



Welcome Message

# **Regional Regulatory Accelerated Sustainable Energy and Resilience Transition (ASERT) 2030 Dialogue**

Mr. Joseph Williams

Coordinator, Sustainable Energy Unit

Caribbean Development Bank

Welcome to the Regional Regulatory (RR) Accelerated Sustainable Energy and Resilience Transition (ASERT) 2030 Dialogue of the Caribbean Development Bank (CDB). We look forward to your active and robust participation towards the achievement of the set objectives.

Also, welcome to the RR-ASERT 2030 Dialogue Webpage.

## **Rationale**

This RR-ASERT Dialogue is being held as part of CDB's ASERT-2030 thrust aimed at identifying and implementing transformative initiatives (referred to as ASERTives) to address barriers and generally de-risk and unlock opportunities to significantly increase the scale and pace of investment in sustainable energy.

ASERT 2030 is a key strategy of the Bank's **Energy Sector Policy and Strategy** in responding to the observed slow pace of investment in renewable energy (RE) and energy efficiency (EE) in its Borrowing Member Countries (BMCs). It therefore seeks to assist these countries to be more assertive in transitioning their energy sectors away from the over-reliance on imported petroleum products and fossil fuels in general. In this regard it will support these countries in pursuing their 2030 RE targets established as part of their climate change commitment and sustainable development goals. An equally important objective for the BMCs in transitioning their energy is that of improving their energy security. By virtue of their fuel-import-dependence, the economies of most BMCs remain vulnerable to the vagaries of the international oil market. This continues to represent significant fiscal risk, and threat to economic stability and growth and undermines poverty reduction and sustainable development efforts.

## **Enabling framework**

The establishment of clear government policies is considered to be the first step towards achieving the energy transition in the electricity sector. This must be attended by the relevant reforms to laws (electricity acts, etc) and implementation of appropriate regulatory apparatus/function – broadly referred to as the regulatory framework, necessary to guide the behavior of the integrated monopoly utility, and entrance of new private players especially in generation. It is accepted that economic regulation of the electricity sector is necessary to address significant market failures resulting from economies of scale and scope in production as well as information asymmetries in the market (in the context of electric utilities evolving as natural monopolies). Therefore, economic regulation is an almost universal feature in market economies to effectively and efficiently operate utilities and to prioritise sustainable energy. More broadly, the establishment of an economic regulatory function is essential to provide stability, protect consumers from the abuse of market power, guard consumers and utility against political opportunism, and to provide incentives to the utility to operate efficiently and make needed investments in sustainable energy and other utility infrastructure; as well as to facilitate and incentivise the participation of private investors.

While virtually all CDB BMCs have articulated energy policies, which promote and prioritise sustainable energy, most however, have not implemented the necessary reforms to establish an effective governance framework (legal and regulatory systems) to facilitate the energy transition.

This enabling framework is considered a critical and necessary step since it has also been agreed that the bulk of the investments must be provided by the private sector. This can only occur if relevant laws are in place making it legal (given that electricity supply is traditionally provided in the context of integrated monopoly utilities) for the private investor to participate and the rules (technical and administrative) for their engagement are clearly established, transparent and stable to provide the necessary confidence for them to risk their capital and that they will achieve reasonable return on their investments.

While there has been significant progress in a few countries in implementing appropriate regulatory reforms, it has been very slow in most others. In fact, based on CDB's analysis, it is considered that the inadequacy of the governance framework (referred to as regulatory framework) in most countries is a significant barrier to the rapid scale-up of investment in renewable energy, and is therefore a target for a Regional Electricity Sector Regulatory (RESR) ASERTive. The observed slow progress is not unrelated to known challenges. First of all, implementing economic regulation in small markets of SIDS is difficult for a variety of reasons (including that scarce specialised expertise is required), secondly the market is different (with respect to size, economic, historical/cultural, political contexts and other legacy issues) in each country requiring almost bespoke solutions. Further, even in the more mature markets, implementation may be considered to be in its infancy.

### **CDB's Role**

There has been significant contributions from the donor community to assist countries over time in various ways to strengthen their regulatory frameworks. These efforts have been piece-meal and 'stop-and-start', often without the necessary follow-up support to ensure sustainability. Further, lessons learned by some BMCs which could be applicable to others are often lost owing to the absence of an approach which facilitates information and experience sharing in a systematic manner. In addition, there is need for expanding the pool of national and regional experts to establish a critical mass which can facilitate a repository of knowledge and Caribbean experience, providing support over the long-term towards greater sustainability.

CDB considers that, based on its unique place of being the multilateral development Bank with the widest active borrowing-country membership (spanning BMCs along the entire regulatory frameworks implementation spectrum), it has a unique role to work with partners to facilitate and support BMCs in establishing a more optimal and sustainable approach to implementing appropriate regulatory frameworks. The overall aim is to support and strengthen BMC governments, regulatory bodies and regional partners to fulfill their role in establishing or strengthening appropriate regulatory functions and enabling frameworks for RE investments, in general. The RR-ASERT Dialogue therefore represents the beginning of a process to significantly change the status quo going forward, where a more systematic approach can be adopted to support BMCs in the strengthening of their regulatory frameworks.

### **Targeted Outcomes**

To this end, it is intended that through Strategic ASERT Partnerships, at the end of the Dialogue, inter alia, the following will be achieved towards the establishment of an RESR-ASERTive for a more sustainable approach:

1. Identification of prioritised interventions for the strengthening of the regulatory framework in each BMC; and also identification of specific support from CDB and partners for these interventions;
2. Consensus on key elements of a conceptual minimum regulatory function for BMCs.
3. Consensus on the key elements of a framework for tracking progress in readiness for RE investments and the enabling framework in BMCs;
4. Identification of the key elements of a framework which allow for real-time and effective communication of support being provided by various partners, the impact of interventions and the remaining gaps, to facilitate more optimal deployment of CDB and partners' resources to support BMCs
5. Communication of CDB resources available for capacity strengthening for regulators in the form of short-term specialist support; an on-call help-desk approach is proposed.
6. Identification of capacity strengthening interventions for OOCUR and other regional organisations to more fully implement their mandates as related to regulatory frameworks.
7. Exploration of approaches for leveraging regional expertise and experience to support BMCs which are at an earlier stage of the implementation of their regulatory framework;
8. Exploration of the establishment of working groups to address specific challenges identified.

Thank you.