

*As Prepared for Delivery*



***ADDRESS***

**Energy Security & Sustainable Development**

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at the

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I will begin by expressing my most sincere thanks to the organizers for the invitation to speak at this year's International Energy Conference and Expo. It is my pleasure to be a part of this major event.

The theme, "Harnessing Energy for Development", is highly appropriate given the well accepted mantra that "energy is the lifeblood of the modern economy" which is underscored by the role of this critical element in economic growth. Energy, especially electricity, is a necessary enabler for the delivery of a variety of services essential for development. However, we can't speak of "development" without "sustainability", and therefore whatever avenues we pursue to meet the current energy needs of our economies and societies must not hinder the ability of future generations to meet theirs.

At CDB, we believe development must be holistic. Therefore, our approach is to foster an ecosystem that can serve the purpose of the present even while evolving to meet the challenges of the future. This type of system cannot exist without resilience across multiple dimensions – including social, financial, environmental, institutional, and productive capacity. This is fundamental to CDB's thinking and approach; and it is made clear across the organisation's Strategic Plan 2022-24 which outlines a comprehensive approach to supporting resilience building in the region. The Plan lays out clear commitments under the five key pillars of building resilience mentioned, as well as priorities for sustainable development across a wide range of sectors and sub-sectors, ultimately aimed at helping our Borrowing Member Countries – or BMCs as we call them – to achieve the sustainable development goals (SDGs).

Resilience is the key to neutralising the risks facing our people because of climate change, environmental degradation, health crises, and economic shocks among other threats. Resilience can bolster our economies, and facilitate the sustainability necessary for our region to thrive.

And, energy is a major part of our resilience focus. This raises the question: how do we as a region position energy as part of the resilience ecosystem, particularly in light of the region's current energy framework and arrangements designed for a bygone era? As we know, the Caribbean relies predominantly on imported petroleum products, in the form of heavy fuel oil, diesel fuel and petrol, for electricity generation, transportation, and industrial activities. The unit cost of electricity is among the highest in the world. Given this situation, a top priority for the Bank is supporting our BMCs in accelerating their energy transition, the ultimate objective of which is to achieve

“uninterrupted availability of energy sources at an affordable price”. The term for this is “energy security”, as defined by the International Energy Agency

For us at CDB, energy security is not a buzz term, it’s an imperative for the survival of our BMCs which have economies that are overly dependent on imported supplies. Among other impacts, this exposes our countries to the perilous vagaries of international oil prices, drives up production costs and increases public debt. In addition, for long term economic security, fossil fuel driven economies will also need to be mindful of the impacts of over reliance on unpredictable and declining revenues from oil and gas as the global energy transition proceeds.

A transition to sustainable energy, inclusive of renewable energy, or RE, and improved energy efficiency, can address the energy security challenges of BMCs, while simultaneously allowing these countries to achieve their climate change objectives. However, the necessary shifts will not happen automatically or overnight - we must be strategic to adequately manage potential negative impacts due to disruption. Simply put, we must ensure that the Caribbean undergoes a suitable, structured energy transition that safeguards against our unique vulnerabilities, and allows us to exploit our natural endowments while maintaining immediate stability and safeguarding future ambitions.

Here in Guyana, the Government and people have a unique opportunity to balance near-term economic growth with the imperative of establishing a resilience ecosystem to achieve economic security. To facilitate this, strategies are required to ensure a long-term outlook that is economically, socially and environmentally sustainable. In this regard, please allow me to commend the Government for their Low Carbon Development Strategy 2030, which recognises many of the challenges I have mentioned, yet sets out a clear sustainable development agenda.

In terms of the Bank’s approach to supporting BMCs in their energy sector transition, CDB’s new Energy Sector Policy and Strategy clearly articulates full support for the clean energy transition, while recognising that oil and gas will continue to play an important role for Caribbean countries in the near to medium term. CDB is committed to working with BMCs and partners to accelerate the shift towards sustainable energy options as the current slow pace prolongs exposure to major risks. We are therefore focusing our support on catalysing actions to overcome known obstacles, scale-up sustainable energy investments and increase resilience.

As we seek to achieve this, I wish to highlight 3 key points here this morning which underscore that while the energy transition will be challenging it remains an absolute necessity, yet it must be strategically managed.

