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**“Promotion of common actions and co-operation in the OSCE area in the fields
of development of sustainable energy and transport”**

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Excellencies, distinguished delegates, ladies and gentlemen,

At the outset, let me begin by thanking the Government of Lithuania and the OSCE Secretariat for inviting the United Nations Economic Commission for Europe (UNECE) to address today's meeting. Also, I would like to thank the Government of the Czech Republic for its splendid and generous hospitality.

It is my great pleasure to address you at the 19th OSCE Economic and Environmental Forum. The topic of today – “Promotion of common actions and co-operation in the OSCE area in the fields of development of sustainable energy and transport” - combines many challenging environmental, transport and energy policy issues.

Global warming, pollution, depletion and degradation of natural capital, reduced biodiversity and vulnerability of populations in the face of natural disasters are some of the current sustainability challenges.

As you may recall, the 1992 Earth Summit put sustainable development at the top of the United Nations' agenda. Today, almost 20 years later, in the run-up to the 2012 UN Conference on Sustainable Development (or Rio+20), the United Nations continues to work hard to make sustainable development a success. The Rio+20 Conference will discuss “the green economy in the context of sustainable development and poverty eradication” and the UNECE region - which largely overlaps with the OSCE area - is of critical importance in this endeavor.

On the one hand, the ECE region has been a large emitter of greenhouse gases that cause global warming. In fact, it accounts for about one-half of global greenhouse gas emissions. On the other hand, it is a leader in efforts to preserve the environment.

For example, at the forthcoming Seventh Ministerial Environment for Europe conference in Astana later this month, UNECE members and other stakeholders will discuss green economy in the pan-European region. In particular, the creation of a roadmap towards the green economy will be on the agenda. It is hoped that the roadmap, if agreed upon, will provide the necessary impetus to a path towards a more sustainable and greener UNECE region.

The green economy can generate many new opportunities for economic growth. It has the potential to create incomes and jobs in areas such as renewable energy, waste-to-energy conversion, and energy-efficiency retrofits. It can also produce health benefits.

Transport and sustainable energy are important elements in the ECE region's quest to achieve a low-carbon growth path. UNECE is well-placed to contribute to this through its transport and energy programs. Let me elaborate.

Sustainable Transport

Developments in inland transport are increasingly fast paced, reflecting the realities of modern-day living. These developments however often harm the environment and health. That is why understanding the relationship between transport, health and the environment is so crucial.

THE PEP – the Transport, Health and Environment Pan-European Programme – makes this link. It is run by UNECE and WHO/Europe and involves many stakeholders. THE PEP brings key actors together to work towards a common purpose: making transport policies as beneficial to the health of people and the environment as they are to economic development.

The PEP stakeholders are currently making progress to reaching the Programme's priority goals: creation of green jobs through investments in environment and health-friendly urban transport, promotion of sustainable mobility in cities and striving towards a more efficient transport system. Meeting these objectives will lead to reducing emissions of transport-related greenhouse gases, air pollutants and noise.

THE PEP offers a platform for countries with different capacities to share information and know-how. At the same time, it also allows them to benefit from each other's experience. The PEP discussions lead to implementation while respecting the specific needs of each country. THE PEP is unique and UNECE stands ready to promote this unique cross-sectoral initiative in other regions.

In general, the UNECE secretariat has completed a study on how transport contributes to sustainable development. This study can be accessed at UNECE website and you will hear more about it tomorrow. At this stage, I only wish to underline the following:

- it is essential to look at sustainable development from economic, social and environmental perspectives
- it is important to recall good examples and best practices in the transport sector and facilitate their scaling up in a positive context instead of focusing exclusively on the negative aspects

While there is evidence of tangible, positive results in all UNECE countries, you may wish to ask: "How can the necessary transition towards lower-carbon transport systems be accelerated in the UNECE region?"

While it is true that the recent economic slowdown has lowered emissions, numerous challenges to de-carbonize transport still remain. In this respect, government policies are crucial to stepping-up the pace of de-carbonization. Governments can:

- give more political and financial support to the development of public transport

- support a shift to cleaner technologies and fuels by introducing low-carbon fuels and increasing fuel economy through appropriate regulations and pricing mechanisms (and not so much through subsidies!)
- promote lower carbon transport choices by improving the efficiency of transport systems and reducing carbon-intensive travel activity
- use the market-based measures to encourage a shift to lower carbon transport

Finally, with regard to climate change mitigation, I would like to mention a UNECE-led global initiative, the “For Future Inland Transport Systems” project. The initiative’s goal is to measure the actual amount of CO2 generated by inland transport modes and to develop a transport policy converter. The project is financed by the UN Development Account.

The UNECE’s World Forum for Harmonization of Vehicle Regulations (WP.29) has been looking into the issues of environmentally friendly vehicles for some time now. The emission limits of local pollutants have already been agreed on; fuel regulations are being developed; and so are regulations for electric vehicles.

However, it is not enough to ensure that production of new vehicles follows these more stringent requirements. The existing vehicle fleet also has to be kept as environmentally friendly and safe as possible. For this to happen, the periodic technical inspection of vehicles is a crucial task. Unfortunately, there are still way too many countries that have not yet introduced a system of technical inspections according to best international standards. The first step is to accede to the UN agreement on periodic vehicle inspection (ie., “Agreement concerning the Adoption of Uniform Conditions for Periodical Technical Inspections of Wheeled Vehicles and the Reciprocal Recognition of Such Inspections of 1997”). However, even after this more work will remain to be done.

Finally, a UNECE expert group to look into the effects of climate change on inland transport has begun its work. This group is focusing on adaptation.

