News Release

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US $400 Billion Needed Annually to Reduce Oil Consumption in the Transport Sector

4 April 2011

- Repowering Transport report: rapid increase in global transportation expected to cause up to 40% more oil consumption by 2030 under a business as usual scenario
- Compared to the estimated US$ 740 billion cost of annual global oil subsidies (IMF), the report estimates that a US $400 billion annual investment would diversify transport energy consumption away from oil and reduce oil consumption in transport by 2030
- Some countries are already taking substantial action: Brazil fuels nearly 25% of its transport sector with domestic biofuels; China plans to invest approximately US $15 billion in new energy vehicles over the next 10 years

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Click here to hear John Moavenzadeh, Senior Director and Head of Mobility Industries.

New York, USA – A report released by the World Economic Forum in collaboration with Booz & Company argues that countries seeking to reduce oil dependency and emissions of their transport sector must support the development, distribution and adoption of new technologies in transport through a structured policy approach, strong public-private partnerships, risk hedging and collaborative financing.

Global transportation and fossil fuels are inextricably linked. More than 60% of the 87 million barrels of oil consumed every day powers the world's transportation system, and liquid fossil fuels account for more than 96% of the current energy supply to the transport sector.

The Repowering Transport report estimates that a US$ 400 billion annual investment is required to achieve 25% penetration of alternative energy sources (electricity, biofuels, CNG/LPG) from 2010 to 2030 and reduce total oil consumption in transport by 0.5% per year. The capital needed is moderate in relation to the US$ 740 billion annual expense in global oil subsidies or the global transport industry's annual US$ 4,500 billion revenue. Research found that lack of financing for green transportation is not a matter of capital availability but rather of uncertainty in the regulatory environment and challenges in assessing the risk involved.

The report's proposed two-pronged policy approach to achieve energy diversification involves establishing regulation (fuel taxes, carbon fees) and/or setting performance standards that the market can meet independent of the technology choice, while supporting technology-specific policies chosen based on the country's own competitive advantage. "Understanding the opportunities and challenges in energy supply across all modes of transport is a highly complex undertaking; this report is the first to provide a comprehensive framework identifying critical enablers and ensuring deployment of the broadest range of technologies," said Nick Pennell, Vice-President of Booz & Company.

As examples, the report features China, whose US$ 15 billion investment pledge in electric vehicles, coupled with a tight-knit collaboration between government and private enterprise, aims to put 5-10 million electric vehicles on the

road by 2020. The report also highlights Brazil's consistent 30-year policy supporting the development of biofuels, a technology that today powers 20% of the country's entire transportation system. Brazil continues to support biofuels with up to US$ 2.5 billion dollars per annum of tax breaks and other consumption incentives.

"The report finds that oil will continue to be the dominant fuel for transportation over the next 20 years, but innovative partnerships among business, government, academia and civil society marks are accelerating technology development of alternative sources," said John Moavenzadeh, Head of Mobility Industries at the World Economic Forum.

The report sets out a framework to identify the most useful partnerships at each point of the technology lifecycle. Successful partnership case studies at the global and country level are featured in the report, including examples from Canada, Sweden, the United Kingdom and the US. The first interactive online data bank for transportation partnerships complements the report's findings, featuring 50 partnerships so far and is intended to be a resource for stakeholders in the partnership ecosystem of the transport industry: http://www.partnershipsforenergy.com/main.html

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