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**ENERGY SECTOR REFORMS IN LATIN AMERICA AND
EU – LATIN AMERICAN ENERGY COOPERATION**

The opinions expressed in this document are the sole responsibility of the authors and do not necessarily represent the official position of the European Parliament.

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0. FOREWORD

End of June 1999, the first Euro - Latin American summit of Heads of Government and State took place in Rio de Janeiro, which marks the beginning of a new phase of cooperation between our continents. Both sides have recognised, that we are not only united by a joint past, but even more by the perspective of a joint future.

What sounds quite lofty, has by all means a real background. Latin America and Europe gather their strength from similar common roots. Our cultural values are the same and our visions point to the same direction. Europe, and more recently also Latin America, are determined to complement their national history by an ambitious integration. That is why the European Union is observing with sympathy the integration process in which Latin American nations have become involved. Latin America is developing towards a huge internal market, which is by all means comparable to its European counterpart. Both of us wish, that the economic integration will be followed by a political union. This is because we also know, that we are only strong, if we act in unity.

Europe desires for a long time a self-confident and prosperous Latin America. This has been repeatedly emphasised by the European Parliament in statements and resolutions. Our endeavour for a better understanding and a closer cooperation is, by the way, supported by the European - Latin American Institute IRELA, which has been created by the European Parliament and whose president I am.

We know, that the prosperity of our continents needs a strong internal market, based on a modern and efficient infrastructure. It is only the internal market, which frees our economies to that vitality, which we need to create wealth. And an essential precondition for the success of this large internal market is a functioning energy market. Like Europe, also Latin America needs efficient energy networks and a cost-effective energy supply.

It seems important to me, to integrate energy policy in our Euro - Latin American dialogue. Several reasons support this. On the one hand, energy is an enormous economic sector. In Europe alone, the sector realises an annual turnover of an estimated 500 billion Euro. The corresponding amount in Latin America should be in a comparable order of magnitude. Secondly, we are both interested in an environmentally friendly energy supply. Climate policy and environmental protection can only be achieved globally. We therefore both bear high responsibility. Thirdly, we are interested in a stable energy supply. Energy price crises like in the seventies have harmed both of us. Ultimately also the petroleum exporting countries did not become happy with it. This is because energy exporting, like importing countries need predictability, not crises.

Energy needs a honest dialogue between industry, politics and science. Together with many of my colleagues, I strive to realise a permanent discourse on European energy problems. The European Energy Foundation, whose president I am, has proven to be a useful, since neutral forum for parliamentarians, the European Commission and industry, and we are determined also in the new term of legislature of the European Parliament to cultivate this forum for a continued exchange of views. I suggest a similar institution in Latin America, not at least, in order to achieve that energy policy is practised by mind and not by emotions. Energy policy demands predictable politics. It depends on close coordination with the legislator, even when investment decisions are made by the private sector.

Energy efficiency and renewable energies are essential factors of sustainable development. Europe has demonstrated the important role of new technologies, but also of legal frameworks and incentives in this context.

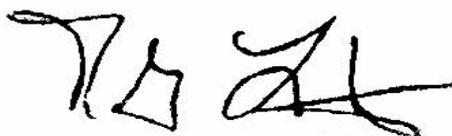
European unification actually started with energy. The European Community for Coal and Steel, established in 1952, was the first supra-national community, followed by the European Community for Nuclear Energy (Euratom) in 1958. In the nineties we created the European Energy Charter, a multilateral treaty which includes the states of the former Soviet Union. The idea is simple: to set off energy exports against investment in a free market. The Charter creates security for investment and provides enterprises with the room to manoeuvre they need to allocate scarce resources in an optimum way. And, last but not least, the European Union has committed itself in Kyoto to a joint climate policy. It is our intention to reduce greenhouse gas emissions by 8% until 2010. At the same time, the share of renewable energy shall be doubled, from 6% to 12%.

Energy policy fosters integration. The internal energy market conceals more politics than many would presume.

The energy dialogue between Europe and Latin America is therefore politics in the true meaning of the word. It has to become a firm constituent of our relations. Yet, the result has to be more than informal declarations. Our cooperation will support, by all means, concrete results. The energy infrastructure has to be extended, taking into consideration that only transnational gas and electricity networks will enable Latin America to converge to a common energy market. European enterprises can be as helpful in this field as with regard to the modernisation and development of energy supply enterprises. We can also learn from each other. I think in this respect of new technologies, which stimulate efficient and environmentally friendly consumption of energy. It is not a natural law, that we will continue to need the same amount of energy as today, in order to maintain our wealth. To work on new and more energy efficient solutions is a common challenge to politics, science and technology. The dialogue between politicians, enterprises and public institutions should therefore have its firm place on a common European - Latin American agenda as well as investigation and technological development.

