



INTERACTION COUNCIL

High-Level Expert Group Meeting

**Chairman's Report on
the High-level Expert Group Meeting**

**“Energy Availability, Economic and
Environmental Concerns”**

**Monday, 4 May 2009
Berlin, Germany**

Chaired by Ingvar Carlsson

The world is in economic crisis. However, we cannot allow this to delay or shift our focus from the actions urgently required to secure energy supplies and to tackle rising emissions and greenhouse gases. The global community has reached a consensus on the immediacy of the need for action to prevent climate change with devastating effects on our planet.

In order to discuss these issues and formulate a set of recommendations for world leaders, the InterAction Council convened a High-level Expert Group Meeting on Energy Availability, Economic and Environmental Concerns in Berlin, Germany, on 4 May 2009.

ENERGY MARKET CHALLENGES AND CO-OPERATION

We face major energy challenges both in the short and long term. In the short term we must address the magnitude of excess capacity. We must manage price volatility and investment inflow into the energy sector. In the long term we must tackle climate change and invest in new and existing energy resources. Addressing these challenges will require coordinated international efforts.

The financial and economic crises have caused a decline in the demand for energy resources. As a result we have witnessed lower commodity prices and less investment in the energy sector. Once we emerge from this crisis, demands will rise again and we may face a lack or a lag in supplies. We welcome the initiative of the Saudi Arabian government to continue to invest in technology both to improve extraction and to increase capacity.

Integration between oil and gas markets and the financial market has diversified the number of market players, but has also increased price volatility and intensified speculative activities. The recent volatility of the oil price is extremely detrimental. We require a stabilisation of oil prices, diversification of economies and a reduced reliance on fossil fuels.

Traditionally, the OECD countries have used the largest proportion of fossil fuel. Recently we have seen a shift in energy demand growth towards the developing countries, most notably China, India and the Middle East. There will be a 50% increase in their share of the demand and any policies have to take into account these aspects. This is a global problem requiring global solutions.

Fossil fuels will continue to be dominant part of the energy mix, and carbon capture and sequestration (CCS) will play an important role in promoting their sustainability. CCS technology cannot be over-emphasized; it is hugely important because CO₂ emissions will increase unless we can capture it and store it safely. It is geologically

and fiscally challenging. Further investment is necessary and the action taken by the Four Kingdoms in this sets a good example.

International trade in energy resources is projected to grow and with it the import dependence on oil and gas of many regions. Hence, oil and gas will continue to be immensely important for national security. While diversification of supply should be encouraged, the positive role of interdependence should also be emphasized. Shared and mutual interest is the strongest source of security. The broader and deeper the interdependence, the stronger the mutual commitment to international security.

RECOMMENDATIONS

1. International cooperation is the only way of addressing both short and long-term energy challenges.
2. Adequate and continued investment throughout the energy value chain is essential for market stability in the long and short term. Transparency and predictability in demand and supply are prerequisites for such stability.
3. Energy prices need to be stabilised at an appropriate range, which is sufficient to stimulate investment and alternative energy sources by traditional energy producing countries.
4. Interaction between physical and financial markets is impacting upon oil prices. Strengthening financial supervision and regulation, and transparency in the financial market, are as essential as transparency in the physical market.
5. Even in these times of economic crisis, we would encourage governments to continue investment in the energy sector in order to maximize the potential of current reserves.
6. In addition to investment in the traditional energy sector, parallel efforts should be made in the promotion of energy efficiency, renewable resources and clean fossil fuel technologies.
7. Developing carbon capture and sequestration (CCS) technologies is essential and should be made a priority. The development of an emissions trading scheme based on the European model could address the costs of developing CCS technology.
8. It should be recognized that CCS technology provides a win-win situation and can be used to address both environmental concerns and enhanced oil recovery.
9. Energy security concerns should not be confused with energy import dependence.
10. Energy should not be used as a cover for geopolitical purposes.
11. Continued and concerted efforts to improve energy efficiency, which would include a move away from subsidies, are required.

