World Energy Regulators' Statement on Climate Change

Energy regulators worldwide commit themselves to eight actions to meet the challenge of climate change

World Forum on Energy Regulation IV
Athens, 20 October 2009

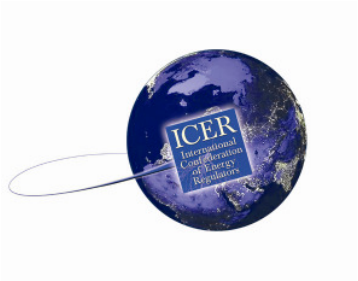
World Energy Regulators' Statement on Climate Change

We address this statement to governments, policy-makers, industry, academics and consumers of the energy world with the objective of contributing positively to ongoing discussions on the means of achieving our common end.

Energy regulators from across the globe (coming together at the World Forum on Energy Regulation (WFER IV) in Athens in October 2009) have intensified their international dialogue and cooperation by establishing a new International Confederation of Energy Regulators (ICER). In addition, national energy regulators acting through their regional associations will take full advantage of the establishment of ICER to make a positive contribution towards meeting the challenges of both climate change and energy regulation issues of global interest. ICER's first output is the World Energy Regulators' Statement on Climate Change.

Our objective is to commit ourselves to a set of substantive actions within our areas of responsibility and express our commitment to play a major role by overseeing the development of efficient and climate responsible energy markets. In view of the United Nations Climate Change Convention in Copenhagen (December 2009), we encourage all parties to cooperate in reaching a comprehensive agreement that provides a clear framework for all to deliver greenhouse gas (GHG) reductions.

Investors need clarity and certainty in the energy sector in the long-term not least because of the long lead-times for investments. Major investments will be required to deliver new resources and energy efficiency measures and to implement the necessary structural changes, including smart grids, which are crucial in energy markets and energy infrastructure.

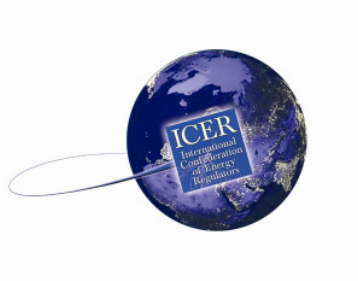


World Energy Regulators' Commitments on Climate Change
Actions and Next Steps

We energy regulators, within the ambit of our respective responsibilities and jurisdictions, commit to the following concrete actions:

1. *Creating a new International Confederation of Energy Regulators (ICER)* to take forward our international cooperation and dialogue on global issues such as climate change. ICER (created following the Fourth World Forum on Energy Regulation in Athens in October 2009) will comprise 11 regional associations of energy regulators worldwide with international working groups, including one on the regulatory aspects of climate change;
2. *Supporting the delivery of energy* to all in developing markets within the context of rising energy costs and environmental constraints;
3. *Promoting energy efficiency*. Regulators will prepare a report for the Energy Ministers of the G8 countries on best regulatory practices regarding the promotion of energy efficiency. This report (which will take account of differences in market structures, operational models and stages of development) will be presented to the next meeting of the G8 Energy Ministers;
4. *Conducting a review of renewable energy and distributed generation*. ICER's working group on climate change will produce a report which will include case studies and examples of best practices on the integration of renewable and distributed generation into the overall energy supply and their impact on the grid and competition;
5. *Sharing best practice for use world-wide* (where appropriate) and developing new approaches on regulatory issues which are central to meeting greenhouse gas (GHG) emissions targets. We will explore ways of maintaining a climate for timely, well-targeted and efficient investments in grid infrastructure and energy efficiency;
6. *Working in close cooperation with our nearest neighbours* and within the ambit of our responsibilities, we will foster stronger network interconnection and facilitate compatibility of our regulatory frameworks in order to create more efficient energy systems and provide clarity and certainty to the market;
7. *We will further reinforce our engagement in the international climate change process*, with energy regulatory associations participating as observers to the sessions of the United Nations Framework Convention on Climate Change (UNFCCC);
8. *Promoting reliable energy supply and reasonable energy costs to all consumers* which lies at the heart of regulators' work. Within our respective mandates and jurisdictions, we will continue to balance the interests of suppliers, consumers, transporters and distributors, all facing significant changes in the world's energy markets, in helping to build a secure and sustainable energy future.

To implement the outcomes of the UNFCC Conference in Copenhagen (December 2009) will require close coordination of the entire international community. The detailed policy choices and investment decisions will vary across different countries. However, energy regulators will engage constructively on the basis of the actions elaborated above. We look forward to playing our part in contributing to the achievement of climate change objectives through efficient and competitive energy markets. Energy regulators stand ready to play an important role by overseeing efficient and climate responsible energy markets.



Background: the Role of Energy Regulators in meeting the challenge of Climate Change

Energy regulation, which sets the framework for the delivery of energy to all consumers, is a key factor in achieving greenhouse gas (GHG) reductions, taking into account the different stages of development of our energy markets and economies.