As you can see, sustainable transport is an important element of UNECE work. I encourage all OSCE participating States to participate in the UNECE transport work. The UNECE is an international platform to discuss, design and promote “co-operation and common actions” in the area of sustainable transport. You are all invited to take part and contribute.

Sustainable Energy

In the energy sector - similarly to transport - the environmental challenge is enormous. The time to act is now. And there is a need to act on a scale that will address the challenge. The change will not come overnight and policy responses must be bold if the world is to get on the path to a sustainable future. There is need to:

- address market failures that hinder improvement of energy and carbon intensities
- invest in end-use energy efficiency
- improve the efficiency of existing coal-fired power stations

- progressively switch to natural gas away from coal
- pursue and develop projects that cost-effectively capture and store carbon since countries with coal will not stop burning it
- if countries wish to maintain the nuclear option, it is easy to say but hard to do. It can only happen if the nuclear sector meets its safety obligations and can be cost competitive
- develop renewable energy further so it can contribute to cost-effective attainment of environmental goals

In sum, each technology has a role to play, there is no single solution.

Energy security is a priority for the majority, if not for all, UNECE member states. It has been in the past and it is expected to be in the future. It is not surprising then that UNECE mandate and expertise includes energy - specifically, the ability for UNECE members to secure affordable and sustainable energy supply.

The mandate, though simply stated, is in fact complex. It includes security. It includes affordability. And, it includes sustainability.

First, security. Energy supply is considered secure if it meets demand in an environmentally sustainable manner at price levels that do not destabilize or damage the economy. Such a definition implies supply that is robust in the face of disruptions, whether physical or political, at prices that are "affordable".

In this context, energy security requires investment, diversification of primary fuels, technology and flexibility. Above all, it requires governments to put in place the policies and regulations that empower producers and consumers to respond to prices.

Second, affordability. This is the most challenging. It implies that end-use prices should be affordable - without considering the ability to pay or the cost of supply. But the term is nuanced. Affordability takes account of life-cycle costs, including returns on investment, and both the resources and requirements of the buyer. Ensuring affordability is equivalent to ensuring that investments are made throughout the value chain - from primary energy development to final consumers - and that all involved have fair access to energy markets. Above all, it requires governments to put in place the policies and regulations that empower producers and consumers to respond to prices.

Finally, UNECE mandate includes sustainability. Sustainability has three inter-related dimensions:

- Economic, where investment and consumption decisions are made in a framework of sensible policies. One cannot oblige buyers or sellers to take decisions that run counter to their economic self-interest
- Environmental, where use of sustainable resources meets human needs while preserving the environment so that the needs can be met not only in the present, but also in the future

- Social and political, where policies and programs are sustained over time because they are perceived as working for the welfare of society and are therefore supported by the people

The energy sector is at the nexus of economic and environmental sustainability. The world is changing rapidly in terms of environmental considerations, technological progress, and globalization. And the pace of change is accelerating.

The economic challenge is to secure affordable and sustainable energy services for energy consumers. However, because the world is changing so rapidly, governments cannot afford to bet on specific technologies. It is investors who should be putting their capital at risk. Governments should focus on providing a long-term, stable framework for all energy chains from the source to final use to ensure “proper” investment and consumption decisions.

Energy efficiency is often described as low-hanging fruit where investments pay for themselves quickly. But it is not getting done, and there are many reasons why: tariffs, subsidies, opaque information, financing constraints, market structures, and so forth. UNECE is committed to working with its partners, including OSCE, to ensure that the rate of uptake of energy efficiency investments is optimal -- meaning, in all honesty, double today's rate -- and this work is part of that effort.

This afternoon Mr. Scott Foster, UNECE Director of Sustainable Energy, will be presenting the results of a study conducted with OSCE on energy efficiency, a review of the implementation of OSCE commitments in the field of energy efficiency and its contribution to energy security.

Without stealing too much thunder from this afternoon's session, OSCE participating States can make no better choice than improving energy efficiency to address their energy security, environmental and economic challenges.

However, though the benefits are well-known, the potential for improving energy efficiency remains largely untapped and implementation lags. It is curious that the most obviously beneficial policy is not being implemented at the needed scale or scope.

The report on the implementation of OSCE commitments makes four key recommendations to improve the situation and I endorse these recommendations.

First, OSCE – including its “Partners for co-operation” - could consider partnering closer with UNECE, EU and IEA in the energy efficiency area. There are large gains to be had by increasing co-operation among international organizations.

Second, OSCE could consider supporting UNECE as a platform for enhanced energy policy dialogue to address opportunities, barriers and feasibilities and to assess the consequences of subsidies for energy efficiency viability.

Third, building on the second point, OSCE could consider working jointly with all international organizations that are active in energy efficiency, with the specific perspective of its potential contribution to security.

And fourth, OSCE participating States could consider co-operating with UNECE to specifically work on market formation in order to accelerate the uptake of energy efficient technology and investments.

In all of these areas, UNECE work is expected to have a direct, material impact and to catalyze or accelerate the transition to a sustainable energy future. We will need your help in doing so, and we look forward to working with you.

2012 has been declared the Year for Sustainable Energy for All. The UN Millennium Development Goals include alleviating energy poverty, improving the energy intensities of national economies, and encouraging renewable energy technology as an instrument in de-carbonizing the energy sector.

The challenge is to meet these goals with rational, effective policies. A shift to green that is too abrupt and that does not consider financial consequences may discredit the legitimate contributions of new technologies and delay effective progress in meeting targets.

Today's imperatives are clear: promulgate sensible economic, energy, transport and environmental policies, address market failures, build capacity for technology transfer, and develop financial instruments that are appropriate for local circumstances.

The work that is being done must be seen as benefiting society as a whole if policies are expected to be sustained.
