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Minister of the Environment and Housing
Address to the Bahamas Business Outlook
January 13th, 2014
Melia Resort, Cable Beach
Topic: Energy Reform in The Bahamas

(Greetings and Salutations)

Ladies and Gentlemen

Good Morning

Let me begin by thanking you for having me this morning. It is important that we meet in sessions like these to discuss important matters pertaining to the economic growth of our beloved nation. I am grateful for the opportunity to participate in such a discussion.

It is no secret that the cost of electricity has been a vexing problem not only to the average Bahamian citizen but also to those endeavoring to do business in The Bahamas for a long time. Some businesses must make the choice whether to make payroll, to purchase merchandise, to maintain machinery or to pay the electricity bill. Some businesses opt to make a payment on the electrical bill just to keep it on.

It is also no secret that the Bahamian economy was in a dire state and needed immediate resuscitation. Part of the effort to revitalize the economy has to be

the attraction of new investments and the encouragement of existing business owners to keep their doors open. The burden which electricity has become is something that can only hamper our economic development and global competitiveness as a nation. It has also set back a number of our people for decades because they have found themselves adapting to a life without electricity because of the cost of keeping it on.

This government made a commitment while in opposition in our Charter for Governance to reduce the cost of electricity and we have embarked on a course of action to do just that. We understood then and even more so now that the stable, affordable and secure supply of energy to a modern economy is vital to ensure community prosperity and underpin economic growth.

Energy Sector Reform has become an imperative to conducting and attracting new business ventures successfully in this country. In February of last year the Prime Minister spoke in Parliament on this very subject stating that, "These are issues that concern us and let me just state it for you. The cost of electricity is an extraordinary drain and has an extraordinary impact on Bahamian families. We all agree with that." In the same presentation the Prime Minister stated that the government had been advised by a senior official at the Bahamas Electricity Corporation (BEC) that the "operational cost for investors and commercial entities was as high as twenty percent. Anyone looking at the economic situation in our country and saying that they want to invest, whether it is in Bimini, whether it is

in Grand Bahama, they face this extraordinary, intimidating circumstance of the costs.”

As we all are aware the electricity in most parts of The Bahamas is generated and distributed by the Bahamas Electricity Corporation (BEC). This electricity is generated by gas turbines which are costly to acquire and maintain and have contributed to the environmental degradation of our beautiful islands because of the petroleum-based fuel used to operate the equipment.

For years we have experienced raising monthly costs due to the cost of fuel and operational inefficiencies at BEC. We have also experienced what is called load shedding which means that on any given day electricity services could be cut for hours on end. We have sought to ensure that load shedding becomes a thing of the past but when it is experienced, this unreliability only adds to the cost of doing business because of the need to ensure that your business is equipped with a generator.

Appreciating the burden being carried by Bahamian families and the business community, the government of The Bahamas has sought to reduce operational costs at BEC by improving operational efficiencies and reducing waste wherever possible. I commend the management and personnel at BEC for their efforts thus far in this regard. The government has also established an Energy Task Force which has been charged with advising on solutions to reducing the high cost of

electricity. We eliminated the excise tax on fuel used by BEC in the 2013-2014 budget. We eliminated tariffs on inverters for solar panels and LED appliances to ensure that more citizens would be able to afford these energy saving devices. And a loan was approved by parliament in the amount of Two Hundred and Fifty Million Dollars to rehabilitate and improve BEC's financial position. All of this is apart of our continuing efforts to reduce the cost of electricity thereby reducing the cost of doing business in The Bahamas and bringing relief to our people.

Since economic growth, job creation and a better life for Bahamians are high priorities on the government's agenda, we were compelled to reform the energy sector with the following objectives:

- ³⁵/₁₇ To provide energy supplies to consumers that will meet long term growth demands for energy
- ³⁵/₁₇ To increase international competitiveness in production in order to promote economic development and job creation
- ³⁵/₁₇ To utilize economically viable renewable energy sources to promote environmental sustainability
- ³⁵/₁₇ To provide long term energy security to producers and consumers
- ³⁵/₁₇ To increase Bahamians awareness of energy its use and conservation methods in their daily lives
- ³⁵/₁₇ To increase energy efficiency
- ³⁵/₁₇ To provide modern and expanded energy infrastructure
- ³⁵/₁₇ To create a regulatory framework that promotes transparency, investment,

competition, efficiency, and public-private partnerships

³⁵₁₇ To foster sufficient flexibility that adopts and adapts to new energy technologies

³⁵₁₇ To establish an institutional framework with high levels of technical capacity to support and facilitate the implementation of policy by all stakeholders; and

³⁵₁₇ To provide investment and business opportunities with spin off benefits to other sectors.

