** in September 2000, the international community of nations made a commitment to launch a determined attack on poverty and to halve the proportion of people living in extreme poverty by 2015. This decision was a political milestone for international co-operation.

On the one hand the decision represents a **commitment by the developing countries** to direct their own policies towards this goal and to create the

structures necessary for realising it. However, it likewise represents a **commitment by the countries of the North** to support the developing countries in their endeavours and to commit the multilateral development organisations to achieving this goal as well.

The German government has set out its contribution towards halving extreme poverty by 2015 in a **Programme of Action for Poverty Reduction**, which strategically groups together the contributions by all the German ministries towards achieving this goal and which has been highly praised internationally.

The Millennium Summit also met the challenge to counter the **threat to the natural resources which are necessary for our continued survival** on this planet. Or, to put it in the language of the Millennium Declaration: "to free [future generations] from the threat of living on a planet irredeemably spoilt by human activities".

In 2 months the World Summit on Sustainable Development starts in Johannesburg. The Summit is intended to add concrete implementing steps to the global Agenda for sustainable development, which covers all these goals. In a much heeded speech that he made on 14 May, the UN Secretary General listed five priority areas for which concrete decisions should be adopted in Johannesburg. Those areas are: **water, energy, food and agriculture, biodiversity, and health**. This also means that for the first time ever the question of a **sustainable energy future** will be on the agenda of a world summit.

As a democrat and politician, I also see in Johannesburg the possibility for us to emphatically confirm the primacy of politics and to establish a firm basis for **socially just and ecologically structured globalisation**. Because, Ladies and Gentlemen, our only chance of living in peace and security in the long term is if globalisation benefits everyone, including the poor!

2. The importance of renewable energy for development

What does it mean when we talk about a **sustainable energy future** and what role do **renewables** have to play in that future?

A **sustainable energy future** can only be realised if energy use is no longer based on fossil fuels in the long term, but relies instead on renewable sources of

energy, which means above all solar energy, wind power, hydropower, geothermal energy and biomass. It is important that we see this as a **long-term** goal, one that is not achievable today or even tomorrow, but something that we can realise the day after tomorrow, **if we start putting everything in place** for this energy future **today** and **make a start on the measures** that are already doable. If the World Energy Council and the International Energy Agency consider it possible that in 2050, half of the world's energy needs will be met by various forms of renewable energy, then this will only be achieved if we all make an effort, at home and also in our partner countries.

Particularly from the viewpoint of development policy, I see three urgent reasons for an energy future based on renewable sources of energy:

- Renewable energies and energy efficiency help the developing countries **reduce their dependence on fossil energy imports** and thus remove a serious obstacle to development! We just need to consider the following equation:

The developing countries, which contribute just 21% to global value-added, import almost 40% of the oil traded globally. For a long time the world market price for petroleum was relatively cheap, making it easily obtainable. Rising world market prices have made **oil imports** considerably **more expensive** for many countries. At the same time **export revenues are falling**, so that the developing countries have lost about one-third of their foreign exchange revenues.

The dramatic worsening in the terms of trade has meant that in many places urgently needed development measures have had to be put on hold.

Developing countries in particular can therefore benefit from greater independence from fossil fuels. Every dollar saved because it does not need to be spent on fuel imports increases the scope for investments in development measures!

And let us not forget the **impacts on employment** either, which come about as a result of the development of a domestic energy industry.

- Technology for using renewable sources of energy in particular offers possibilities for supplying **poor, rural populations** with energy, because

much of this technology is suitable for **decentralised use** in regions where it does not make economic sense to try to connect people to the national grid. This is also where the best chances for **economically competitive use** are to be found: because solar installations or wind power supply electricity at prices that are well able to compete with diesel-powered electricity generators for example. Interesting openings for private sector financing of the energy supply in remote areas can be found here; some "green" investment funds have already taken up the challenge.

- And finally the third point: **developing countries where energy consumption is growing rapidly**, such as China and India, can in particular avoid increasing their emissions of greenhouse gases by making consistent use of renewables and by improving energy efficiency. In these countries, now and over the next few years, important fundamental decisions will be taken regarding future energy systems. The opportunities which exist here for sustainable development must be grasped! The Global Environmental Facility and the World Bank, the Asian Development Bank and bilateral donors such as Germany too, are helping these countries not only in connection with investment financing, but also with regard to policy advice and designing systems to regulate and promote the use of renewable energy.

At the moment the **negotiations for the third replenishment of the Global Environmental Facility** are going on. All the donor countries are prepared to support a higher replenishment, except for the US. That is why I call on the **US** to do its bit towards global security in the environmental field!

