

**Speech at the
IAEE Outstanding Contribution to the Profession Award Ceremony
4 June 2005, Taipei**

Ladies and Gentleman,

It is an exceptional honour for me to be awarded the 2004 IAEE's Outstanding Contribution to the Profession Award and to be included on the list of esteemed economists who have received this award in the past.

I believe over the next quarter century our global energy system faces three key challenges: security of energy supply; the threat of environmental damage caused by energy production and use, and persistent energy poverty.

To date, the energy economics community has succeeded in analysing the first two challenges. As a result we have been able to provide the public, policy makers and industry with timely and quality advice on the serious concerns about energy security and environmental sustainability that are emerging from the way in which we are using energy.

Unfortunately, less of our attention has been devoted to the third challenge - persistent energy poverty amongst the world's poorest people. For instance, over the past five years, less than twenty percent of articles in the major international energy journals have focussed on developing countries. I would like to take this opportunity today to appeal to all energy economists to turn increasing attention to this pressing issue.

Currently, 2.4 billion people - 40% of the world's population - rely on traditional biomass, such as wood, agricultural residues and dung to meet their energy needs. These people live mainly in rural areas of Asia and Africa. In addition to the detrimental impact this has on their social and economic development and on their local environment, reliance on traditional biomass has a direct impact on human health. The World Health Organisation estimates that each year, 1,6 million women and children in developing countries die as a result of fumes from indoor biomass stoves.

Another hallmark of energy poverty is the lack of access to electricity. Today, 1.6 billion people in developing countries do not have access to electricity in their homes. In those homes, the day finishes much earlier than in richer countries. And, dear colleagues, despite ongoing technological improvements and

innovation, despite ongoing economic growth, the IEA's World Energy Outlook projects that, in the absence of vigorous new policies, 1.4 billion people will still lack electricity in 2030, 25 years from now !

This is unacceptable. It is unacceptable morally, economically and politically.

There is a need for urgent and decisive action to accelerate the process of energy development in poor countries. We can not simply sit back and wait for the world's poorest regions to become sufficiently rich to afford modern energy services.

To overcome the challenge, strong political will from the governments in the world's poorest regions will be crucial. They will also have to display good governance in order to attract the necessary energy infrastructure investment. Rich industrialised countries also have a key role to play. In addition to moral issues, we have obvious long-term economic, political and energy-security interests in helping developing countries along the path to energy development. For, so long as poverty, hunger and disease persist, the poorest regions will remain vulnerable to social and political instability and to humanitarian disasters. The cost of providing assistance to poor countries may turn out to be far less than that of dealing with the instability and insecurity that poverty creates.

Here, I would like to come back to my appeal to all energy economists to study the policies and instruments to facilitate the transition of hundreds of millions of poor citizens of the world to modern energy services and thus break the vicious circle of poverty.

We, as economists have a tremendous amount of theoretical and practical knowledge of the energy sector. However, this is not enough. As the ancient Chinese philosopher Confucius said "he who merely knows right principles is not equal to him who loves them". To tackle the challenge successfully we need to feel the pain of the poor and harness the power of energy to make poverty history.

Thank you.

Fatih Birol, 4 June 2005, Taipei