



**COUNCIL OF
THE EUROPEAN UNION**



Council conclusions on Energy and Development

**(GENERAL AFFAIRS and EXTERNAL RELATIONS Council meeting -
Luxembourg, 10 April 2006)**

The Council adopted the following conclusions:

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WELCOMES the outcome of the Senior Officials' seminar "Energy in the Context of Development Cooperation" (Vienna, 23 January 2006) that discussed the importance of energy in development, in particular the important role energy plays in facilitating poverty eradication and for achieving the Millennium Development Goals;

RECALLS the commitments of the 2002 World Summit for Sustainable Development in Johannesburg to improve access to reliable and affordable energy services for sustainable development sufficient to facilitate the achievement of the Millennium Development Goals, including poverty eradication, and reaffirms that the EU is committed to address the energy and poverty agenda;

REITERATES the importance of the Objectives of the EU Action Plan on Climate Change in the Context of Development Cooperation (2004) and, looking forward to the further implementation of the Plan, underlines the need to exploit the synergies between the promotion of access to affordable energy for the poor, energy security, sustainable energy supply, innovation and reduction of greenhouse gas emissions to ensure consistency between energy development and climate issues;

TAKES NOTE of the principles for integrating energy into development cooperation which have been elaborated in the Vienna seminar. These guiding principles are contained in the annex to these Conclusions;

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AGREES to take these principles into account in the EU preparations and key messages for the 2006-07 cycle of the UN Commission for Sustainable Development (CSD 14+15), where energy for sustainable development is a key theme, with a view to reaching concrete results.

PRINCIPLES/CONSIDERATIONS FOR INTEGRATING ENERGY INTERVENTIONS INTO DEVELOPMENT COOPERATION

PREAMBLE

The present principles have been elaborated in order to facilitate donor coordination and harmonisation among the EC and its Member States but also to facilitate and assist the partner countries in creating an adequate basis for sound and feasible decision-making for developing the energy sector. Since national policies and strategies, regulatory frameworks, and institutional capacity is still not fully developed in a number of partner countries, the guiding principles could be useful for prioritisation of support and serving as a framework or ‘checklist’ for preparation of policies and strategies related to energy generation, distribution, and supply.

PRINCIPLE 1 – ENERGY AS AN ENABLING FACTOR

Access to energy services is an essential enabling factor for economic growth and for the provision of basic living conditions for all human beings. No country has substantially reduced poverty without massively increasing the use of energy, replacing human and animal labour with more convenient and efficient sources of energy and technology. A reliable and affordable supply of energy services is a necessary input to improve productivity at all levels in rural and urban production. Provision of energy services is not an end in itself, but an important tool for achieving other development goals. Therefore, energy as an enabling factor for poverty reduction requires new, innovative and crosscutting approaches to achieve adequate answers to the needs of the poor in their efforts to escape from their present poverty. It is understood that energy programs should contribute to achieve the MDGs and to national policies and strategies, e.g. on poverty reduction.

PRINCIPLE 2 – ENERGY SERVICES SHOULD BE DEMAND-SIDE DRIVEN

The typically supply driven project development of the past years is to be changed towards an effort to meet the end users’ needs for energy services at all levels, i.e. for production and supply of goods and services, for household purposes, communication, transport, public purposes etc. It is now broadly understood that the development of the energy sector must deal with the entire energy chain from supply to consumption, covering commercial and non-commercial energy sources and relevant technologies for all parts of the energy chain, with the aim of meeting end users’ multiple needs for energy services in a sustainable and environmentally friendly manner including supply security. There is a risk that inadequate supply of energy services may constitute a bottleneck for the development of other sectors while, on the other hand, an integrated cross-sector approach will release important synergies.

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PRINCIPLE 3 – BALANCE UNEQUAL ACCESS TO ENERGY SERVICES

There are great disparities between different income groups and between men and women regarding access to and use of energy services. It is estimated that more than two billion people, mostly living in rural and peri-urban areas in developing countries, lack access to adequate energy services for production and household purposes. A large number of the poor or marginalised in low- and middle-income countries are still heavily dependent on traditional energy resources, such as fuelwood, agricultural residues and dung. Energy poverty has a particularly severe impact on life conditions of women. There are major inequalities between rural and urban areas in per capita energy consumption. The rural population consumes much less energy per capita than the urban population and mainly from traditional energy sources. Structural changes in rural economies by means of increased productivity and development of new agro- or forestry-based economic activities require improved energy supply.

Both growing populations and increasing urbanization put severe pressure on biomass resources and arable land in a fragile environment in the vicinity of urban areas. The poor urban population will demand fuel for their stoves, often in the form of charcoal, which is highly convenient in urban areas, but consumes more input of wood per calorific output than the pure use of firewood. In many areas, especially in the vicinity of towns and cities, the lack of sustainable management of wood resources for firewood and charcoal has had a major impact. Exploitation is exceeding sustainable levels and is causing severe environmental degradation.