The industrialised countries have made commitments under the **Climate Framework Convention** and the **Kyoto Protocol** to reduce their emissions of greenhouse gases, also in recognition of the fact that the developing countries will be increasing their own emissions as a consequence of their development. This commitment can soon enter into force. The EU has already ratified the Protocol; Japan also took this step just a few days ago. Even if the US has withdrawn its support, the entry into force of the Kyoto Protocol is an enormous political success, to which the present German government can also lay claim. For the first time ever a global environmental danger has been met by a verifiable agreement which is binding under international law.

3. Overcoming the obstacles to the proliferation of sustainable energy

With the scientific and technical aspects of renewable energy having dominated the field for many years, we have now reached a point where the **economic issues** are in the foreground. This is because, from the scientific and technical point of view, there are no longer any unsolvable problems with regard to supplying our energy needs from renewable sources. There are other issues, however: What will it **cost** us? How can the **investments** be financed? What **market incentives** are needed, i.e. for energy suppliers and for consumers? And from the point of view of development policy: How can the **economies of the developing countries** deal with this challenge?

The goal must ultimately be that renewable energies are able to **penetrate the market and win over energy consumers**, and that their particular competitive advantage, namely their environmental compatibility and low use of resources, is reflected in euros and cents. This is true for us and it is equally true for the developing countries.

There is a long way to go until then. We will therefore need the kind of **goal-oriented promotion of renewables** that we now have here at home in the developing countries as well. Where are the **crucial barriers** preventing the proliferation of sustainable energy and what must be done to overcome them?

- **Reducing cost disadvantages; improving competitiveness**

It is a fact nowadays that, in most regions, renewables have considerable cost disadvantages when purely business criteria are applied. This is particularly true for solar power, but also for wind energy. We therefore need strategic support for renewables, aimed at **eliminating these cost disadvantages**.

What we are counting on here is the fact that **growing demand lowers production costs**, thereby **increasing the market potential** for renewables. In the case of solar and wind power installations this process is in full flow. The experts tell us that the costs can be lowered quite a bit further.

- **Abolishing discrimination**

At the same time the discrimination which affects renewables in many regions of the world must be abolished; they must at least have the same opportunities to compete in the energy market. This discrimination takes many forms:

- In some cases the discrimination is **direct**, when for example special taxes or duties are applied to equipment to make use of renewable energies because these installations count as luxury goods or because these levies are simply seen as a good source of income.
- In some cases it is **indirect**, when the consumption of conventional energies is subsidised. Estimates of the subsidies applied to conventional energy systems worldwide range between 150 and 500 billion US dollars a year. **For years environmental economists have been calling for an end to these damaging subsidies and thus also an end to state support for environmental pollution.** For developing countries in particular this is a sensitive issue. For example, a litre of petrol costs 10 to 15 US cents in Indonesia, because of massive subsidies from the state budget. In such a situation, renewable energies have little chance of competing. We must therefore help our partner countries to manage the transition in a way that is socially acceptable.

- **Creating innovative financing possibilities**

RE technologies may only generate **low running costs**, but the initial investment costs are high, so that the users frequently need loans to finance them.

Conventional technologies on the other hand generally incur low initial investment costs, but high recurrent running costs. The result is that in many countries people spend large sums of money on kerosine, candles, non-rechargeable batteries or diesel to run a generator.

In strictly economic terms that is often an uneconomic way of operating, but for most people there is **no alternative**, they are forced to live a "hand-to-mouth existence". An important approach under development co-operation is therefore to enable the population to have **access to credit** and thus be able to make the necessary investments.

- **Promoting the development of the market**

Another barrier is the **lack of distribution systems and of technical staff to carry out maintenance and repairs**. In our partner countries, you can see equipment and systems for making use of renewable energies standing idle because the machines have broken down due to lack of maintenance. **Traders and mechanics** who bring the equipment with the new technologies to the consumers and provide for repairs and maintenance are just as much a part of a functioning market for these goods. However, such people are only prepared to retrain and make the necessary investments if they are convinced that there is a **long-term potential demand**.

4. Political consequences

Despite the unfavourable general circumstances in many places, practical experience in **developing countries** has shown that **economic opportunities for using RE technology already exist there today** and that renewables can make an important contribution towards meeting basic energy needs. What development co-operation now needs to do is to develop the markets for renewables "in a big way", to tap into the potential that exists and set the necessary processes in motion.

In **development policy** terms, therefore, we are now focusing on the following:

One: We are intensifying the promotion of renewables in our partner countries in a targeted and forceful approach. I had set a **financial target** for German development co-operation at the beginning of this legislative period: Under bilateral co-operation we have earmarked an annual amount of 100 million euros, which we are using for **renewable energies**.