1. Firstly, notwithstanding the imperative and strong commitments of our BMCs to achieve their climate change targets, the issue of inadequate energy security remains the overarching challenge for most. There are a range of socio-economic risks linked to this situation, but the key issue here is our economies being held hostage by the volatility of the international oil market. For example, based on CDB's estimates, over the period January to June 2022, fuel price hikes added approximately 2 billion United States dollars to the region's fuel bill. Consequently, over this short period of just 150 days, CARICOM Governments, businesses, households, and citizens had to find a total of 2 billion United States dollars to pay for energy – on top of the already challenging, post-pandemic fiscal conditions. I submit that we cannot achieve resilience until we address this crippling issue of energy security.

2. Secondly, BMCs need to do all that is necessary to rapidly increase the contribution of RE to their supply mix. Pursuing a shift to RE, and also improving energy efficiency will allow countries to meet their Nationally Determined Contributions commitments as well as improve their energy security situation. Unfortunately, this shift has been slow. The regional Renewable Energy electricity generation capacity currently represents approximately 12% of the total installed capacity. However, to be on track to achieve the targets outlined in the CARICOM Sustainable Energy Road Map and Strategy, this figure should be closer to 28%. It goes without saying, we are lagging way behind.

This is why the main focus of CDB's Energy Sector Policy and Strategy is to support the increased scale and pace of the transition across all BMCs. To do this, the Bank has operationalised a framework called the Accelerated Sustainable Energy and Resilience Transition 2030 or the ASERT-2030 framework. Through ASERT-2030 CDB will help BMCs to catalyse sustainable energy investments, through – among other things - enhanced sector diagnostics, identification and development of transformative sustainable energy initiatives which address key barriers, and de-risking of transformative thematic areas or sub-sectors to create investment opportunities, especially to encourage private sector participation. In addition, strong strategic partnerships will be a central feature of the framework to facilitate scaled-up resource mobilisation and increased coordination among local, regional, and global actors supporting the sector. I will share more on ASERT later.

I also need to highlight another important factor driving the imperative to re-double our efforts to expedite the shift to RE, and this is the current and emerging threats to the region's competitiveness. Global trade rules, particularly in relation to European trade, increasingly require "green" products. For example, the Carbon Border Adjustment Mechanism, CBAM, will be implemented by the European Union, or EU, beginning in October 2023 with a transitional phase, with the system to come into full effect in January 2026. Under the CBAM, selected carbon intensive products imported into the EU will effectively be taxed based on their embedded GHG content. As a result, there is an opportunity to improve the competitiveness of regional exports, by reducing carbon intensity, but this will require action to accelerate the energy transition.

Finally, all strategies, plans and initiatives focused on driving the energy transition need to be grounded in the realities and contexts of regional and national conditions. Even as we align ourselves to accelerate the pace and increase the scale of the transition – as I have already indicated – it cannot and will not happen overnight and also, there is potential for significant disruption.

One aspect which needs to be considered is that, even as we transition to increased RE, over the short to medium term, our vulnerability to global oil market disruption, as acknowledged earlier, remains a major concern. As such, it is critical that the energy transition be managed in a manner which allows for hydrocarbon supply security based on the region's natural endowment in Guyana, Trinidad and Tobago, and Suriname. Therefore, we can also improve regional energy security by reducing the dependency on external resources. This is a critical lesson emerging from Europe's experience with the Russian-Ukraine war.

In recognition of this need, and in support of a managed approach to the energy transition, the CARICOM Heads of Government at their July 2022 meeting in Suriname, among other things, agreed on:

- Increased "focus and investment in energy security by utilising and harnessing hydrocarbon resources in the region towards reducing dependency on external resources and supplying the growing global needs arising out of the Russia-Ukraine conflict;"
- The pursuit of "energy diversification and security through making use of significant assets in the Region with immediate existing capacity in liquefied natural gas and fertiliser for agriculture;"

And,

- The development of the RE sector “through building infrastructure to meet regional power generation needs.”

A carefully managed process will help to ensure that solutions to difficult regional challenges such as food security and intra-regional transport, that is regional air and marine transport, could benefit from appropriate investments which enable predictable, affordable energy prices over a pre-defined period. The cost of energy is a significant factor in the cost of food production and air and marine transport. Therefore, the matter of energy costs must be an important consideration in any strategy being developed to address these areas.