The Second Parliamentarian Dialogue Europe - Latin America on the Promotion of Energy Efficiency in Buenos Aires, as well as the Rio Energy Forum, organised by the ALURE Programme of the European Commission in association with OLADE, the Latin American Energy Organisation, in Rio de Janeiro are important steps on this way. It is to desire, that the results of both events will influence the investment decisions of the participating enterprises, as I assume, that the recommendations will be taken into consideration by parliamentarians from Europe and Latin America. This is my wish in the interest of European - Latin American cooperation.

Dr. Rolf Linkohr

A handwritten signature in black ink, appearing to read 'Rolf Linkohr', written in a cursive style.

Member of the European Parliament

1. Parliamentarian Dialogue Europe – Latin America on the Promotion of Energy Efficiency

On 28 – 30 October 1998, the Economic Commission for Latin America and the Caribbean of the United Nations (ECLAC) and the European Commission, Directorate General for Energy (DG XVII), organised the First Parliamentarian Dialogue Europe – Latin America on the Promotion of Energy Efficiency. The event, which was supported by the Committee on Research, Technological Development and Energy of the European Parliament, the Economic and Social Committee of the European Union and the European Energy Foundation, brought together Parliamentarians from six Latin American countries (Argentina, Colombia, Costa Rica, Chile, El Salvador and Peru)¹, Members of the European Parliament, representatives of the European Commission, the Economic and Social Committee of the European Union, Government representatives from Latin America and EU Member States, representatives of private companies and independent experts. The Parliamentarian Dialogue was organised as an open exchange of views and experiences on recent energy policy developments and initiatives in Europe and Latin America².

The Parliamentarian Dialogue was followed by a ‘Workshop on the Promotion of Energy Efficiency’, which focussed on the presentation and discussion of energy policies, strategies, programmes and specific actions in the European Union and in several Member States, from the perspectives of policy makers, energy & environmental agencies, utilities, energy service companies and a manufacturer of consumer goods³.

In several keynote addresses and statements, the added value of a continued Dialogue on Energy Efficiency between Europe and Latin America was emphasised. Europe has successfully integrated efficiency and environmental criteria in its energy policies and strategies, both on Community and Member State level. Key developments, like the internationalisation of the energy sector, energy market liberalisation and restructuring and international agreements on climate protection are strong arguments for a continued dialogue on the political level. Parliaments, both on national and supra-national level, play an increasing role in preparing and shaping Government actions in the fields of energy and sustainable development.

In the framework of the project ‘Promotion of Energy Efficiency in Latin America’, which is a joint initiative of ECLAC and the SYNERGY Programme of the European Commission, ways are explored to continue and intensify this policy dialogue. To this end, a Second Parliamentarian Dialogue has taken place on 21 – 23 June 1999 in Buenos Aires, which has been organised at the occasion of the Third Inter-Parliamentarian Conference on Mining and Energy of Latin America (CIME ‘99), under the auspices of the Senate of the Republic of Argentina.

¹ Argentina, Colombia, Costa Rica, Chile, El Salvador and Peru participated in Phase 1 of the Project ‘Promotion of Energy Efficiency in Latin America’ – see below.

² The Parliamentarian Dialogue was co-chaired by Mr Pablo Benavides, Director General for Energy of the European Commission, Mr José Ignacio Gafo Fernández, President of the Section of Transport, Energy, Infrastructure and the Information Society of the Economic and Social Committee of the European Union and Prof. Umberto Sacapagnini, President of the Committee on Research, Technological Development and Energy of the European Parliament.

³ The Parliamentarian Dialogue and the Workshop were attended by 100 registered participants, among them 19 speakers. Discussions during the workshop were chaired by parliamentarians from Latin America and Europe. For detailed information on the event and a complete list of participants see: H. Campodónico, 1999.

Main topics of this second dialogue, which has been attended by six MEPs and parliamentary delegations from eleven Latin American countries⁴ have been: (i) the evaluation of energy efficiency policies and the progress in promoting national laws on energy efficiency in Latin American countries, (ii) the discussion of areas for political (inter-)action of legislative and executive bodies in this field, referring to similar processes of legislation and policy formulation in Europe and (iii) the identification of synergies and subjects for a continued political dialogue between both regions and their institutions.

The Parliamentary Dialogue is part of the endeavour of the European Union to strengthen democracy in Latin America and to contribute to the development of consistent and continuous energy policies. The Rio Energy Forum ‘Strengthening the European – Latin American Partnership’, held just a few days after the Dialogue of Buenos Aires, provided a strong signal with regard to the economic, environmental and social dimensions of European – Latin American cooperation in energy.

