THE LAUNCH OF THE PROJECT PREPARATION FACILITY (PPF) AND THE CREDIT RISK ABATEMENT FACILITY (CRAF)

Video-message by Assistant Secretary-General Joseph Cox
CARICOM Secretariat

- The Honourable Mia Amor Mottley, QC, MP, Prime Minister of Barbados
- Other Members of the Cabinet of the Government of Barbados
- Dr. Gary Jackson, Executive Director of the Caribbean Centre for Renewable Energy and Energy Efficiency (CCREEE)
- Mr. Rodinald Soomer, Chief Executive Officer of the CARICOM Development Fund (CDF)
- Members of the Diplomatic Corps
- Members of the Media
- Distinguished Ladies and Gentlemen (on-site in Barbados and online)

It is with a sense of pride that I speak to you on what is a landmark occasion for the energy sector within the Caribbean Community – the co-launching of the Project Preparation Facility (PPF) and the Credit Risk Abatement Facility (CRAF).

Energy security is a major challenge and impediment to competitiveness for many Caribbean island states. The region suffers from a near-total dependence on imported petroleum products, for both transportation and electricity. Inadequate energy governance and regulatory structures, the relative small size of the individual markets, and outdated generating equipment and transmission networks, contribute to a vicious cycle that discourages investment in the region. The result is expensive, unreliable, and carbon-intensive electricity. The *frequently* high-cost and *consistently* volatile prices of fuel diverts hard currency away from economic development (oil imports account for anywhere between 10 and 20 per cent of the region's GDP), reduces competitiveness across almost all economic sectors, and renders the energy sector vulnerable to supply shocks.

Simultaneously, the region has access to an abundance of renewable and other sustainable energy resources. These alternatives have the potential to diversify the energy matrix, reducing the region's dependence on imported petroleum products, while enhancing reliability and even lowering electricity costs over the long run. Achieving the appropriate balance of base-load renewables (e.g., geothermal energy), and intermittent sources (e.g., solar and wind power) will be critical to meet future demand and rising electricity tariffs throughout the region. When judiciously combined with measures to enhance energy efficiency and distributed energy resources, greater use of multiple clean energy alternatives can provide a stable and lower cost solution that will boost the regions' competitiveness and reduce the vulnerability to high and volatile fuel prices.

The integration of sustainable energy solutions requires changes to the energy sector business model. This has consistently presented challenges and to take advantage of the options and opportunities for sustainable energy deployment, numerous market adjustments, *including policy and regulatory reforms*, will be critical. But it is the establishment of a pipeline of high-quality, bankable projects – especially within the small disaggregated markets of the region – that will serve to reduce much of the perceived risks and the transactions costs that are necessary for greater access to investment capital. In that regard, the establishment of a Project Preparation Facility (PPF) that can serve as a "pumping modality" that *efficiently* and *effectively* moves projects "from idea to investment" represents the Holy-Grail for the sector.

It is estimated that, collectively, the region requires around US$ 20 billion to meet the stated (C-SERMS) target for a 47 per cent renewable contribution to power generation over the eight years [by 2027]. This translates into between 3.5 per cent and 12 per cent of GDP for the individual countries. The energy efficiency opportunities, too, require around US$ 4 billion in investment, over the same (eight year) period. As a case in point, the identified opportunities within the residential, public, commercial, tourism and industrial sectors in five countries – Barbados, Belize, Grenada, Jamaica, and Saint Lucia – require around US$ 1 billion in total investment and could result in average savings of 23 per cent of energy use (or around US$ 300 million per year), with a payback of 3.6 years.

There are heightened market risks due to our small economies of scale, lack of experience with renewables, the macroeconomic circumstances in our respective countries, among other factors. A reality too is the relatively "low international credit-rating" of most of our countries, which reduces investor appetite for project financing and results in excessive collateral requirement and high-interest terms for loans, *when available*. The emergence of the Credit Risk Abatement Facility (CRAF), to de-risk lending and enhance clean energy investments for SMEs is a "critical plank" within the arsenal of creative financing strategies and innovative fiscal tools that can endear project owners with the ability to attract the "right" quantity and quality of capital required for their implementation. The idea is that the CRAF but one of th*e mechanism* that are within a *mix of available options,* that are based on global, Regional, bilateral, and national (or even community-based) solutions, which are needed to positively transform the energy systems within CARICOM.

When taken together, the expectation is that the Project Preparation Facility will improve the quantity and quality of the projects that are available to commercial lending institutions, and the risk-abatement provided by the CRAF will serve to “increase” the proportion of these projects that receive debt financing.

We will robustly monitor and track the performance of these Facilities, with the intent to make adjustments (where and when necessary), so that they will continually meet the needs of the sustainable energy markets within Member States.

Today, the CARICOM Secretariat, which played its role in conceiving these two Facilities, stands as a “very proud parent”, knowing that they will make the energy landscape within region better than it has ever been.

Ladies and gentlemen
I thank you!