Further, as part of this managed process, strategic integration should align short to medium term energy security strategies – which leverage the immediate benefits of hydrocarbons – with longer-term plans focusing on increased deployment of renewables that are abundantly available in all countries. This is why we are approaching this shift as a transition, it’s a balancing act.

We observe the notable leadership of Guyana, Trinidad and Tobago and Suriname in articulating the need for and taking steps towards this regional energy security strategy. In parallel, CDB and key partners, including the Inter-American Development Bank, IDB, and the Caribbean Centre for Renewable Energy and Energy Efficiency, CCREEE, have initiated the preparation of a Regional Energy Security Strategy linked to the optimal development of RE resources, including the wide range of options, such as green hydrogen, green ammonia, long-term storage and the interconnection of electricity grids.

To summarise this final point, CDB agrees that that the region would be best served by an integrated approach, which will support managing the transition process in a manner which takes into account our special development challenges, and with a focus on long-term energy security and resilience building.

Having shared views on the actions required for the transformation, I must mention the important subject of financing. It may be interesting to note that over the period of 2015-2020 financing for sustainable energy projects has accounted for approximately 14% of CDB’s total approved financing. In addition, for 2021 and 2022, climate finance, including sustainable energy, amounted to 61.4 million United States dollars or 17.9% of CDB’s total approvals. In 2021, the Bank committed to allocate 25-30% of its own resources by 2024 to support climate change actions in

BMCs. In 2022, this climate finance represented 25.9% of total project approvals, reflecting steady progress towards the target. A significant portion of this will be for supporting BMCs with their energy transitions. In addition to our own resources, CDB has mobilised and will continue to mobilise resources from financing institutions and other partners to support sustainable energy initiatives in the region.

However, based on the current trajectory, the Nationally Determined Contributions and regional RE targets will be missed by very far margins. If countries are to achieve the 2030 RE targets, the rate of RE capacity installation per year must increase about fourteen-fold, requiring more than 1.25 billion United States dollars per year over the next 7 to 8 years. Clearly, the targets cannot be achieved by the current business-as-usual approach and will require bold and assertive actions reflecting urgency in the scaling-up of private investment.

As such, financing resources from a wide range of actors will be required, with a significant portion required from the private sector. Therefore, an enhanced focus on supporting countries with improving the regulatory and legal frameworks to enable and incentivise private investment is a key element of CDB's aforementioned ASERT framework. To this end, CDB will be hosting its first targeted regional ASERT Dialogue to facilitate the development of a comprehensive assistance programme to support BMCs in significantly strengthening their regulatory frameworks towards rapid and scaled RE investments, thereby expediting their energy transition. CDB considers that limitations of the enabling framework across the region is the single most significant impediment to achieving the aforementioned scale and pace of the sustainable energy transition.

We are extremely excited about ASERT-2030, and I cannot miss this opportunity to share more of its other notable transformative initiatives with you, such critical stakeholders.

- The ASERT framework will support acceleration of the crucial process of comprehensive 'greening' of the public sector in BMCs – including energy efficiency and RE for Government facilities, as well as electrification of public sector fleets;
- It also speaks to ramping up investments in Grid modernisation to improve resilience, reliability, efficiency, and enable increased RE penetration, through transmission and distribution system upgrades, smart grid technologies, battery storage technologies and micro-grids;  
and, finally,
- There is enhanced focus on de-risking of opportunities in the areas of off-shore wind and

green commodities – such as green hydrogen – which present massive opportunities for the region to truly become energy independent.

I wish to close by reiterating my earlier point about the importance of an integrated approach. Enhanced coordination and cooperation between countries and partners are needed if countries and the region are to succeed in navigating the energy transition and building the resilience ecosystem that will reduce our vulnerabilities and bolster our ability to recover from shocks. In this regard, CDB is embracing the challenge to play an increased leadership and coordination role in the sector, leveraging its unique position as the only multilateral development bank focused on the Caribbean. We remain committed to working with the countries and all partners on a more optimal approach and more efficient deployment of resources.

Distinguished delegates, thank you for your kind attention this morning, and for your contributions to this Conference, a critical marketplace and forum for knowledge gathering and information sharing, proudly hosted by Guyana, a founding and vibrant member of the region's development bank. Thank you Guyana.