PRINCIPLE 4 – FACILITATE ENERGY EFFICIENCY AND CONSERVATION

Rising oil prices, a growing awareness of energy related pollution, and the risks of climate change have all contributed to a re-evaluation of energy use. In developed countries, the result has been an improvement in the efficiency with which energy is used in industry and power generations well as in lighting, household appliances, transportation, and heating and cooling of buildings. This more efficient use of energy is a major factor contributing to the improvements in energy intensity that have occurred in almost all OECD countries, and more recently in many transition countries. The same should be ensured for all energy programs and projects in LDC and LLDC countries. Realising cost effective energy efficiency potentials will be beneficial not only for individual energy consumers, but also for the economy as a whole.

PRINCIPLE 5 – ACT CONSCIOUSLY REGARDING THE CHOICE OF TECHNOLOGIES

Since the primary goals of development cooperation are poverty alleviation, the promotion of peace and human security and the protection and preservation of the environment but are not technology driven, donor supported programs should respect these principles by applying a full menu of organisational and technical options, to be tailored according to the specific situation. Choices should be made in terms of the most economic option, taking all related costs and benefits into consideration. This includes in the same way decentralised forms of organisation and decentralised energy systems as well as cleaner, more efficient fossil fuel technologies, technology for more efficient appliances and the more efficient use of traditional biomass. To ensure environmental sustainability in the short, medium and long term projects and programs should be screened and the

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applied technologies compared on indicators such as the “Ecological Footprint” or the ecological balance for the full project lifetime. This will often make renewable energies more attractive as the typical technology of choice and thus promote their use.

PRINCIPLE 6 – IMPLEMENT SOCIALLY BALANCED ECONOMIC SOLUTIONS

Many consumers and governments of developing countries do not necessarily have the means of paying the full cost for modern energy services. Projects and programs should therefore apply financial mechanisms and tariffs that combine financial sustainability (investment and O&M costs) with affordability of energy services to the poor while focusing on revenue generating activities. Donors should assist in making biomass markets work better for the poor and achieving more sustainable and energy efficient provision. Importance should be given to help with the upfront costs of switching to better fuels and dealing with indoor and outdoor pollution issues. Consideration should be given to encouraging socially balanced energy policies, including targeted subsidies for the most needy. Many energy subsidies in developing countries still benefit a small number of well-off consumers.

PRINCIPLE 7 – SUPPORT AUTHORITIES IN CREATING AN ENABLING ENVIRONMENT

The ongoing worldwide restructuring of the energy industry represents a window of opportunity for ensuring that the energy-related public benefits needed for sustainable development are adequately addressed in national development policies. Seizing this opportunity will require strong action by authorities of developing countries to orient and support market actors in creating sustainable energy systems that respond to development needs. The process could be enhanced by donors to strengthen in designing energy market and regulatory reforms adapted to development priorities which express the global economic costs and benefits of energy choices and in setting goals that define the performance characteristics (for example, by specifying air pollution emission limits or minimum standards on buildings, plants, machinery, and vehicles). In particular, these activities could include sustainability criteria such as promoting low-carbon energy strategies and the use of CDM, long term planning taking into account of likely higher prices for imported oil products, the future need to reduce GHGs and the opening of energy grids to independent power producers but under the condition that rural populations are also served. The sequencing of reform is a key issue. Therefore, structures and mechanisms for increased access, particularly in rural areas, must be in place at least at the same time as the initiation of large scale market orientated reforms such as liberalisation. Capacity building of key stakeholders in government and among non-state actors, including appropriate information and education activities should therefore be supported to overcome barriers and to implement favourable framework conditions.

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PRINCIPLE 8 – COMBINE ACCESS TO ENERGY WITH ADDITIONAL INCOME

Access to modern energy services generally presents a high financial burden for poor and marginalised end users. To enable economic sustainability, both at user and at government level, access should go hand in hand with stimulation of income generation and job creation (productive uses of energy). The cooperation with the private sector, both large companies and SMEs, cooperatives etc., for the delivery of energy services should anchor the scaling up of public investments since public finance cannot meet all of these needs. Therefore, a private sector promotion strategy and an income generation strategy for poor people should be incorporated in energy cooperation endeavours.

PRINCIPLE 9 – INTEGRATE PROJECTS INTO NATIONAL ENERGY PLANS AND INTO POVERTY REDUCTION AND DEVELOPMENT PLANS

Priority should be given to countries and regions having installed a clear energy policy or are on the way in putting into force such a policy which should be based on political ownership and commitment to integrate principles of Good Governance and to prioritize poverty alleviation. PRSPs and bilateral donor programs should incorporate energy as an integrated part into all related sector activities of the respective development plans. The preparation of these plans should ensure participation in decision-making on energy services at the levels of end user, community and municipality.

PRINCIPLE 10 – OVERCOME LOCAL DISPARITIES WITH REGIONAL AND CROSS-BORDER SOLUTIONS

The creation of regional energy systems can do much to expand reliable supply through the joint development and use of locally available energy sources (such as hydropower), better balancing of sources and uses of power and achieving economies of scale. In many cases, rural electrification of remote areas along national borders can be achieved more easily and more cost-effectively by connecting with the grid of the neighbouring country. Governments should align national strategies with such regional initiatives as the New Partnership for Africa's Development, the Sistema de la Integración Centroamericana, the Southern African Development Community, the Caribbean Community and the many others."

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