Business and Industry Statement
CSD14 Thematic Discussions, May 5, 2006

Thematic session: Investing in energy and industrial development: challenges and opportunities

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Thank you Mr. Chairman,

The need for investment is huge at the international level for industrial development and access to energy. We have already heard here the IEA evaluation for the energy system alone of US$ 17 trillion through 2030. Business will transform these amounts in actual activities.

To develop these investments, we want to stress the need of **enabling frameworks and corresponding capacities,** supported by good governance to provide an attractive and secure investment environment. . This has been underlined by panellists and governments alike in the session on industrial development Thursday morning. Required enabling framework conditions include:

- transparent and stable economic and uniformly enforced regulatory systems based on sound science, risk management and cost/benefit analysis;
- rule of law;
- protection of intellectual property;
- fair competition.

Finally concerted **anti-corruption, solicitation and bribery efforts** in the industry, remain a priority. To promote investment notably in the energy sector, the business community sees a strong need to eliminate acts of bribery and corruption, which is a shared responsibility. Governments have an important role to play in assisting companies in the prevention of bribe solicitation as well as in prosecuting offenders. Business and its various federations at the international level are strongly involved in raising awareness and promoting good practices.

Investing is a two sided question: on the one hand financing attracts capital from different sources, on the other hand to develop value creating activities which can meet a market. One should always have these two aspect in mind like the two faces of the same coin.

In the field of industrial and energy system development **the size and the nature of the projects to be developed vary** from large infrastructure or heavy industry plants, to SME's or one person businesses. It is important to note here that large activities depend of a wide range of smaller businesses for their success: support, maintenance, commercialization. Therefore, organization of the financing should be adapted to the nature of the activity and to the risk.

One should underline that investment in **energy projects is a long-term venture** often over 30 years with investors facing considerable risks and challenges. Overall, investment conditions must be appealing enough in the competition in between investment opportunities.

Furthermore financing should be **adapted to the business type, and the financial potential of the clients** which could be either other industries, administrations or households. The creation of value induced by the activities, notably in the field of energy or infrastructure should be carefully assessed in order to evaluate the added value made available to these clients which will be the basis of the payback for investment.

Access to energy is a specific field where **action of national and local government , and action of the business should be combined in partnership** bringing together policies, regulation, technical and economic capacities. These partnerships should organize the pertinent time scale of the investment and its financing, resources for access policies if needed, adequation of the service to the needs, respecting the role and responsibilities of partners. To ensure pertinence and participation of the concerned population, they should be involved in these partnership.

Market approach ensure the best economic allocation of resources. As a last resort, **subsidies** could enable access to energy for energy-poor populations, and for countries in transition to more commercial merchant economies. When used, they must be transparent and be used with a view to catalyse a sustainable activity. As such they should be consistent over time and include definitive exit strategies, which will enable the long term economic viability of the activities induced by this access to energy.

Innovative financing solutions that create **synergies between sources of finance** are also necessary to encourage energy investment. In countries with limited capital, and specifically for least developed countries, the role of Foreign Direct Investment should be complemented by Inter-Governmental Organisation funds (World Bank, GEF, UN Agencies etc.), Official Development Assistance (ODA), and local private funds. Through such innovative financing solutions, project creation and implementation benefit from a variety of sources of funds, which are mutually reinforcing, each fund being adapted to the type of investment and risks it covers.

Thank you.