



ACTION NOT WORDS

Recommendations to the G8 Renewables Task Force

INTRODUCTION

The G8 Renewables Task Force provides a unique opportunity to remind Heads of State of their fundamental responsibilities in fostering the development of renewable energy technologies. To be successful the G8 must respond by developing concrete initiatives that deliver real change on the ground. To provide real added value to renewables work the Task Force must deliver recommendations focused on areas where G8 Heads of State have direct influence.

There are two major issues at stake. The first is that renewables face a number of well documented, perverse barriers to market that need to be removed. The second is that G8 governments offer massive subsidies to competing unsustainable fossil and nuclear technologies. In order for renewables to compete on anything approaching a level playing field, free handouts to these conventional technologies must be abolished.

G8 governments can best improve the prospects for renewables by taking action at

home and through reform of state sponsored international financial institutions. However the Taskforce is composed of senior representatives from business who should play a supporting role, with a voluntary initiative of their own.

1. ACTION AT HOME - PUTTING THE G8 HOUSE IN ORDER.

Stimulating renewables markets in G8 nations themselves is crucial to the long-term success of the industry. 60% of the world's wind capacity is located within G8 borders and solar roof programmes in USA, Japan and Germany have driven much of the recent demand for solar products. Without enhanced support in G8 and other industrialised country markets, renewables will not be able to reach the production levels necessary to drive costs to an affordable level for mass markets in the South. Today the opposite occurs in G8 nations - conventional fossil and nuclear energies continue to receive the vast bulk of government subsidies and policy support.

BOX 1. SUBSIDISING THE COMPETITION AT HOME

Case 1 European Union: When last assessed in 1997 EU subsidies given to the fossil fuel and nuclear industries dwarfed support of the renewable industry by a factor of 10.¹

<i>Directed subsidies (\$ billion)</i>	<i>EU Members</i>	<i>European Union</i>	<i>Total (%)</i>
Fossil fuels	9.7	0.53	10.2 (62%)
Nuclear energy	4.2	0.43	4.7 (29%)
Renewables	1.2	0.13	1.5 (9%)

Case 2, United States. From 1948 to 1998, the U.S. provided \$111.5 billion in federal subsidies to energy research and development programs. Of that \$111.5 billion, \$66 billion went to nuclear energy and \$26 billion went to fossil fuels. Less than \$5 billion has gone towards non-large hydro renewables such as solar, wind and geothermal. Additionally, there are more than \$14.7 billion in federal tax credits that benefit the production of fossil fuels and nuclear fuel, while renewable credits are negligible in comparison.²

Removal of subsidies to conventional competing fuels alone is insufficient. Building strong markets for renewable energy will require binding national targets to drive an accompanying set of delivery mechanisms. Such mechanisms could include not only targeted financial support, internalisation of environmental costs for conventional fuels and enhanced R&D, but more subtle measures such as standard setting, government procurement, insurance guarantees and fair access to electricity grids.

Renewables are also a key tool in the battle against climate change. A coherent climate policy is therefore an excellent way to deliver a long-term stimulus to renewables markets. A legally binding Kyoto Protocol is the only instrument capable of driving effective national climate programmes across the G8. In future years the Climate Convention can also become a tool for promoting renewables technologies in Southern markets, but only if the political will is demonstrated in industrialised countries first.

Recommendation 1: G8 Heads of State must commit to implementing their quantified reduction targets under the Kyoto Protocol.

Credibility test: G8 governments immediately make a public commitment to ratify the Kyoto Protocol before at Earth Summit in Johannesburg in 2002.

Recommendation 2: G8 Heads of State must commit to the long-term removal of subsidies for fossil and nuclear technologies.

Credibility test: By the G8 summit of 2002 all G8 countries will have completed a review of existing subsidies and drafted a programme for phaseout.

Recommendation 3: G8 governments must develop long-term integrated support programmes for renewable energy.

Credibility test: By 2002 G8 summit all members will have adopted national targets to establish a minimum 20% of electricity production from renewables by 2010.

2. INTERNATIONAL FINANCIAL INSTITUTIONS - LOCK IN RENEWABLES

Rapid renewables growth at the global level must be supported by significant reform of Multilateral Development Banks (MDBs), Export Credit Agencies (ECAs) and the International Monetary Fund (IMF)—which are all propped up by G8 taxpayers money. These organisations bankroll massive energy investment and impose policy mandates on developing countries that rarely include the promotion of renewable energy. However IFI activities often promote unsustainable fossil fuel development patterns to the detriment of indigenous renewable markets and competing trade in renewables products (see Box 2).

In order to level the playing field and help kick start new markets in the South, the IFIs must cut back on their unconditional support of conventional energy before these development and infrastructure patterns are completely locked in. Standardised procedures must be developed that guarantee that projects which are neither needed nor wanted are stopped. Companies benefiting from IFI support must demonstrate that they are leaders in their field and deliver broader benefits to society as a whole as part of the normal business operations. IFIs should also be required to increase targeted support for those seeking to develop renewable energy opportunities and to take far greater steps supporting the development of long term markets for renewable products.