Purpose of this paper is to describe the context – both in Europe and in Latin America – to which this dialogue refers, providing a concise overview on energy sector reforms and legislative initiatives for energy efficiency in Latin America (sections 2 and 3), to refer to European experience of relevance for Latin American countries (sections 4 and 5), to highlight the role of parliaments and parliamentarians in both regions (section 6) and to offer ideas for further cooperation in the energy field between Europe and Latin America (section 7).

2. Energy Sector Reforms in Latin America: Accomplishments and Challenges

The decade of the nineties in Latin America was characterised by a process of fundamental economic reforms, which included restructuring, liberalisation and privatisation of the energy sector. The reform process was initiated by the privatisation of electric utilities in Chile in the late eighties, and followed by the liberalisation and restructuring of petroleum, electricity and natural gas industries in countries like Argentina, Bolivia, Brazil, Colombia, Ecuador and Peru.

While privatisation of the electricity sector in Chile did not achieve the creation of a truly competitive market, Argentina carried out a fundamental restructuring process, which involved the unbundling of electric and natural gas industries, competition in electricity generation and – to a lesser extent - in petroleum and natural gas production, as well as wholesale competition (including a contract and a spot market) for electricity and natural gas⁵. In parallel to restructuring and privatisation, ownership restrictions were put in place to prevent discrimination and market dominance⁶. Competitive opening and restructuring of electricity markets has also been realised in Bolivia, Colombia and Peru and is under consideration in Ecuador⁷.

⁴ Argentina, Bolivia, Colombia, Costa Rica, Chile, Ecuador, El Salvador, Honduras, Mexico, Peru, Venezuela.

⁵ Approx. 40% of electricity is traded in the spot market, compared to only a few percent of natural gas (Bouille 1999; IEA 1999).

⁶ Electricity sector reform in Chile was characterised by privatising and separating the sector without creating an appropriate regulatory framework to effectively control privatised enterprises and imposing ownership restrictions in order to avoid the concentration of economic power.

⁷ While energy sector reforms in Peru are following the model of Chile and Argentina, other countries like Costa Rica, Mexico, Colombia and Ecuador are following a different model, characterised by the existence of natural monopoly structures or legal protection, in particular in transmission and distribution of electricity (Altomonte, 1997).

Brazil and Mexico, the two largest economies of Latin America, are cautiously opening up their energy sectors and are re-defining the role of the State. Reforms in Brazil e.g. are implemented in a gradual way, taking into consideration the federal structure of the nation. Mexico - like the countries of Central America - has maintained a vertically integrated electricity sector, allowing independent power producers (IPPs) to conclude contracts with the national utility. In Venezuela, bills for new electricity and gas laws are under discussion.

Reforms in the petroleum sector have introduced major incentives for private investment - both in upstream and downstream - and have eliminated barriers for market entrance. While privatisation of petroleum enterprises was part of the reforms in Argentina, Bolivia and Peru, other countries, like Brazil, Colombia, Ecuador and Venezuela have maintained state ownership, allowing private companies to enter the market under certain schemes⁸.

Alongside the well-known positive effects of energy sector privatisation and liberalisation (competition, more efficiency in generation, transmission/transport and distribution, increased productivity, relieve of pressure on public finances etc), energy sector reforms have also introduced major changes in the energy matrices of Latin American countries. Natural gas, abundantly available in a number of countries, is playing a key role in this transformation process. Competitive prices and high-efficient, low-investment combined cycle power generation technology (resulting in short pay back periods) have triggered a 'dash-for-gas', comparable to the so-called phenomenon following the liberalisation of energy markets in the United Kingdom.

The penetration of natural gas, often attributed as the 'fuel of the future', will have far-reaching consequences on investment decisions, both on the supply and the demand-side. While it is difficult to imagine, that investment intensive supply options as hydroelectricity, coal or nuclear energy will be able to compete with low-cost natural gas combined-cycle power plants, the 'dash-for-gas' also reduces the economic feasibility of decentral energy options like cogeneration and renewable energies.

Another effect of low energy prices will be a reduced economic interest of consumers and suppliers in energy efficiency, while demand-side management by utilities will focus on load management, in order to achieve a higher utilisation of fixed assets.

Difficult times for energy efficiency and renewable energy? The answer seems to be: yes. Energy sector reforms and the penetration of natural gas do not favour end-use efficiency and electricity generation from renewables. Economic barriers for hydropower and nuclear energy will also limit the reduction of greenhouse gas emissions in Latin America, although natural gas features the lowest CO₂ emission coefficients of all commercial fuels.