To this end the government of The Bahamas through a statement released by Prime Minister Christie revealed its plans moving forward to reform the energy sector of The Bahamas. The first step of which was to issue a "Request For Proposal(RFP) to seek a partner or partners to assist us in turning around our energy sector. Our objective is to realign BEC, and to create efficiencies which will allow for significant reductions in the cost of energy, increased energy security, environmental responsibility, reliability, and increased competitiveness as a country."

In order to achieve our objectives as outlined, the RFP process seeks to separate power generation from transmission and distribution of electricity by creating two companies into which relevant assets, liabilities and operations of BEC will be transferred. Proposals being sought from bidders for a management contract of the transmission and distribution company which will remain one hundred percent

government owned, and a partnership with the government in a jointly owned entity on the generation side.

The approach we are taking to realign the energy sector follows a well established model. When properly implemented electricity market liberalization has delivered considerable economic benefits to countries around the world. This liberalization has most often started with the unbundling of government owned monopoly electricity companies, underpinned by regulatory reforms which is the approach we have commenced here in The Bahamas. The separation or unbundling of power generation from transmission and distribution allows for the introduction of competition in power generation over time.

The RFP process has garnered much interest. Thirteen bidders registered for the process in August 2013, which included large energy players from the Caribbean, North America and Asia. They were all invited to submit a technical proposal in September 2013. Following this technical round, six technically qualified bidders were shortlisted to submit pricing proposals due in November 2013. Over the past three months these bidders have engaged in a lot of interactions. Bidders were given access to comprehensive information on BEC, its assets, operations and the envisaged structure of the new entities once a preferred bidder has been selected. A series of pre-bid meetings were held with the government's financial advisors where bidders were able to clarify and discuss aspects of the process and the RFP requirements. Bidders also attended a management presentation by the

senior management team of BEC and visited BEC facilities in New Providence and selected Family Islands.

Just before the holidays, five bidders were invited to clarify and expand upon key elements of their bids and prepare final submissions by the end of January 2014. Once the final submissions are received and evaluated our advisors will make final recommendations to the government and it is expected negotiations will commence in late February to early March 2014 with selected parties.

In the meantime, the government has not changed its stated objectives regarding regulatory reforms, renewable energy, environmental remediation and labour relations. We are developing a new regulatory structure in parallel to the RFP process which we expect to have in place this year. Our goal is to have a regulator that operates in an independent and transparent manner thus providing assurance to both consumers and private sector investors that the goals of this reform are being achieved. It will also be the role of the regulator to hold private sector operators to high standards of performance and cost effectiveness on a continuing basis.

With regards to renewable energy, we remain committed to our goal of 30% renewable energy by 2030. The critical first step is to get our energy infrastructure in order to be ready to receive renewable energy without destabilizing the electric grids. It is also necessary to ensure that the

independent and transparent regulatory regime, referred to previously, is in place to facilitate the introduction of independent power producers to provide renewable energy. However we expect to advance a residential energy self generation programme consistent with current laws this year, with a goal of meeting up to 10% of the country's power in the near term, as a down payment on our longer term goal of 30% renewable energy.

I would be remiss as Minister of the Environment and Housing if I did not mention as a part of reducing the cost of energy in The Bahamas, the use of conservation and renewable energy sources. Energy conservation not only benefits our environment by reducing our carbon footprint but it is also known to benefit our pocketbooks by reducing our energy consumption. We all should know by now that the use of CFL and LED bulbs are more energy efficient than regular incandescent light bulbs and also last longer. We should also all know that for some if not all the use of air conditioning is imperative to businesses. I would advise Bahamians to purchase the most energy efficient A/C unit possible and that close attention is paid to the Seasonal Energy Efficiency Ratio (SEER). The higher the units SEER rating the more energy efficient it is. Depending on the type of business you run you can also look into installing a Variable Refrigerant Volume A/C system. These systems allow for one unit to be connected to several different evaporators thereby giving each room its own temperature setting. This is the suggested A/C energy saving model especially for hotels. I also suggest that investigation be made into the use of solar energy. As we live in a country

which most days are filled with sunshine, I suggest to you that solar energy is the most attainable form of renewable energy.

