

CSD-14

STATEMENT FROM NORWAY

1. MAY 2006

ENERGY SECTOR GOVERNANCE

Mr. Chairman, poor institutional and regulatory frameworks create serious obstacles to the delivery of modern energy services in many countries. Regulatory frameworks often raise the largest barriers to decentralized options for energy supply, including alternative energy technologies for locations not served by electricity and fuel distribution networks. Poorly formulated taxes and subsidies often undermine energy service markets by favouring one fuel over another, sending consumers the wrong signals, and creating disincentives for entrepreneurial solutions to energy supply. Another problem is the use of top-down approaches that allow users, particularly the poor, little say in how energy services are designed and delivered.

What does experience show how best to tackle these issues?

Sound sector policies provide the basis for improving access to energy for rural and urban populations.

During the last two decades the electric power sector has been undergoing massive restructuring worldwide. The main thrust of the restructuring drive has been to break up electricity companies and separate generation, transmission and distribution functions and introduce competition at each level. Such sector reforms have been designed to enhance efficiency and effectiveness in countries where the electricity supply systems are technically and commercially mature, and electricity demand is growing slowly. Reform advocates have assumed that the basic assumptions that make such reforms attractive are also present in poor developing countries with low degrees of electrification and high rates of rural poverty. However, recent studies of electricity sector reform in developing countries illustrate with clarity the difficulties encountered when attempting to “blueprint” rich country “best sector organization practice” onto poor developing countries with vastly different market, institutional and cultural settings. There is no-one-size fits all and sector reforms have to be tailormade to the specific country context.

Macroeconomic policies should avoid discriminating against or favouring particular energy technologies. However, we support using subsidies and taxes as a tool to encourage the use of more climate friendly energy technologies.

It is also essential to ensure the participation of local communities, investors, and consumers in the design and delivery of energy services. Decentralized approaches, including systematic local capacity building, need to be part of the solution.

According to Transparency International (TI) the public works and power sectors are internationally perceived to be the most corrupt sectors worldwide. The energy sector, with its complex mix of public and private actors and often enshrined central monopoly power, is prone to corruption. Corruption is clearly fostered by the lack of transparency and accountability. Without addressing corruption we will not be able to increase access to sustainable energy services.

Mr. Chairman, the response of the Norwegian government to this challenge is to make energy a priority area of Norwegian development cooperation. Last year we launched the Norwegian Petroleum for Development Initiative. This initiative seeks to build on existing activities but significantly expands support to countries requesting inputs and cooperation on various aspects of Norwegian petroleum experience. Governance issues, environmental protection, revenue management, transparency and anti-corruption activities as well as democratic control of petroleum sector management will feature strongly in this new Initiative, in line with expanding focus on such challenges by key stakeholders in oil and gas countries. A similar initiative is now planned for the power sector with particular emphasis on renewable energy and in particular on hydropower.

Thank you.