



**Feature Address by Senator Hon. James Fletcher
Minister for Public Service, Sustainable Development,
Energy, Science and Technology
Government of Saint Lucia**

**At the Financing Sustainable Energy in the Caribbean Workshop
“The Importance of Sustainable Energy in the Caribbean Region”**

26 November, 2012

Blu Hotel
Rodney Bay
Saint Lucia

Salutation

Good Morning

Introduction

On behalf of the Government of Saint Lucia I want to welcome you to Saint Lucia and to this workshop on Financing Sustainable Energy in the Caribbean. I wish particularly to thank the Eastern Caribbean Energy Labelling Project (ECELPE), implemented by the Caribbean Renewable Energy Development Programme (CREDP-GIZ) and the OECS Secretariat, the Caribbean Sustainable Energy Program (CSEP), executed by the Organisation of American States (OAS), and the Caribbean Confederation of Credit Unions (CCCU) for collaborating in hosting this meeting.

The Government of Saint Lucia is very pleased to be associated with this meeting, which is both timely and important for us. In fact, its timing could not have been more opportune, the reason for which I will share with you at the end of my address.

The Global Picture

The global demand for energy is projected to increase at the rate of 1.2% per year until 2035. Like in so many other sectors, China is fuelling much of this growth. It accounts for 36% of the projected growth in global energy use and its demand is expected to increase by 75% between 2008 and 2035.

Data from the draft CARICOM Energy Policy, from which these earlier statistics were also obtained, suggest that renewable energy-based power generation is projected to triple between 2008 and 2035 and the share of renewable in global electricity generation will increase from 19% in 2008 to almost 33% by 2035, with wind and hydropower accounting for the largest increase. Electricity produced from solar photovoltaics is expected to increase rapidly, but its share is anticipated to reach only 2% in 2035

The Regional Landscape

All of our CARICOM Member States depend heavily on fossil fuels for energy. Of course, as we all know, where fossil fuels are concerned, we were not all created equal. Trinidad and Tobago produces and exports petroleum and petroleum products and natural gas. Suriname, Barbados and Belize produce limited volumes of crude oil to supply some of their domestic needs, but they

are all net importers of petroleum products. In the case of Barbados, it also produces natural gas for domestic use. All of the rest of us fall in the unenviable category of non-producer/heavy petroleum importer.

In recent years, the issue of sustainable energy has gained more prominence on our domestic and regional agendas in the Caribbean. The spike in the world price of oil in 2008, which saw prices hit a peak of US\$147 per barrel in July of that year, brought sharply into focus our vulnerability to petroleum products and the impact that increases in the cost of these products could have on our economies. Energy is vitally important to our survival and success as Small Island Developing States (SIDS) and the cost of energy has a direct influence on the price of many goods and services. Regrettably, our CARICOM region is one of the most fossil-fuel dependent areas in the world. Almost all of our energy is derived from petroleum products. A 2009 World Bank report on the establishment of a regional electricity regulator for the OECS indicated that for every US\$10.00 increase in the price of oil on the world market, there is a corresponding 1.5% GDP increase in the cost of generating electricity in our region. It goes without saying that this is not a comforting statistic for any Caribbean government.

Electricity consumption in all of the CARICOM Member States, with the one exception of Haiti, has been increasing steadily, with the demand in the OECS growing at the rate of 3-4% per annum, fuelled by the commercial and residential sectors. In the case of Saint Lucia, over the last eight years (2003-2011), consumption has increased in the various sectors by the following amounts per annum: (i) domestic – 2.7%; (ii) commercial – 4.1%; (iii) hotel – 3.6% (5.0% if we discount the data for 2011, when there was contraction in the hotel sector); (iv) industrial – 5.2%; and (v) street lighting – 14.67%. The contribution of these sectors to national energy consumption is 34%, 35.6%, 20.6%, 5.6% and 3.1% respectively. But it is not just rising electricity consumption that is causing our region to be so heavily dependent on fossil fuels. In many of our countries, Saint Lucia included, the transportation sector has overtaken the electricity sector as the major user of energy.

A Serious Constraint to Development

A lack of access to clean, affordable and reliable energy is a serious constraint to human, social and economic development. In fact, it has been identified as a major impediment to achieving the

Millennium Development Goals. It is not by accident, therefore, that the United Nations General Assembly designated this year, 2012 as the International Year of Sustainable Energy for All.

The impact of the current global financial crisis has been exacerbated by escalating energy costs and several other environmental problems that erode our developmental strides and threaten our quality of life. Sustainable development cannot be achieved without a pathway that includes sustainable energy. Access to safe, clean and sustainable energy supplies is one of the greatest challenges facing our region. The continuing political volatility in the Middle East also presents another reason for concern. It is clear that if we want our countries and economies to continue to grow and develop, we must find affordable and long lasting solutions to address our energy needs.

