

CSD-14
STATEMENT BY THE NORWEGIAN DELEGATION
2. MAY 2006

ELECTRIFICATION, INCLUDING RURAL ELECTRIFICATION – OVERCOMING BARRIERS

Mr. Chairman, yesterday you brought up the issue of what can be done to improve access at the household level. Let me briefly offer some suggestions on this issue.

Studies indicate that the willingness of the poor to pay for electricity service is high, especially compared to the cost of providing services. This requires, however, access to financing options and that they are able to meet the first costs of access and/or appliances.

- Formalization of economic assets into secure legal rights can play an important role in economic and social development and can contribute to enhanced human security. By promoting secure and equitable access to land and tenure arrangements households would be more willing to invest in modern energy services. With the risk of being evicted few households are willing to invest. Furthermore, secure tenure can be used as collateral for loans. Norway is supporting Tanzania through the Institute for Liberty and Democracy (ILD) to address the issue of land tenure.
- We need more micro finance and community banks that allow poor people to pay for small-scale infrastructure, including modern energy. Grameen Bank is one successful example of micro finance.
- Connection costs are likely to be too high for the majority of poor households to afford if it has to be paid cash in the form of an initial charge. We need financing mechanisms to bring the up-front costs within the reach of the poor, as well as well-targeted, well-planned subsidies to make energy consumption affordable. In addition, energy companies should be discouraged from charging high disconnection and reconnection fees.
- Linked to this is the issue of promotion of private entrepreneurship which should be an important element in the development of rural energy markets and services. As an example of how the private sector can participate we can mention the Norwegian REC Group which has established a subsidiary, Solar Vision (PTY) Ltd, in South Africa, which has a governmental franchise to install 50 000 solar home systems in South Africa.

Second Statement 2. May 2006

Regional cooperation

- Regional cooperation on development of energy infrastructure is an important mechanism for regional integration, economic growth and peace and reconciliation between countries. There is a need to support the development of regional energy infrastructure, for instance regional interconnection and transmission grids and joint development of energy sources. This would lower costs and enhance energy security.
- To develop such potential, energy market mechanisms must be encouraged, based on strong political commitments to regional cooperation and to regulatory reforms in the countries concerned. As an example of regional cooperation we can mention the agreement between the governments of Tanzania, Burundi and Rwanda to develop the Rusumo Falls hydropower project, supported by Norway, Sweden and the World Bank
- Initiatives are under way within the Nile Basin and in Southern Africa to develop regional cooperation on energy. The South-African Power Pool (SAPP) is an example of such an arrangement. SAPP is being supported through a twinning arrangement with the Nordic power pool Norpool.

In addition, Mr. Chair, the OECD-DAC has developed GUIDING PRINCIPLES ON USING INFRASTRUCTURE TO REDUCE POVERTY¹. OECD-DAC offers the following recommendations:

- Support investments in grid extensions and in areas where providing energy services is unattractive to private investors but necessary from a social perspective—as long as tariffs cover operation and maintenance costs.
- Support reforms and regulations that encourage efficient power use and result in tariff collection policies that attract private investment.
- Promote cross-border energy initiatives.
- Adapt energy supply technologies (including biomass) to productive uses, particularly among the poor.
- Support efforts to improve poor households' access to safe energy, such as biomass, when modern energy cannot be provided cost-effectively.
- Provide accompanying measures, such as micro-finance schemes, to increase poor people's access to appropriate energy services.
- Strengthen the management capacity, including for transparency and accountability, of all energy sector entities.

¹ OECD-DAC Network on Poverty Reduction: Guiding Principles of Using Infrastructure to Reduce Poverty. Prepared by the Task Team in Infrastructure for Poverty Reduction (Infrapoor).

- Address concerns about environmental sustainability, energy security and access to modern energy in remote areas by promoting renewable energy sources and energy efficiency.

Thank you.