



**COMMISSION ON SUSTAINABLE DEVELOPMENT - 14**

**HIGH LEVEL SEGMENT**

**Wednesday 10 May 2006**

**OPENING REMARKS BY MR. PASCAL LAMY**

**WTO DIRECTOR-GENERAL**

Ladies and gentlemen,

It is my pleasure to participate at this important event. Allow me to begin by congratulating you on your choice of topics for CSD-14. In having chosen to focus this particular session of the CSD on "energy for sustainable development," looking also at the related issues of industrial development, air pollution, and climate change, you have chosen a very timely subject.

Sustainable development must become a key driver of energy policy. Evidence of the environmental damage that our current energy policies are causing is mounting every day. The *Arctic Climate Impact Assessment* report has given us important indicators of the rate at which our climate is changing. The report notes that in the Arctic Sea, summer ice has decreased by nearly 27% in the past 50 years, in part, due to global warming. Moreover, the rate at which we have been losing Arctic ice has accelerated by some 20% in the past 30 years. Global warming has now become the most serious environmental challenge of the century. Our energy policies have also taken their toll on human health. This is not surprising since most people are obliged to continue to live in the environment they pollute. Many of the world's biggest cities are now suffering from serious air pollution due to transportation and industrial development. High levels of lead in the human bloodstream is only one of many consequences.

Today, the global economy continues to be fossil fuel-driven, relying mostly on oil, coal, and natural gas. Only 14% of the world's primary energy supply is from renewables. According to the International Energy Agency, if existing patterns of economic development continue, the world's energy needs are likely to rise by almost 60% in 2030. How, then, do we intend to deal with this growing demand? It is clear that adjustments need to be brought to our energy policies. We need to meet our growing energy demand without putting either human health or the environment at risk. We must also deal with the very complex issue of energy security. In a world that is increasingly interdependent, countries are - quite understandably - concerned about the reliability of their energy supplies. While none of these issues are easy to resolve, over the past week this forum has raised awareness and generated ideas.

Turning now to trade (which is as you know is one of my favourite topics at the moment), it is undoubted that trade plays an important role in energy policy. Trade can bring about greater energy security for countries that are not themselves energy producers. It is also an extremely important source of revenue for energy exporters. It is said that trade flourishes at times of peace. But I would argue that orderly trade in energy can itself contribute to world peace. While WTO rules have set the beginnings of an architecture to address

the trade-related aspects of energy, these rules may need to evolve in future to address energy trade more comprehensively.

The composition of the WTO's membership will be one of the determinants of how quickly this process comes about. Only recently Saudi Arabia joined the WTO, bringing an important part of energy trade under the purview of the organization's multilateral rules. Several other energy producers are line to accede, such as Russia, Kazakhstan, and Algeria.

Since 1990, developing countries have accounted for around 60% of world's annual fuel exports. Clothing is the only other sector where they have achieved such dominance. Although most developing countries export fuels to developed countries, trade amongst the developing world has been rising. This has mainly been due to increased demand in Asia, in particular in China, Korea and India. Most trade in energy takes place at very low, or sometimes non-existent duties; particularly in terms of developed country imports. But there are other barriers to trade in energy, such as export restrictions and quotas, and restrictions on transit. Such barriers will need to be addressed, albeit gradually.

Of course the transportation of goods involves the consumption of energy, whether in the course of maritime, road, or air transport. It is vital for countries to internalize the negative environmental externalities that arise in the

course of this process. The harm done to the environment must begin to feature as a "cost" in international trade transactions.

In the Doha Round of trade negotiations countries are seeking to open trade not only in goods, but also in services. A number of countries have tabled offers on various kinds of energy services, such as distribution and pipeline transportation. Some of these offers have been made possible by the gradual opening of the energy sector that has taken place at country level, and the shrinking of state monopolies. The energy sector is increasingly being subjected to greater competition. This is a welcome development, which has now found its reflection in the Doha Round. In a world where 2.4 billion people still rely on traditional biomass - wood and agricultural residues – for cooking and heating in their homes, and where 1.5 billion do not have access to electricity, energy services can play a vital role. Enhancing access to such services would make a direct contribution to the fulfillment of the Millennium Development Goals. I take this opportunity to ask all countries to engage in these negotiations, and to step up existing offers. I also take this opportunity to emphasize that the opening of services markets is not synonymous to the deregulation of those markets. Countries are completely within their rights under the WTO to continue to regulate their services sector, provided they do so non-discriminatorily.

Having spoken about the market opening potential of the Doha Round in energy, let me now turn to its sustainable development dimension. Negotiations on the trade liberalization of environmental goods and services, as well as on the relationship between WTO rules and multilateral environmental agreements, could have a positive impact on the energy sector. Having said that, the WTO's contribution to sustainable development would only be effective if it is made part of a broader effort by more specialized international institutions, such as UNEP, towards this goal.

In environmental goods and services, negotiators are seeking to liberalize trade in the kinds of products and services that could either prevent or limit pollution, or contribute to environmental clean-up. In addition, some WTO members would like to include products that are superior to others in terms of their environmental performance; for instance, in their energy efficiency. Examples of the environmental goods that have been proposed are wind turbines, solar panels, geothermal energy sensors, fuel cells, and electricity meters. Lowering barriers to trade in renewable energy could reduce its price, making it a more viable alternative to the more polluting fuels. Environmental services, such as consultancy services, have also featured in some of the services offers that WTO members have tabled. Such consultancy services in the energy sector could help countries boost their energy efficiency.

Once again, I would like to encourage WTO members, most of which are participants at your session – developed and developing alike - to pursue these negotiations more forcefully because of their important environmental dimension. In many of the developing countries that have experienced strong economic growth in the past few years, emissions have also risen; in some instances by up to 75%. In the US, the EU and Japan the transport sector has seen the fastest growth in greenhouse gas emissions, with emissions from international aviation growing far more rapidly than other transport sectors. Greater access to environmental goods and services can help combat these emissions, which pose both a health and an environmental challenge to all of us.

In the WTO-MEA negotiations, WTO members are discussing ways to ensure the harmonious co-existence between WTO rules and the various MEAs that have been negotiated to protect our environment. It is undoubted that greater coherence between different bodies of international law, and in particular between the trade and environmental regimes, could lead to improved global governance. I would also urge that these negotiations continue to go forward.

Ladies and gentlemen, while energy is vital to economic growth, how we use energy is equally vital to our health and environmental wellbeing. There is no magic recipe for an ideal energy policy – one that would respond to all our

needs. So we must simply continue to labour and to search for solutions - in part through the CSD. I would wish you all the best of luck in your deliberations.

Thank you for your attention.