

# Contents

|   |            |
|---|------------|
| <b>Foreword</b>   | <b>v</b>   |
| <b>Acknowledgements</b>   | <b>vii</b> |
| <b>Abbreviations</b>  | <b>xv</b>  |
| <b>Executive summary</b>  | <b>1</b>   |
| <b>Chapter 1. How oil price rises have hit the poor</b>           | <b>7</b>   |
| The energy connection to poverty                                  | 7          |
| Who are the poor, and how important is oil to them?               | 8          |
| Exposing the poor to the oil price shock                          | 13         |
| The poor pay the price  | 20         |
| Implications for the MDGs   | 22         |
| Energy security and human security: two sides of the same coin    | 24         |
| <b>Chapter 2. The macroeconomic impact</b>                        | <b>25</b>  |
| Causes of oil price increases                                     | 27         |
| The macroeconomic impact  | 30         |
| Impact by subregion   | 32         |
| Changes in consumption of oil, natural gas and coal, by subregion | 35         |
| A closer look at the impact in 10 countries                       | 38         |
| Why have the effects been so small?                               | 38         |
| <b>Chapter 3. National vulnerability to oil price rises</b>       | <b>41</b>  |
| Oil intensity   | 41         |
| Oil consumption and economic growth                               | 42         |
| Oil and human development   | 44         |
| Oil price vulnerability of the Asia-Pacific region                | 45         |
| An Oil Price Vulnerability Index                                  | 47         |
| Influence of HDI on country vulnerability rankings                | 50         |
| <b>Chapter 4. Options for reducing oil price vulnerability</b>    | <b>53</b>  |
| Managing oil price risk   | 53         |
| Enhancing oil supply  | 56         |
| Restraining oil demand  | 58         |
| Diversifying fuels  | 62         |
| Preparing for emergencies   | 66         |
| <b>Chapter 5. Options in renewable energy</b>                     | <b>69</b>  |
| The rise of renewables  | 69         |
| Renewables for grid systems                                       | 70         |
| Off-grid and mini-grid systems                                    | 72         |
| Heating   | 78         |
| Biofuels  | 81         |
| Financing experiences in making renewable energy affordable       | 86         |
| Switching to renewable energy to benefit the poor                 | 89         |
| A policy framework for renewable energy favourable to the poor    | 93         |
| The benefits of renewable energy services for the poor            | 94         |

|   |            |
|---|------------|
| <b>Chapter 6. Policies for an era of uncertain oil prices</b>   | <b>97</b>  |
| Baseline (BL)   | 97         |
| Supply Shock (SS)   | 97         |
| Peak Oil Price (POP)  | 99         |
| Energy Security (ES)  | 99         |
| China   | 102        |
| India   | 103        |
| Indonesia   | 104        |
| Lao PDR   | 106        |
| Recommendations for other countries, based on their OPVI scores   | 107        |
| Safeguarding the interests of the poor  | 108        |
| Recommendations for international action  | 110        |
| Proposal for a regional compensatory oil finance facility   | 111        |
| Where do we go from here?   | 115        |
| <br>  |            |
| <b>Appendices</b>   | <b>117</b> |
| Appendix A: Socioeconomic and energy profiles   | 117        |
| Appendix B: Macroeconomic indices   | 124        |
| Appendix C: Methodology for Oil Price Vulnerability Index calculation   | 125        |
| Appendix D: Oil Price Vulnerability Index: country grouping   | 140        |
| Appendix E: Assumptions used in the comparative analysis of<br>the generation costs of renewable energy technologies vs<br>oil-based power generation | 141        |
| Appendix F: Methodology of sub-strategy priorities  | 143        |
| Appendix G: Energy units, conversion factors and abbreviations  | 144        |
| <br>  |            |
| <b>References</b>   | <b>145</b> |