The government has already begun to see the benefits that solar powered devices can bring to our people. With the assistance of the Inter-American Development Bank (IDB) and the Global Environment Facility (GEF), the government was able to advance two pilot projects devised to collect data on renewable energy technologies. The first project provided for the installation of solar water heaters and the second project for the installation of photovoltaic systems in Bahamian homes. The data received thus far confirms that these devices would benefit Bahamians in lowering their electricity consumption thus saving them money. We must now find innovative ways in conjunction with local banks and lending institutions who provide mortgages for homes that more houses are outfitted with such solar powered devices that can save Bahamians money and help to save our planet by lessening our carbon footprint.

My ministry would like to expand on the success we have seen with the installation of these devices by developing the nations first green subdivision. This proposed community would feature solar power and energy efficient LED lights and only energy efficient appliances such as the ones used in the pilot projects would be installed. I envision that this development would become the model for all future public and private sector housing projects.

In August of 2012 I made a presentation to Parliament on the topic of 'Planning our Electric Future' in which I made public my ministry's plans to advance several measures as part of a plan to reduce energy cost. I am proud to announce that many of them have come to fruition already, however I still would like for my ministry to "explore along with the Ministry of Finance a programme to encourage businesses to conduct independent energy audits, whose cost would be deductible from revenues that form the basis on which the business must pay its business license fees for the year the audit is carried out as promised in the Charter for Governance." These energy audits would assist in finding the inefficiencies within businesses and point out where energy can be saved.

This government has set a course for change within this vital sector of our society. We are resolved to ensuring that the changes we proposed come to fruition because it is not only in our best interest as a nation but is imperative to our economic survival. We understand and hope that you understand that this is not going to be something that will happen overnight but over time. As you can see by the measures that we have taken already and the commitments that we have made, we have and continue to make serious and notable strides toward our goals as it relates to energy sector reform.

We must look towards the future! The reformation plans put forth by the government does just that. We are endeavoring to create an energy sector that can support the 21st century Bahamas and do so as environmentally friendly as

possible. The energy sector of this country at present is not in a condition that is conducive to the economic development that this government would like to bring to this nation. In its current condition, it no longer serves our people well and is a drain on the public purse. In 2012, it was reported that The Bahamas was the second largest importer of oil in the Latin American region, placing our spending at 13-14% of GDP in 2006. Just recently the Prime Minister made a presentation in Tennessee where he stated that oil import for consumption "expenditure peaked in 2008 to \$1.1 Billion and in 2012 to \$900 million." These alarming numbers are another catalyst for change in how we generate energy.

We must reform and there is no better time to do it than now. When this reformation exercise is complete it is our hope that, in addition to lowering the cost of electricity, this sector will create gainful employment and entrepreneurial opportunities for Bahamians as well as advance The Bahamas as it pertains to all energy generation, transmission and distribution and renewable energy.

I therefore call on all Bahamians to prepare themselves for any and all opportunities that may become available. There is currently a programme provided at the Bahamas Technical and Vocational Institute in conjunction with the United States Solar Institute which teaches the proper installation of photovoltaic systems and solar water heaters. These are an example of some of the jobs of the future, jobs that aid in the provision of clean energy, jobs that can provide a good livelihood. We must be ready for them.

With the necessary legal framework in place, public awareness, public-private sector cooperation, we are confident that our proposed changes will make a major difference in the way we do business in The Bahamas. We are moving forward with a view to lowering costs, upgrading our facilities, improving energy security and promoting environmentally friendly energy sources and technologies. In the words of Peter Voser, "energy is the oxygen of the economy and the life blood of growth".

I am glad that I was able to join you this morning to speak on a subject that is near and dear to me. I hope that my contribution to this discussion has made the government's position on this subject clear and illuminated our intentions. We are not operating in a vacuum. A crippled energy sector effects every other sector in this nation, tourism, banking, construction, health etc. We are but one nation among many in a world that is very competitive and we must ensure that we do everything within our power in government and as citizens of The Bahamas to ensure that our little nation shines brightest among the best. Doing so entails the we prepare for change whether that change be infrastructural, educational or in the way we do business. It is in all of our best interests that this little nation becomes the best in the world.

I thank you and Good Day.

