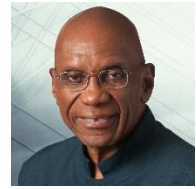




## Economic Letter December 2019



### **A Practical, Consistent Strategy for Renewables is Urgently Needed**

In an informed front page editorial on November 25, the Barbados Advocate had this to say about the power outage crisis in Barbados: "[Emera, the Canadian parent of the Barbados Light and Power Company] chose to invest in Barbados, acquiring control of the sole generator and provider of electricity, a private sector entity with an aging generation plant and distribution system. ... [the] company.. was looking at a replacement programme for that generation plant, but was informed by the previous Government that they were going to lose nearly half of their generation business to renewable energy [RE] projects coming on stream from new investors within a few years. In the end, this never happened.

"Additionally, they were then told, when the present Government took office, that by 2030, all generation must be RE, and that other RE investors would be permitted."

"... the single most important criteria in attracting investment is certainty, and these Government interventions surely created a lot of uncertainty for them. New generation capacity is a significant and long term investment, so we cannot fault Emera in their decision to be cautious, and look at investing to extend the life of the existing equipment, faced with these various Government commitments. Generation capacity equipment looks at a 25-30 year life for cost recoupment..."

What is needed to create certainty for investors is a practical, consistent policy document on alternative energy, with realistic targets and an action plan for tracking progress. This document should clarify the government's target for renewables. Is it to generate all electricity from renewable sources, or to completely eliminate the use of fossil fuels? Neither of these objectives can now be attained by 2030. The BL&P has now ordered a new 33 MW generating plant which runs on fossil fuel, and which will still be in full operation in ten years' time. In addition, most of the gasoline and diesel powered vehicles imported this year will still be on the roads in 2030.

Government's RE policy document must also be clear on the chosen mix of technologies to be used in achieving the RE target. While solar PV is already in place and approval has been given for the first wind turbines, the expected contributions of biofuels and waste-to-energy remain uncertain. Government Ministers have also spoken of ocean thermal, offshore wind and other technologies which are not commercially feasible at the present time. If they are to be part of the mix, the target date will be pushed even further into the future. Also, no decision has been announced on energy storage options.

Government's RE strategy document must include a timeline for bringing tax policy in line with the renewable energy target. Government Ministers admit publicly that the tax on imported electric vehicles is inconsistent with the RE target. There are no tax concessions or fiscal incentives for independent power producers; at least one potential investor in wind turbines has given up in frustration after failing to secure planning permission after years of effort.

The replacement of fossil fuels by renewable energy sources has the potential to transform the Barbadian economy, saving foreign exchange, liberating the country from oil price fluctuations, and creating new jobs and income. However, the changeover will not happen on its own; it must be guided by a fully informed, expertly crafted strategy document, with realistic targets, and an action plan for implementation. The policy document must be clear on the RE technologies to be adopted, and government must be clear on its own role, and on the incentives to be provided to private investors and energy users. The action plan must include intermediate targets and deadlines at 3-5 year intervals, with indicators for Government, investors and users, to make sure the programme stays on track.

The power outage crisis is a warning that a practical, fully informed strategy document with realistic guidelines, responsibilities and monitoring, is now of the highest priority.