Setting enforceable targets for GHG reductions and devising coherent energy policies are matters for governments; but energy regulators can play an important role on the ground and regulators can make a positive contribution on a number of regulatory and market issues with both direct and indirect consequences for consumers, the markets, energy networks and, ultimately, climate change objectives. Thus, energy regulators can help devise different regimes to adapt energy consumption patterns, address regulatory barriers to allow a predictable and stable regulatory framework for investments and facilitate the effective deployment of R&D technologies, where appropriate. The following list illustrates some areas where energy regulators make a contribution in meeting the climate change challenge:

- Regulatory stability – long term framework
- Developing appropriate incentives for companies to meet public policy objectives
- Setting tariffs that correctly assess costs, creating support schemes for non-carbon or low-carbon emitting resources, etc.
- Market monitoring and transparency
- Investments in existing and new infrastructure
- Investments in research for and demonstration of new technologies and processes
- Modernisation of grid design and operation, including standards for grid interoperability
- Integration into the grid of non-carbon or low-carbon emitting resources
- Energy efficiency – both of network operations and end-consumption
- Advent of energy services and other demand-side measures
- Interoperability standards that open markets to new participants and technological innovation

In addressing these different aspects, energy regulators must carefully consider the impact on consumers and must also ensure a level playing field for all market participants.

Redefining electricity and natural gas supply to be part of a new cleaner energy future will be an enormous challenge, in particular as new resources (renewables, distributed generation, etc.) are integrated into the power grids and new methods are implemented which increase energy efficiency. This section highlights some of the key ways in which energy regulation can help in managing the transition to a low-carbon economy.

Electricity Grids and Infrastructure

The electricity grid is the platform that enables generation to be transported to consumption. The grids need to be planned and operated in an efficient way to make it possible to accommodate generation from new sources and to use the existing capacity. Some energy regulators have the task of regulating and incentivising grid operators. Together with other elements of the investment environment, regulators influence the development of the grids through regulatory regimes. By taking into account the potential of regulatory decisions and models to guide the evolution of grid infrastructure, regulators can actively contribute to the adaptation of new environmental regulations.

Energy infrastructure is undergoing a process of modernisation, through the introduction of enhanced information and communication technologies. Behind this, there is a growing need for the replacement of aging network infrastructure and the emerging need for improved infrastructure from the deployment of non-carbon or low-carbon emitting resources and energy efficiency measures. Investments in grids need to be carried out to introduce intelligent technologies that will benefit consumers and also help to reach GHG reduction targets. Regulators should consider the public interest implications of these investments. As an example, smart grids, offering increased accuracy and real-time flexibility resulting in energy savings, have the potential to support higher penetration of renewable generation, more competition from the demand side and improved system operation; with higher reliability, improved quality of service and reduced energy losses.

Regulators can also play an important role in ensuring interoperability and open access to grids and energy services, in particular by providing guidelines and standards to be applied by all market participants. Transparency, compatibility and a level-playing field in the market are crucial to ensuring an efficient allocation of resources and sound market operations.

In order to attain the level of investments needed, a clear framework is required to signal the value of reducing and avoiding carbon emissions. Long-term clarity of direction is key for investors and market functioning.

Energy Efficiency

Energy efficiency is a key tool as it reduces emissions and can also contribute to security of energy supply and affordability. This requires policies that facilitate energy services and raise consumer awareness and understanding. Demand-side response can also help accommodate integration of renewables. A possible tool here is the widespread adoption of smart meters, already implemented in some countries and jurisdictions, and under consideration in others. Regulators can help to promote substantial improvements in energy efficiency policies by treating energy efficiency as a demand-side resource; supporting cost-effective energy efficiency and market transformation programmes; considering tariff structures and ratemaking frameworks that remove disincentives to, and provide appropriate incentives for effective implementation of efficiency programmes; implementing applicable energy efficiency performance standards; and supporting initiatives that encourage consumers in controlling their energy bills through more efficient energy use.

Security of Supply

Regulators emphasise the importance of analysing future energy demand and increasing its predictability, to ensure there is sufficient capacity when needed and that security and reliability of energy supply are not compromised. This will be all the more important in the coming years, in view of changing consumption profiles as a result of the effects of global socio-economic development, energy efficiency measures and an increased reliance on electricity to power our economies.

International cooperation and spreading best regulatory practice

Energy regulators across the world have determined to establish new ways to co-operate using the most efficient means and regulatory tools available to us to address the new challenges and complex goals arising from the management of the transformation of energy networks to achieve GHG reductions notably through the new International Confederation of Energy Regulators (ICER). Global GHG reductions could be better handled if the best available regulatory schemes are used world-wide, where appropriate. World-wide regulatory cooperation would facilitate exchange of information to the benefit of all.

Signatories of the World Energy Climate Change Statement

We address this statement to governments and policy-makers as well as the industry, academics and consumers of the energy world, with the objective of contributing positively to ongoing discussions on the means to achieving our common end.

Signatories

AFUR
African Forum for Utility Regulators

ARIAE
Asociación Iberoamericana de Entidades Reguladoras de la Energía (of Latin America)

CAMPUT
Canadian Association of Members of Public Utility Tribunals

CEER
Council of European Energy Regulators

EAPIRF
East Asia and Pacific Infrastructure Regulatory Forum

ERRA
Energy Regulators Regional Association (Central Europe and Eurasia)

MEDREG
Mediterranean Gas and Energy Regulators Assembly

NARUC
National Association of Regulatory Utility Commissioners (USA)

OOCUR
Organization of Caribbean Utility Regulators

RERA
Regional Electricity Regulators Association of Southern Africa

SAFIR
South Asian Forum for Infrastructure Regulation
(***subject to formal confirmation***)

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