For Johannesburg we will go one step further and introduce a **special programme for the promotion of sustainable energy in developing countries**:

- We will make offers to our **partner countries** to determine the best locations, for example for wind energy and geothermal energy, as a first step and to develop these locations for concrete investment projects, if possible with private partners.
- We will **strengthen the partnership with industry** in order, on the one hand, to make use of their product and market knowledge and, on the other hand,

to give them access to the experience of the development co-operation organisations in the partner countries.

- We will likewise support German companies in making use of the **Clean Development Mechanism** of the Climate Framework Convention, which offers advantages for both businesses and the partner countries and also contributes to climate protection.

Two: We will help our partners create an **intelligent regulatory framework** which establishes the right market incentives for renewable energies. In Germany we have had good experiences with the "Renewable Energy Sources Act", which we can pass on. This is not just about good laws and financing models, it is also a question of developing institutions that apply and monitor the regulations. We are supporting this because we are convinced that renewable energy will be a matter of economic interest in the developing countries in particular, since the natural conditions there are often better than in Germany. It is an indisputable fact that the sun shines more often in Africa and the wind blows more often in Egypt for example than in Germany.

Three: Finally I will lobby within the **multilateral development institutions** to get them to do more than they have done so far to work actively towards a sustainable energy future.

A good approach, which however was not pursued further, was the **G8 Renewable Energy Task Force set up to identify the main barriers to the use of renewable energy, particularly in developing countries**. Unfortunately the Task Force's report was not properly honoured by the G8 Summit in Genoa last year, because the US saw the recommendations as too dictatorial and not liberal enough. This was despite the fact that the Co-chairman was from the Board of Shell. If the G8 are now looking for ways to achieve good results in Johannesburg, then they should take another look at the Task Force recommendations and support them.

I think the **World Bank and the other development banks** should also take a **more active role** in the necessary worldwide transfer to sustainable energy systems. At present we have the following situation: The development of the energy systems in the developing countries is largely following the principle of the least cost approach and is thus continuing to lead to an energy industry based on

coal and oil. The World Bank is supporting these countries in this approach. I do not want to criticise this, because the Bank is following the priorities of its "clients" and they are wary of the higher costs of the new technologies for reasons that are understandable.

However, the World Bank should become more active in seeking to overcome this cost gap. This presupposes that the **World Bank also sees itself as a bank for promoting sustainable energy**. In the developing countries more effective financial incentives need to be created, so that there is consumer demand for renewable energies. This includes developing appropriate financial services.

We are not alone in undertaking these efforts, in fact we are working in **close consultation with our partners, above all our partners in Europe**. On 30 May, the EU development ministers adopted a joint initiative for Johannesburg in order to offer the developing countries a **strategic partnership for access to energy**. We will put our considerable experience of advising others and of investment financing into this initiative.

The role of renewables and the need to improve energy efficiency were recognised at the **last preparatory meeting for the World Summit (PrepCom)**, as was the huge importance of access to energy. The EU energy initiative was already developed further at the PrepCom and can probably be officially launched at the Johannesburg Summit.

The German government is also participating in the planned **Global Village Energy Partnership**, which is intended to improve access to energy for poor people above all in Africa under the co-ordination of the World Bank.

We are continuing to work with other partners like UNEP and UNDP on strengthening the **institutions** for the further development of technology and know-how for renewable energy. There are a number of institutes worldwide uniting a wealth of technological, economic and social science **competence**, upon which all future efforts should be based. I am thinking for example of the Fraunhofer Institute for Solar Energy Systems in Freiburg, the Danish Risø National Laboratory or the Basel Agency for Sustainable Energy.

There is now a need above all for **these institutions and initiatives to be linked up effectively with one another**, for a common vision to be reinforced and for political impulses to be developed for co-ordinated action. We want to use the forthcoming Johannesburg Summit to bring such networking a decisive step forward.

The BMZ is therefore actively supporting the **initiative for building a "Global Network for Sustainable Energy"**. This network, which is based on a UNEP proposal, will enable the participating institutes from the North and the South to exchange experiences and learn from one another. The aim is to support developing countries better than before in the task of spreading sustainable energy systems.

5. Conclusion

Ladies and Gentlemen,

I have outlined many different activities for you, activities that we from development policy are supporting and ones which we also urgently need. For we do need to intensify international political awareness of energy and development problems! The **political forces** which are advocating a **sustainable energy future** must be **grouped together more strongly**, in order to increase the pressure in international decision-making bodies.

I would like to **thank** our hosts, the World Council for Renewable Energy, and the organisers, EUROSOLAR, for their considerable commitment to this cause. They are making an important contribution towards grouping together all the requisite forces for a sustainable energy future!

The development opportunities of billions of people throughout the world depend on us managing to set the course for a sustainable energy future and on our implementing the right decisions with great energy. I therefore wish this "World Renewable Energy Forum " every success and thank you for your attention!