Recommendation 4: G8 Heads of State must immediately call for all International Financial Institutions benefiting from G8 financial support to prepare renewables portfolio targets. These must be backed by Action Plans to drastically increase the range of products and services available to investors in renewable products.

Credibility Test: Presentation of targets and action plans by all G8-supported IFIs at the G8 2002 summit.

BOX 2. "BUSINESS AS USUAL" AT THE BANKS

There is a culture of fossil fuel addiction and the lack of will to break it at Multilateral Development Banks and Export Credit Agencies. Between 1992-1998, the World Bank Group funded \$13.6 billion in fossil fuel projects in developing countries backed by related top-down exploration mandates from the International Monetary Fund and the Bank itself. During this period, the Bank spent 25 times more on fossil fuels than on renewables.³ Recently the International Finance Corporation announced new pipeline initiatives in the Caspian and Sakhalin as key business priorities

Similarly G-8 country export credit agencies from 1994-1999 supported over \$115 billion in fossil fuel intensive projects in developing countries. The U.S. export credit agencies for instance, underwrote \$23.2 billion in fossil fuels and these projects over their lifetimes will release 29.3 billion tons of carbon dioxide—a figure greater than global emissions for 1996. Japanese and German ECAs surpass those figures in dollar amounts. Globally ECA support for renewable energy is negligible.⁴

In Ecuador, recent IMF economic reform mandates for vastly increased oil exploration have played a significant role in civil protests and marches by indigenous peoples and environmental organisations. In this case as with many others, the promotion of renewables has been ignored.

Recommendation 5: Companies without clearly defined and independently audited social and environmental policies should be refused support from those IFIs backed by G8 governments.

Credibility test: Corporate social and environmental criteria and a blacklist of non-performing companies should be presented by G8-supported IFIs at 2002 G8 summit.

Recommendation 6: G8 Heads of State acting as the financial backers of national and international IFIs must call for an IFI moratorium on new fossil fuel exploration investments in areas where local communities oppose such investments or in ecologically sensitive areas of high conservation value.

Credibility test: Presentation of an international map of 'no-go zones' and improved public participation procedures empowering local communities, by all G8 supported IFIs at the G8 2002 summit.

3. THE BUSINESS INITIATIVE - WALKING THE TALK

Promoting renewables at the global level is not just about governments. Given the presence of some of the world's major energy companies

on the G8 Task Force, the initiative should be broadened to include a voluntary commitment from the private sector. Renewables do not receive the high level marketing and policy support that they require from the private sector. For example many large energy companies, with large parts of their income coming from competing fossil fuels, are dragging their feet in terms of their own commitments to renewable technologies (see box 3).

The private sector needs to promote the case of renewables a lot more aggressively if they expect governments to take the necessary supporting steps. Governments will be far more inclined to take their own role seriously if they are convinced that renewables are big business and that major economic opportunities are in danger of being lost.

Recommendation 7: We believe that the G8 Heads of State declaration should be supported by a voluntary initiative from the private sector, led by those companies on the Task Force itself.

The voluntary initiative should include the creation of a fully financed Independent International Renewables Trade Association (IIRTA) to support action by governments.

BOX 3. CAN YOU BE SURE OF SHELL?

Despite a significant presence in the area of solar manufacturing, Shell's overall renewables business does not seem to reflect market opportunities or investment potential. In financial terms Shell's overall investment in their 'fifth core business' averages out at \$100m a year – just over 1% of annual capital investment or about 10% of the marketing budget.⁵

Very little seems to have been done to promote non-solar renewables. For example in the German 'wind rush' over 3500MW of new wind capacity has been installed in the last 3 years – Shell's contribution was 3.6MW (2 turbines).^{6,7} This can be contrasted with the company's massive advertising campaign featuring a wide range of renewable activities. A cynic could easily conclude that Shell is using renewables as a tool to minimise reputational risk, rather than exploiting serious commercial opportunity. Whilst Shell can be congratulated for moving into the renewables marketplace, and for taking the lead in the G8 Renewables Taskforce, there is substantial scope for far greater ambition.

Principle tasks should involve identifying and quantifying key new markets, developing market penetration targets and lobbying for the interests of renewable energy at the policy level. A high profile CEO coupled with a focus on opportunities in developing countries would give the industry a much-needed boost in its efforts to reach the 2 billion people without access to adequate energy services. Above all the Association must underline that renewables is a multi-billion dollar business, with a huge potential and that major companies are committed to its massive expansion.

Credibility test: Commitment from Task Force company members to launch a fully funded IIRTA before the G8 meeting of 2002.

CONCLUSION

The G8 renewables task force can not achieve everything. However because of its unique ability to place the issue at the table of G8 Heads of State it can draw attention to the deep-seated injustices in the international energy system that weaker institutions would prefer to ignore. The report itself must deliver concrete recommendations that challenge G8 Heads of State to take renewables seriously. Barriers must be removed and subsidies to the competition abolished if the promise of renewable technologies are to be borne out in practice.

At the beginning of the 21st Century the G8 must send a signal that the unsustainable

technologies of the past have had their day and that governments now expect a future based on renewables. Results will be judged on the basis of action rather than words.

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