What is wrong about more competition and lower energy prices? Apparently nothing, but there are side effects. As the project 'Energy and Sustainable Development in Latin America and the Caribbean' of OLADE, ECLAC and GTZ⁹ has shown, more competition and lower energy prices will not necessarily solve some of the notorious problems of Latin America: social inequity, lack of citizen's participation, environmental pollution (in particular in large urban areas) and lack of transparency of political decision making and government - private sector relations. 'Productive transformation with equity' requires not only efficient and competitive

⁸ Like e.g. the 'shared profit' contracts for 'marginal fields' in Venezuela or the concessions for exploration, development and production of petroleum and natural gas in Brazil.

⁹ OLADE: Latin American Energy Organisation, GTZ: German Agency for Technical Cooperation

energy sectors in Latin America, but also more added value of energy services, integration of energy markets, development of human resources, the incorporation of modern technologies and the extension of energy services beyond areas of commercial interest (OLADE, ECLAC, GTZ, 1997).

There is no sustainable development without social equity and a balanced environment. And energy, the 'vital fluid' of economic and social development is playing a crucial role in achieving these goals.

One of the major problems in post-reform energy sectors in Latin America is the lack of adequate regulation in restructured markets. In many countries, regulatory capacity did not keep up with the reform process. Taking into consideration the new paradigm of financial (instead of: economic) efficiency of privatised energy enterprises, gains in efficiency have in many cases not been passed on to the consumer through lower prices or extension of services and in an improvement of their quality (Altomonte, 1997).

3. Time for Action: Promotion of Regulatory and Institutional Frameworks for Energy Efficiency and Renewable Energy

As various activities of ECLAC have revealed, energy sector reforms in Latin America have generally ignored externalities. In particular, there is an apparent lack of integration of energy efficiency and environmental sustainability criteria in the energy policies of Latin American countries and there is a lack of adequate institutional frameworks to implement these policies. In this sense, a second phase of energy sector reforms in Latin America would need an integration of these aspects in energy policy making.

Phase 1 of the project 'Promotion of Energy Efficiency in Latin America', which has been realised between March 1998 and March 1999, has addressed these issues by focussing on the following objectives and activities:

- To identify the institutional and regulatory elements in favour respectively impeding energy efficiency: In-depth analyses of energy efficiency and institutional frameworks in Latin America and Europe have been carried out and results are being made available to politicians and government decision makers throughout the region. A 'guide on the formulation of regulatory frameworks' is available (Maldonado ea, 1998) and specific assessments have been undertaken in Argentina, Colombia, Costa Rica, Chile, Peru and Venezuela.
- To create awareness of the national authorities with regard to the need to incorporate energy efficiency as one of the central aspects of the energy sector reforms: During 1998, several activities have been undertaken to mobilise government and private actors in several Latin American countries (in particular: Argentina, Colombia, Costa Rica, Chile and Peru) and to discuss the issue of energy efficiency in a series of public hearings.
- To contribute to the formulation of regulatory frameworks for energy efficiency: Based on the discussion processes encouraged by the project, public-private sector committees in Colombia and Peru (and more recently in Argentina) have prepared framework laws for the promotion of energy efficiency. In these three countries, bills for energy efficiency laws have been presented in Parliament.

- To encourage the political dialogue on energy efficiency between Europe and Latin America: this dialogue was initiated by the First Parliamentary Dialogue on the Promotion of Energy Efficiency held in Brussels in October 1998, followed by the Second Parliamentary Dialogue in Buenos Aires in June 1999.

Until mid 2000, ECLAC intends to carry on and to complement the activities of phase 1 by focussing on the following main activities:

- To further stimulate the public discussion on energy efficiency promotion and legislation in Argentina, Costa Rica, Chile, Venezuela and probably Brazil: Public hearings and conferences will be organised in cooperation with Governments and Parliaments in these countries.
- To carry out institutional analysis and to advice decision makers on appropriate ways to effectively implement the existing legislative initiatives in Colombia, Peru and other countries of the region: European and Latin American experts will advice government institutions and parliamentary committees on issues and options with regard to regulatory and institutional questions and bottlenecks.
- To continue the Parliamentary Dialogue established in Brussels and Buenos Aires: a third Parliamentary Dialogue is planned for mid 2000 in Spain and it is the intention to promote a series of similar meetings over the next years.
- To continue the exchange of experience between Europe and Latin America: Based on the success of the workshop held in Brussels, ECLAC intends to foster a continued dialogue on specific issues between government policy makers, public institutions, politicians, regulators, energy enterprises and experts from Europe and Latin America¹⁰.

By the end of phase 2 of the project, ECLAC expects to have initiated a major progress with regard to the main objective of the project: To integrate energy efficiency in the energy policies of Latin American countries by assisting the countries in creating the appropriate regulatory and institutional frameworks.

4. The European Experience – European Union and Member States

In the framework of Phase I of the Project ‘Promotion of Energy Efficiency in Latin America’, ECLAC and SYNERGY, with the cooperation of a group of European consultants, have prepared an analysis of energy efficiency and institutional frameworks in the European Union and its Member States (Lutz *et al.*, 1999).