CLIMATE CHANGE AND RENEWABLE ENERGIES

Climate change is the biggest challenge facing the planet this century. The scientific urgency is not yet fully reflected in the views of the public. Political leaders need to make the challenges immediate and real for the public. The emerging low carbon economy will be a highly skilled and high technology economy. Governments need to be aware that the social, economic and political challenges will be considerable.

A scientific consensus has been reached on climate change that: i) mankind has an impact on the global climate; ii) the signs of this impact are now visible on earth; iii) the sensitivity of the climate to a rising concentration of greenhouse gases remains uncertain; and iv) if left unchecked, climate change would reinforce itself with untold consequences.

If the total global reserves of fossil fuels were to be used with existing technologies, this could trigger a self-reinforcing climate change with potentially devastating consequences. Therefore, the development of carbon capture and storage technology should be given the highest priority by industry and governments. According to IEA projections, rapid roll out of low carbon technologies, including those of renewable energy, is vital if we are to succeed in stabilizing sustainable emission levels.

Global action is urgently required. However, a shared and focussed vision of how to address climate change is lacking. The OECD countries have the capacity to develop and use, on scale, the low carbon economy technologies. These technologies will concern both energy use and supply. The more efficiently energy is used, the less sensitive the price will be.

The IEA believes that renewables could contribute more than a fifth of the necessary reduction in emissions by 2050, to be delivered during a period when energy demand will increase. To achieve this result, half of all global electricity generation would need to come from renewable energy sources.

Presently many countries are considering the potential of harnessing nuclear energy. This possibility should not be excluded, provided that proliferation and other concerns can be satisfactorily addressed. All possibilities should be explored in the search for cleaner energy sources.

RECOMMENDATIONS

1. World leaders should closely follow the debate on climate sensitivity to greenhouse gases. The aim must be to stay out of the danger zone where climate change could start to reinforce itself.

2. The long-term energy outlook and the governments' policies should, by and large, be shaped by climate changes.
3. The international community should look into its reliance on fossil fuels. Countries should focus on increased energy efficiency and gradually reduce their use of oil.
4. The transformation to a low carbon economy will require that a price be put on greenhouse gas emissions. If global agreements cannot be reached, regional or national schemes will have to be developed. Impacts on competitiveness, and thus on trade, should not be ruled out.
5. There is strong need to accelerate research, development and commercialization of renewable technologies and support them at every stage.
6. The potential of all renewable energies, including geothermal energy, should be further explored. Nuclear energy should not be excluded, provided that proliferation and other concerns can be satisfactorily addressed.
7. The shift to the low carbon economy should be seen as a transformative modernization. New technologies, new industries, new patterns of production and consumption will emerge.
8. The political message on climate change should focus on achieving development, modernisation and green jobs.

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List of Participants

InterAction Council Members

1. H. E. Mr. Helmut **Schmidt**, Honorary Chairman (Former Chancellor of Germany)
2. H. E. Mr. Ingvar **Carlsson**, Co-Chairman (Former Prime Minister of Sweden)
3. H. E. Mr. Jean **Chrétien** Co-Chairman (Former Prime Minister of Canada)

Associate Member

4. Prof. Thomas **Axworthy**, Chair, Centre for the Study of Democracy, Queen's University (Canada)

High-level Experts

5. H. E. Dr. Majid A. **Al-Moneef**, OPEC Governor for Saudi Arabia
6. H. E. Dr. Abdul Rahman Hamad **Al-Saeed**, Advisor – The Royal Court, President of Center for Specialized Studies (Kingdom of Saudi Arabia)
7. Mr. Måns **Lönnroth**, Former State Secretary at the Swedish Ministry of Environment (Sweden)
8. Mr. Isamu **Miyazaki**, Former Minister of Economic Planning (Japan), Secretary General of InterAction Council
9. Mr. Jitsuro **Terashima**, Chairman, Japan Research Institute (Japan)
10. Ms. Laurence **Tubiana**, Professor, Science Politique (France)
11. Mr. Malcolm **Wicks**, Former Minister for Energy Policy (UK)
12. Mr. **Xing** Hua, Director, Center for EU Studies, China Institute of International Studies
13. Dr. Stanislav V. **Zhukov**, Chief Research Fellow, Institute of World Economy and International Relations (Russia)