Regional Initiatives

In response to this urgent need to improve our energy security, our Governments have embarked on a number of initiatives, locally and regionally. Among the plethora of regional responses have been:

1. PetroCaribe, to which most CARICOM countries are signatories (except Saint Lucia, Barbados and Montserrat),
2. The Caribbean Renewable Energy Development Project (CREDP),
3. The Caribbean Renewable Energy Capacity Support (CRECS) (EU-funded, CARICOM-implemented) (Increase of the contribution from RE sources to the overall energy consumption of CARIFORUM countries support of the Energy Unit of CCS and Member States through capacity building to enabling them to fulfill its tasks),
4. The Caribbean Hotel Energy Action (CHENACT) (IDB-funded),
5. SIDS DOCK (a collective institutional assistance mechanism to proceed on a sustainable economic development path and help generate financial resources for addressing climate change adaptation, developed jointly by the Caribbean Community Climate Change Centre (5Cs) and the Secretariat of the Pacific Regional Environment Programme (SPREP)),
6. The Energy and Climate Partnership of the Americas (ECPA) initiative (announced at the 2009 the Summit of Americas by President Obama to support sustainable energy development and clean energy matters),

7. The Caribbean Sustainable Energy Roadmap and Strategy (C-SERMS) (an updateable sustainable energy planning mechanism and communication tool to be developed through the CARICOM Energy Programme in collaboration with CARICOM Member States and other partners),
8. The Caribbean Sustainable Energy Programme (EU-funded, OAS implemented, OECS and Bahamas),
9. The Eastern Caribbean Energy Labelling Project (ECEL),
10. The World Bank-supported Eastern Caribbean Energy Regulatory Authority Project, and
11. The OECS Sustainable Energy Technical Assistance (SETA) project, which is funded by the CDB.

These regional programmes are layered on top of several national initiatives, much too numerous to detail, that seek to develop renewable energy resources or to promote energy efficiency and energy awareness among local consumers.

Barbados Declaration

In May of this year, our CARICOM Governments joined their counterparts in the Alliance of Small Island States (AOSIS) to adopt the Barbados Declaration on Achieving Sustainable Energy for All in Small Island Developing States (SIDS). In addition to making voluntary commitments in pursuit of a Sustainable Energy future, the AOSIS community reaffirmed its commitment to working “towards the continued development and implementation of policies and plans to ensure the transformation of the current fossil fuel based energy sector to a modern, affordable and efficient renewable energy sector”.

Climate Change

If any further reason was needed to justify the importance of pursuing a Sustainable Energy agenda, it can be found in the Climate Change discussion. Climate Change will affect every one of our Member States in the region in a variety of ways, and the use of fossil fuels to generate energy is one of the key contributors to global emissions of carbon dioxide. In fact, The World Energy Council estimates that the energy sector is responsible for 60% of the global (GHG) emissions. While the Caribbean is a very small contributor to the volumes of carbon dioxide produced globally, this does not absolve us of a responsibility to play our part in reducing these emissions in any and all ways possible.

We will feel the impacts of climate change in the rising sea levels that will threaten our coastal communities and our economic infrastructure, which is largely coastal in location. We are almost certain to be affected by more frequent and severe weather phenomena, either in the form of hurricanes or drought. A study by the CARICOM Secretariat has suggested that our region may experience as much as a 30% reduction in water availability as a result of a 2°C increase in temperatures. There are also the impacts on our mangroves and marine resources, our agricultural soils being made more saline and less productive by salt water intrusion, and our health sector being negatively affected by increased activity of disease vectors.

The Way Forward

It is clear that all of our Governments recognize the critical importance of pursuing a Sustainable Energy pathway, and several actions have already been initiated at the domestic and regional levels toward this end. However, I do not believe we have managed to catalyze game-changing action or galvanize sufficient national interest in our respective countries on this issue.