The study concentrated mainly on the role of legal and regulatory frameworks in the energy efficiency policies of the European Union and the Member States, addressing the following subjects: (i) the priority assigned to energy efficiency in energy policies, (ii) state intervention in favour of energy efficiency, (iii) energy efficiency policies, (iv) constitutional and legal foundations, (v) institutional frameworks, (vi) instruments and programmes for the promotion of energy efficiency, (vii) energy efficiency markets and (viii) conclusions for Europe and Latin America.

¹⁰ Likely subjects to be dealt with in 2000 include: (i) energy market regulation and energy efficiency and (ii) financing of energy efficiency and renewable energy.

While the study has revealed quite some differences with regard to policies, instruments and programmes in the various Member States, there are certainly more common factors than differences.

First of all, energy efficiency policies are integrated in energy policies, both on the Community as on the national levels. Governments (and the European Commission) have prepared white papers on energy policy, energy efficiency, renewable energies etc, they have formulated targets and they have implemented instruments and programmes to promote energy efficiency.

Legal and regulatory frameworks have been implemented on the national level, in some cases as explicit energy conservation laws (e.g. Spain, Italy), in other cases as a set of different laws and regulations (e.g. Austria, Germany, the Netherlands, United Kingdom). Many national regulations, mainly concerning the building sector, have been influenced by legal acts of the European Union¹¹.

In addition to legal requirements, a wide range of non-legal instruments exists, in particular: economic instruments like financial or fiscal incentives; instruments related to information, technical assistance and training; research, development and demonstration and – increasingly – voluntary agreements between governments and energy consumers respectively manufacturers of energy consuming equipment. In addition, the stimulation of energy service companies (ESCOs), both public and private, is gaining importance.

As the Communication of the Commission ‘Energy Efficiency in the European Community – Towards a Strategy for the Rational Use of Energy’ (EC, 1998) has revealed, an intensification of proven instruments as well as new instruments to promote energy efficiency will be necessary, in order to reach the targets for greenhouse gas emission reduction agreed in Kyoto. Among the measures proposed are (i) a better coordination between Community and national programmes, (ii) coordination with other policy areas, like regional and municipal planification, transport, fiscal policies etc and (iii) priority actions in the areas of energy efficient buildings, energy efficient household appliances and other end-use equipment, wider use of negotiated and long-term agreements, increased dissemination of information, third-party financing and other financing schemes, energy efficiency in the electricity and gas sector and combined heat and power, energy management and technology procurement.

The Commission aims, with these measures, to achieve the realisation of the ‘economic energy saving potential’ in Europe, which is estimated to be 18% by the year 2010, as compared to 1995.

5. Can European Experience contribute to the Completion of Energy Sector Reforms in Latin America?

As the analysis of the European experience in energy efficiency policies, legislation and promotion shows, there is no one single model how to achieve a more energy efficient economy and society.

¹¹ Prominent examples are regulations concerning thermal insulation of buildings, minimum efficiencies of space heating and hot water systems and – more recently – labelling requirements and minimum efficiency standards for household appliances.

In order to assess the relevance of this – pluralistic – European experience for Latin America, relations have to be laid to the ‘driving forces’ which have induced European countries to engage in energy efficiency. On the other hand, relations have also to be laid between the way, energy efficiency policies are implemented in different countries, and the general socio-economic framework of these countries.

With regard to the first question, the political motivation to engage in energy efficiency has been linked to the perception of internal and external factors, like scarcity of resources, environmental pollution and climate change, dependence of energy exporting countries, concerns about competitiveness, social equity and consumer protection. Energy efficiency policies will only achieve the necessary political and social legitimisation if politicians and the society at large are convinced about its necessity and the benefits associated to it. As the study ‘Energy and Sustainable Development in Latin America and the Caribbean: Approaches to Energy Policy’ (OLADE, ECLAC, GTZ, 1997) has shown, problems which justify energy efficiency policies in Latin America are mainly related to competitiveness, environmental degradation and social equity. The protection of consumers' rights in a liberalised market - one of the central arguments in favour of the recent initiatives for energy efficiency legislation in Latin America - is another issue of paramount importance in an environment, which is characterised by serious asymmetries of economic power and participation in public decision making.

The European experience shows that socio-economic characteristics are an important factor regarding the way, in which energy efficiency policies are implemented. The relative weight of legislation in pursuing energy efficiency objectives, e.g., depends on the socio-economic tradition of each country: (i) legalistic, like the Southern European countries, (ii) liberal, like the United Kingdom or (iii) consensus oriented, like the countries of North-Western Europe. Other factors which influence the priority assigned to energy efficiency include the degree of import dependence, the process of European integration, liberalisation of energy markets, environmental consciousness of the population and international agreements on environmental protection and climate change.

