

## **“Global Energy Governance”**

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Ladies and gentlemen, good afternoon! Let me begin by thanking IFRI and in particular Bill Ramsay for this opportunity to talk to you today.

This is a fitting time to be organising a conference on “institutions and process of global energy governance”. Last summer’s volatility in oil markets, the ensuing financial/economic crisis, the major disruption in gas supplies to European markets this past winter and the upcoming negotiations on a regime to prevent climate change have led to increasing calls for a stronger global dialogue on energy issues, from prices and investment to security and climate change.

Some prominent international figures, including Bob Zoellick of the World Bank and Mohammed al-Baradei of IAEA, have even gone so far as to suggest that we may need new institutional structures to address such issues.

Before I try to tackle the challenge of creating new institutions, however, I think it’s wise to remind you of two of those that we already have. I will start with the one I know the best, the IEA.

Founded during the oil crisis of 1973-74, the IEA’s initial role was to co-ordinate measures in times of oil supply emergencies, like Saddam Hussein’s invasion of Kuwait or Hurricanes Katrina and Rita. As energy markets have changed, so has the IEA. Its mandate has evolved over the past 35 years to incorporate the “Three E’s” of balanced energy policy making: energy security, economic development and environmental protection. Today, our core mission - helping governments to support their economies with secure, sustainable supplies of energy – remains the same. But the landscape has shifted, and the cast of players is different.

The Member countries of the IEA no longer dominate world energy markets, as consumers or as producers, to the extent they once did. With great and welcome achievements in economic growth in many parts of the developing world, IEA Member countries no longer represent the bulk of global energy consumption. And their share will continue to diminish: our most recent research shows that non-OECD countries will account for 87% of global energy demand growth between 2006 and 2030, taking their share of world primary energy demand from 51% to 62% in that period. China, India and the Middle East have emerged as the regions with the most rapid growth in energy demand.

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As markets evolve, our very notion of “energy security” is broadening. In the past, we may have focused only on responses to oil supply disruptions – and this still remains vitally important of course. But we must also now consider gas security – as shown clearly by the recent Russia-Ukraine gas crisis, as well as the potential contributions that energy efficiency and renewable energy sources can make to the stability of energy markets, and particularly electricity markets. Such developments all require enhanced transnational cooperation. Today, more often than not, this cooperation is with IEA non- member countries. This is particularly true when we deal with emissions of green house gases.

Coal burning in non-OECD countries - for example - is already the single biggest contributor to CO2 emissions and its share will increase considerably over time. This suggests a pressing need for enhanced dialogue with major consumers which remain outside the IEA. In fact, we in the IEA have been pursuing such an enhanced dialogue for many years already, and we have recently been given a mandate by our Governing Board to prepare concrete proposals for institutionalizing our efforts.

The dramatic events of last summer underscored that there is also a need for enhanced dialogue between producing and consuming countries. As we have with IEA non-Member consumers, the IEA has pursued dialogue with OPEC and its member states for several years. A formal step in this direction was also taken several years ago now with the creation of the International Energy Forum, which provides a meeting ground for both IEA and OPEC representatives as well as those of developing countries and the “major economies”. In addition, the IEA and OPEC both have permanent seats in the IEF Secretariat’s Executive Board. However, I should point out here, that the IEF was founded for dialogue not necessarily for decisions. This can be a double- edge sword. It no doubt smoothes and enhances the informal exchange of views between consumers (of all types) and producers, but it may not meet the aspirations of those who wish to see decisive global action to restore stability to energy markets or to ensure adequate investment to fuel renewed economic growth.

The IEF Secretariat’s main success to date is probably the internationally recognised Joint Oil Data Initiative, which is perhaps the best example of cooperation between the IEA and OPEC (not to mention several other international organisations) to achieve common goals.

The IEF also assumed a prominent role in 2008 at the ministerial meetings in Jeddah and in London. At the London meeting it was charged to organize an experts group to prepare proposals for promoting enhanced producer consumer dialogue in the run-up to the next IEF Ministerial meeting, which will be held in Mexico in 2010.

Of course, numerous other forums and mechanisms also exist. But many observers feel that we can and must go a lot further than anything that exists today. The only problem is that it’s not always clear exactly where these observers want us to go!

For example, do they want a truly global organization that lumps all stakeholders in energy markets together? If so, how would that differ from holding a debate on energy policy in the UN General Assembly? And, is the world ready to fund the creation of what would be a very large, complex organization?

Another possibility might be to create an expanded consumer organization that embraces such important new emerging markets as India and China. If so, how would such an organization relate to the IEA? Would it supplement it, or replace it? I suspect the answer would depend a lot on the new countries' commitment to collective energy security, which has not yet manifested itself.

There's also a real question of how big an organization committed to specific principles can grow while remaining true to those principles, not to mention effective. This leads us to yet another alternative, which might be to create a smaller group comprising a subset of existing IEA member countries and several major emerging consumers, perhaps something along the lines of the G8+G5 countries, which have met several times now in the context of recent G8 summits –although not always in exactly the same configuration.

Such a group would comprise a bigger share of world consumption than the IEA does today with a smaller number of members. However, whether such a group would be sufficiently cohesive is debatable. Also, some smaller IEA Member countries might understandably not welcome such a development.

Nonetheless, such a group has already met several times since the Hokkaido Summit for a specific purpose: to create an International Partnership for Energy Efficiency Cooperation (IPEEC). Although no final agreement has been reached yet, the group (which includes the G8 plus China, Brazil, the EC, India, Korea and Mexico) appears to be moving in the direction of endorsing a loose partnership whose activities would be supported by a small, dedicated secretariat hosted by the IEA.

One could imagine using similar arrangements to create a forum for major consumers (and even producer/consumers such as Russia and select OPEC countries) to discuss energy issues beyond efficiency. In fact, IEA's founding agreement, explicitly envisaged and allowed for such additional cooperative activities between subsets of its Member countries and IEA non-Member countries. This "flexible geometry" has been used already for many years to underpin the highly successful network of technology implementing agreements, many of which include IEA non-Member country participants.

Such ideas are currently under active debate within the IEA and the governments of our Member countries. It's still too early to say how the debates will turn out, but there are two things that I can state with certainty, ladies and gentlemen.

First, the world has changed.

Second, the role of the IEA in helping governments to deliver national and global energy policy objectives is more important than ever. We intend to remain actively involved in this debate to enable our Member countries to engage, without pre-conceptions and on the basis of full equality, with other important players in international energy markets.

Thank you very much.