The contribution of renewable energy to our national energy portfolio is too small and not growing at a fast enough pace. This is not the result of an insufficiency of potential or a lack of investor interest. I am sure that I speak for most, if not all, of my colleague Ministers of Energy when I say that the outside investor interest in the renewable energy sector in our country is impressive, if not sometimes overwhelming. Our fledgling Ministries of Energy have been asked to review several proposals, encompassing a wide range of technologies, from investors of varying levels of seriousness and resources, in almost every renewable energy sub-sector. Very often, these proposals come with Letters of Intent, Memoranda of Understanding or Exclusive Commitment Requests attached. The level of due diligence and technical analysis required are often beyond the capacities of our Governments. We must remember that it is only in recent times that some of our Governments have established dedicated Ministries of Energy or Energy Planning desks. In the past, the remit of most of our Ministries did not extend past basic electric utility regulation; energy planning was often left to the utility company. There is a need to address this deficiency if we want to maximize our opportunities in the renewable sector and not fall prey to energy speculators who do not have the capacity to deliver on their lofty promises. Our Government has decided to enlist the support of external partners in developing, publishing and reviewing Requests for Proposals (RFPs) by investors who are interested in participating in

the energy sector in Saint Lucia. In our opinion, that is the best way to ensure transparency, due diligence and best value for money.

However, as we all know, a sustainable energy agenda is not just about promoting and exploiting renewable energy resources. It also involves pursuing energy efficiency technologies and actions and improving public awareness of their role in ensuring the optimum use of our resources. We would not have met our goal if we were to simply replace fossil fuels with wind, solar, hydro, biomass, waste or geothermal sources and not inculcate new approaches to the use of energy. We have to cause all our sectors - residential, industrial, tourism and hospitality, commercial, agricultural, transport and public service - to be more efficient and prudent in their use of energy. This is not yet the case and we have to redouble our efforts in this area. This is why initiatives such as ECELP that work with the Bureau of Standards to promote energy standards and energy efficiency are very important in this regard.

The Role of Financial Institutions

Having said all of this, what part then can Financial Institutions such as yours play in ensuring a more secure energy future for our countries? Well, I am tempted to say “take your pick”, but I will not. However, there are several opportunities for funding much-needed investments in the generation of renewable sources of energy, particularly in wind, solar, hydro, biomass and photovoltaic.

Our Sustainable Energy programme, which must be underpinned by a suite of enabling Government incentives, should stimulate an increased demand for energy-efficient and energy-saving appliances and devices. Funding opportunities will present in these areas, both for the companies importing these devices and the consumers purchasing them.

We expect a strong move toward retrofitting commercial and public buildings to make them more energy-efficient. Again, this will require capital for the private and public sectors, as well as the Energy Service Companies that are expected to flourish in this new environment.

As I stated earlier, the transport sector is also expected to receive attention in a Sustainable Energy programme and like in the building retrofitting sector, this will create a need for capital from the importers of more energy-efficient vehicles and the public who will purchase these vehicles.

You will note, however, that while I was tempted to say “take your pick”, I did not. That is because I realize that there are challenges that financial institutions will confront in any foray into the sustainable energy sector.

First of all, many sustainable energy projects are still quite risky and risk mitigation is an important component of the operations of your institutions. Therefore, there may be a tendency to be tentative and to wait and see how things play out before you commit funds to a SE portfolio. Secondly, like many of the Governments, Financial Institutions do not have the requisite technical capacity to appraise SE proposals. However, this presents an opportunity for the many professionals who have been trained in this area to present themselves as consultants to whom the FIs can outsource their project appraisal needs. The absence of a transparent or enabling legislative or regulatory framework is another hindrance, which is out of the control of FIs. Governments will have to take the necessary steps to ensure that these frameworks are in place, including amending Electricity Supply Acts to remove obstacles that prevent independent power producers from operating.

Conclusion

Our Government recognizes these obstacles and pledges to work closely with all stakeholders to ensure that we can move quickly and smoothly from talk and concept to action and benefit. In this regard, I am pleased to announce that the Government of Saint Lucia, through my Office as Minister with responsibility for Energy, will today be signing a Memorandum of Understanding with the Clinton Climate Initiative of the William J. Clinton Foundation to explore all options to reduce our dependency on fossil fuels to generate energy and reduce energy importation by initiating renewable energy projects that will be implemented by Saint Lucia. We are very excited about this partnership, which grew out of a meeting between the Chairman of the Clinton Foundation and myself, in the margins of the aforementioned Barbados Meeting on Sustainable Development in May of this year. This strategic partnership will allow Saint Lucia access to the requisite levels of technical expertise and international networks to make the best and most transparent decisions to impact positively on our energy future.

Ladies and gentlemen, we believe Sustainable Energy can be the big game changer for our economies in the Eastern Caribbean. The potential benefits and positive spin-offs are numerous,

wide-ranging and far-reaching. It is perhaps the one area that will allow us to emerge from this global economic crisis a more resilient, competitive and viable region. However, for that to happen, we all have to work efficiently, purposefully and collaboratively to translate a good opportunity into a position of strength. Too often in the past we have seen opportunities like these go to waste because of indifference and inefficiency. Our sustainability as Small Island Developing States hinges on our ability to secure our energy futures. Let us get this one right.

I thank you.