Although different in many aspects, there are some common denominators which characterise European energy efficiency policies:

A common characteristic is certainly, that energy efficiency is integrated in energy policy. Energy efficiency is not an isolated activity (as unfortunately still in many Latin American countries), but is fully integrated in ‘mainstream policies’. Energy efficiency policies are coherent, defined in government white papers, based on broad discussions in society and implemented by laws, regulations, specific programmes and – most important – by disseminating the idea and creating support among consumers and citizens.

Another characteristic is that policy objectives (e.g. energy efficiency targets) are balanced with the financial and human resources required to achieve these aims. Energy efficiency programmes are typically implemented by specific energy and environmental agencies, which are staffed with highly qualified professionals and endowed with the financial resources required for the performance of their duties. While the method of financing varies among agencies (various degrees of funding by government budgets and self-financing), they have in common that they execute a public mandate, which has been defined by the government. Except a few cases (e.g. PROCEL in Brazil, CONAE in Mexico), energy efficiency and environmental agencies and programmes in Latin America – if existing at all – are not endowed with adequate

human and financial resources¹². Transfer of European experience and cooperation with European energy agencies can contribute to improve this situation.

Despite - or maybe even because of - some differences in the 'policy drivers' for energy efficiency in both regions, the variety of models applied in Europe can provide an important source of inspiration to Latin American policy makers: there is no sole model, to the contrary: it is a central task of governments to design specific 'delivery mechanisms', which take into consideration the constitutional, institutional, social and economic realities of each country.

Last, but not least, European integration has shown that market integration does not necessarily result in a weakening of social and environmental standards, but that – quite to the contrary – the original unbalance between countries of Northern and Southern Europe has been solved by a 'trade-off' in which the countries which lagged behind accepted the same standards as the more advanced countries, in exchange for financial support from the European Community. Regional market integration in Latin America could profit from this experience.

The idea is not to simply transfer European experiences, but to offer ingredients for specific solutions to specific problems. The variety and depth of European experiences can make a difference.

6. The Role of Parliaments – what has Europe to offer?

Parliaments in Latin America are assuming an important role in promoting energy efficiency laws, encouraged by the ECLAC - SYNERGY initiative.

In Peru, the Commission on Energy, Mining and Fishery of the National Congress has presented a bill for an energy efficiency law as a parliamentary initiative in August 1998¹³. The bill is based on the work of an 'executive commission', constituted by government and private sector participants. In Colombia, a bill for an energy efficiency law has been prepared by a similar commission and has been presented in Parliament, pending the opinion of the energy committee¹⁴. Most recently, in June 1999, a bill for a law on rational use of energy has been presented in the energy committee of the Senate of Argentina¹⁵.

The possibility of an energy efficiency law is also under discussion in Chile, following the public hearing and discussion stimulated by the ECLAC - SYNERGY project. The recent energy crises in Chile and Argentina are consolidating the political interest in effective measures to stimulate energy efficiency, in both countries.

Apparently, parliamentarians in Latin America are putting the subject energy efficiency on the political agenda. This is a remarkable phenomenon in a period, in which many governments of the region have been mainly concerned about the liberalisation and restructuring of energy markets and have paid little attention to demand-side efficiency. An important

¹² The bill for an energy efficiency law in Argentina - see below - foresees in the creation of a National Energy Efficiency Agency (Agencia Nacional de Eficiencia Energética - A.N.E.E.).

¹³ Proyecto de Ley 3941/98-CR por el que se propone establecer normas para el uso eficiente de la energía.

¹⁴ Proyecto de Ley 'por el cual se promueve el uso racional y eficiente de la energía y se dictan otras disposiciones en materia energética'.

¹⁵ Proyecto de Ley de Uso Racional de la Energía.

stimulating effect with regard to this 'new awareness' has been provided by the Inter-Parliamentarian Conference on Mining and Energy (CIME), which brings together members of energy and mining committees of national Latin American parliaments in annual meetings, to discuss actual issues.

There are (more advanced) parallels in Europe. At Community level, the European Parliament is asking for a more important role in energy legislation. While the European Commission has preserved its competence to draft legislative proposals, the co-decision procedure has widened the competence of the European Parliament. A recent example is the Communication of the Commission 'Energy Efficiency in the European Community - Towards a Strategy for Rational Use of Energy': energy efficiency targets and measures proposed by the Commission have been sharpened respectively extended by the Parliament (EC, 1998; EP, 1999, see section 4). The position of the Parliament with regard to proposals like the Community-wide energy/carbon tax or the proposal of the directive 'to introduce rational planning techniques' (integral resource planning and demand-side management) are examples where the European Parliament has taken more far-reaching (although not always successful) positions than the European Commission and the Council of Ministers.

Also on national level in Europe, parliaments assume important roles in energy policy. In Germany, e.g., so-called 'Parliamentarian Enquête Commissions' discuss important issues like nuclear energy and climate protection and submit policy proposal to the Federal Government. The Commissions are constituted by equal numbers of Members of the German Bundestag and independent experts. Reports of these commissions are of high authority and impact on government policies.

The exchange of experience between European and Latin American parliamentarians, which has been initiated by the First and Second Parliamentarian Dialogue Europe - Latin America on Energy Efficiency can add an important dimension to the work of CIME and of Parliamentarian Commissions on Energy in national parliaments of Latin American countries: European Parliamentarians have been actively involved in promoting energy efficiency policies and legislation since many years, they have taken a critical position towards too conservative proposals of national governments and the European Commission and know the political business to get and maintain energy efficiency and sustainable energy on the political agenda. Their Latin American colleagues can profit from this experience.

7. European – Latin American Energy Cooperation – some Reflections

The focus and the methodology of European - Latin American energy cooperation have substantially changed during the nineties. While, still a few years ago, the cooperation focussed on rather classical instruments, like energy audits, pilot projects and sectoral studies, there is a clear shift towards a more structural approach, aiming - on the one hand - at establishing partnerships with institutions and regional organisations (e.g. OLADE, MERCOSUR, Andean Community), as well as between energy sector organisations and actors from Europe and Latin America, and - on the other hand - to promote institutional development in the region, which should enable the countries to implement sustainable energy efficiency policies and programmes, based on own resources. EU - Latin American energy cooperation is increasingly perceived as a catalyst, instead of using international cooperation to 'fill the gap' caused by lack of national commitment and initiatives.

The ALURE Programme, initiated by the European Commission in 1995, demonstrates this shift of focus. The overall objective of ALURE (acronym for: 'Latin America - optimum utilisation of resources') is to 'strengthen the economic presence of the European Union in a vibrant growth sector and to adapt Latin American energy sector institutions and enterprises to provide more competitive services'.

In pursuit of this goal, ALURE focuses on three specific objectives:

- To improve the services of Latin American utilities, preferably in the growth sub-sectors of electricity and natural gas and to promote business relations with European firms linked to the sector such as utilities, financial operators and industrial firms, in particular small businesses;
- To contribute, where necessary, to the adaptation of legal and institutional frameworks;
- To promote sustainable development with relevant schemes.

ALURE is operational since 1996 and has been funding so far 21 projects, involving energy actors from thirteen EU Member States and from fifteen Latin American countries. In general, the projects approved so far focus on the following areas:

- Efficiency of energy companies: typical subjects covered by projects include: the improvement of management, marketing and services of electricity companies (Colombia, Mexico); demand-side management and load management by utilities (Brazil, Peru); the promotion of environmental and quality standards in the electrical industry (Argentina);
- Promotion of energy efficiency: energy efficiency policies and programmes at national and state levels (Brazil), promotion of energy efficiency services (Brazil); promotion of cogeneration, energy management in industry and reduction of energy consumption in urban transport (Peru); energy efficiency standards for residential, commercial and public buildings (Chile); promotion of energy efficiency in the building sector (Venezuela); promotion of efficient use of electricity in Argentina;
- New decentralisation and privatisation policies: decentralisation of the Brazilian electrical sector – the new role of the States;
- Natural gas: strategic support for the development of the natural gas industry in Brazil;
- Information and knowledge networks: training and exchange of information regarding regulation and management of electric systems and the optimisation of power plants in competitive markets; development of a regional organisation for technical standardisation of interconnected electricity networks.

ALURE is clearly focussed on the achievement of two parallel goals: (i) promoting cooperation between Latin American and European energy actors, i.e. promoting the presence of European actors in the Latin American market and (ii) promoting, through this cooperation, strategic objectives like a socially and environmentally compatible development of energy sectors in Latin America. Although the 'adaptation of legal and institutional frameworks' is within the scope of ALURE, cooperation on specific areas via industrial partnerships is the rule. In the opinion of the author, the achievement of the strategic objectives via these partnerships is the main added value of the programme and therefore imperative.

Different, and in some way complementary to ALURE, the SYNERGY Programme of DG XVII is focussing on cooperation with third countries in the field of energy policies and strategies. In Latin America¹⁶, this objective of the programme is strengthened by strategic cooperation with key institutions in the energy field in Latin America, like: OLADE, CEPAL, the MERCOSUR Secretariat, national ministries etc. SYNERGY has co-organised respectively supported major events in the region, e.g. the conference 'Latin-America European Union: Partners in Energy' in Caracas, Venezuela (June 1996), and the workshop 'Reforms and Strategic Alliances for Efficient Use of Energy in Latin America' (Santiago de Chile, May 1996)¹⁷. Current activities funded by SYNERGY include strategic studies on subjects like: the potential market for energy service companies in Latin America, a programme for efficient use of electricity in Venezuela and a dialogue between the EU and MERCOSUR countries on the integration of energy markets.

In general (and with some generalisation), there are apparently two major directions of EU – Latin American energy cooperation¹⁸:

- The promotion of economic cooperation between energy actors in Europe and Latin America;
- European – Latin American cooperation in the fields of energy policies and strategies.

The 'Rio Energy Forum' has emphasised the need of a multiple focus of European - Latin American energy cooperation, based on three areas of equal importance:

- Sustainable economic development, investment challenges and business opportunities in the energy sector;
- Sustainable environmental protection through effective resource management of petroleum, natural gas and electricity;
- Sustainable social development through provision of affordable energy services and sharing the benefits associated with energy investments.

Transparent regulations of energy markets to secure (i) competitive and market-responsive operation of public and private companies, (ii) market-oriented integration, (iii) ecological policies advocating the long and medium-term objectives and strategies for resource management and environmental protection and (iv) the supply of reasonably priced energy to the urban and rural poor, are among the key recommendations of the Forum¹⁹.

In general, there is a twofold need for stable regulatory frameworks for energy efficiency and renewable energies in Latin America: firstly the overall and basic need to create the socio-economic conditions under which sustainable development in the energy sector can take place and, secondly, the necessity to create a stable framework to attract foreign investment, not only

¹⁶ The SYNERGY Programme is focussing on various geographic areas: Eastern Europe and the Former Soviet Union, Mediterranean countries, Asia, Latin America and Africa.

¹⁷ The workshop laid the basis for the project 'Promotion of Energy Efficiency in Latin America' of CEPAL-SYNERGY.

¹⁸ In addition to the ALURE and SYNERGY Programmes, energy and energy efficiency are the subject of various bilateral cooperation agreements with national governments respectively regional organizations in Latin America; as well as specific actions dealing with the promotion of European energy technologies in third countries in the framework of the Programmes THERMIE and its successor ENERGIE within the 5th Framework Programme on Community activities in the field of research, technological development and demonstration (RTD), 1998 - 2002.

¹⁹ Rio Energy Forum, 1999.

for the expansion of energy supply, but also in the field of demand-side management and energy services.

The project 'Promotion of Energy Efficiency in Latin America' is addressing this need: the creation of regulatory and institutional frameworks that encourage the promotion of energy efficiency and renewable energy. By concentrating in the first place on legal frameworks (energy efficiency laws), the project takes a 'latin-legalistic' stance, which is in line with the socio-cultural background of Latin America. Energy efficiency laws (proposed as framework laws, which will provide national governments with the necessary mandate to intervene in the sector), are regarded as the necessary (but not necessarily sufficient) starting point for the development of effective energy efficiency policies in Latin America.

While energy efficiency laws will play a central role in creating the conditions for the promotion of energy efficiency in Latin America, many additional steps have to be taken to achieve a real penetration of efficiency in the market. These additional steps refer to activities like consensus building (between government, energy enterprises and consumers), enforcement of laws and regulations, implementation of specific programmes and effective control mechanisms. Transfer of European experience in all these aspects can have an important added value.

A specific problem is the lack of strong regulatory bodies in many Latin American countries. While the need for redefining the role of the state and regulatory reform in the liberalised energy markets receives more and more attention, there is still an urgent need to integrate criteria of socially and environmentally sustainable development in existing and evolving regulatory frameworks in Latin America. Existing and future contacts between regulators from Europe and Latin America should address this need.

Stable regulatory frameworks foster foreign investment in the energy sectors in Latin American countries. Alongside with US companies, European energy enterprises have acquired important shareholdings in privatised electricity companies in Latin America and are increasingly penetrating the regions emerging natural gas market. The ALURE programme is fostering these developments.

ALURE offers unique opportunities: forging strategic partnerships between Europe and Latin America and, at the same time, fostering the incorporation of social and environmental criteria in these cooperation. Energy enterprises are accountable to their shareholders and to society. The growing involvement of European companies offers the opportunity to transfer the high standards of performance and social responsibility in Europe to our partners in Latin America.

After the 'lost decade' of the eighties, Latin America has realised important economic reforms during the nineties of this century. The first decade of the 21st century will likely see a revival of social and environmental considerations. European companies, governments and politicians have the unique chance to contribute to these developments.

At the end of the next decade, we will be able to judge whether this goal has been achieved, or whether globalisation has just contributed to 'selling off' once again Latin America's riches. It is in our hands to put the developments on the right track, and to build a true partnership for development.

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