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CONFERENCE**

**MOBILISING PEOPLE:
CONNECTING AGENTS OF CHANGE**

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Short Session Report: Global Solutions

Session Title: Clean energy needs clean government

Date & Time: November 10, 2012, 09:00 am

Report prepared by: Davida Wood, Coordinator, Electricity Governance Initiative / World Resource Institute

Experts:

Davida Wood, EGI/ WRI, Washington, DC, USA

**Darika Sulamainova, Project Manager, UNISON Civic Foundation,
Bishkek, Kyrgyzstan**

**Alan Cajes, Vice President and Managing Director, Center for
Sustainable Human Development, Manila, Philippines**

**Moderated by: Patricia Sampaio, Professor, FGV Law School, Rio de
Janeiro, Brazil**

Main Issues Covered (500 words or more, narrative form)

The U.N. Sustainable Energy for All initiative aims to form a partnership that can mobilize significant amounts of public international funding in order to support projects that will increase access to energy in developing countries. In particular, this funding is intended to ensure access to clean and affordable energy for the poor.

If countries commit to bold energy targets, as expected, realizing these goals will depend on good governance at the level of national institutions. In particular, the transparent working of public funds for clean energy projects that benefit the poor will be critical. However, in many countries, governance of the energy sector, including oversight of renewable based rural electrification, is still poor. If governance is not strengthened, the effectiveness of projects and their impact will be limited and will hinder the achievement of poverty alleviation targets.

The objective of the panel was to 1) make progress on developing shared and

accepted criteria for good governance of clean energy projects and to 2) develop a model for public oversight for adherence to these criteria. These criteria can be developed into criteria that could be used by civil society and other actors to monitor projects on the country level and to stand up to corruption. Ultimately, a good governance framework will empower intended beneficiaries to participate in ensuring that the objectives of Sustainable Energy for All are met.

The panel presented the work of the Electricity Governance Initiative (EGI), a global network of civil society organizations focused on promoting good governance of the electricity sector. EGI was launched jointly by the World Resources Institute and Prayas Energy Group in 2002, and is currently active in 10 countries. Davida Wood (WRI) presented the overarching framework that the initiative has developed to assess transparency, accountability and participation in the electricity sector. These criteria are even more relevant in the context of climate change mitigation and energy access initiatives. She explained how this generic framework must be customized to develop good governance criteria for clean and affordable energy.

Two EGI country partners – Darika Suleimanova from the Unison Civic Foundation in Kyrgyzstan, and Alan Cajes from the Development Academy of the Philippines – presented country level work using the existing EGI indicators, the outcomes of their research and advocacy, and ideas for governance improvements going forward.

In Kyrgyzstan, the transition from a Soviet system means that electricity tariffs must be raised, yet there is no system in place to ensure that prices are set fairly and transparently. Darika presented the results of the multi-stakeholder Fuel and Energy Security Transparency Initiative of Kyrgyzstan in improving transparency and reducing corruption of the sector. These efforts have resulted in a reduction of system losses and more transparency in procurement processes. These improvements mean that the costs that are passed on to consumers in the form of electricity tariffs are kept to a minimum. This type of oversight is critical for keeping prices affordable, and Darika suggested the FESTI structure as a body that could provide oversight of energy commitments on the national level. The top-down nature of FESTI is complemented by the mobilization of Energy Consumer Advocates at the local level. Unison is building the capacity of these advocates to interface directly with electric distribution companies.

Alan Cajes' presentation focused on off-grid rural electrification in the Philippines. He presented four cases that illustrated the importance of governance principles in developing environmentally and socially sustainable projects. Insights included the need for building the capacity of local cooperatives and associations to evaluate and negotiate power purchase agreements with renewable energy producers. Alan also identified the need for communities to demand strategic plans, environmental management plans, and watershed plans in order to have robust systems that can cope with the effects of climate change. He also posed the question of appropriate

channels for redress and justice in the event that criteria for sustainable energy projects are not observed, or if public funds are misused. The presentation demonstrated how renewable energy projects are as much in need of good governance as traditional ones. Environmental and social impact assessments need to be reviewed in light of the specific needs of renewable energy.

Main Outcomes/Outputs

Some of the mechanisms and processes that were suggested included:

- 1) A multi-stakeholder oversight board that could ensure the good governance of energy access projects
- 2) Transparent tariff setting processes
- 3) Transparent procurement processes
- 4) Monitoring and Enforcement of Performance Contracts

5) Use of Escrow Accounts

6) Capacity building for local communities to:

- Maintain off-grid solar PV systems and collect fees
- Negotiate power purchase agreements with independent renewable energy providers
- Demand publically available strategic energy plans and environmental management plans be publically disclosed and consulted
- Make better use of opportunities for input into environmental and social impact assessments

7) Mechanisms for holding officials accountable for investments of public funds in non-viable projects.

During the discussion period, it became clear that other organizations have been concerned with these issues as well.

Graham, from Transparency International –Australia, has been concerned about how decisions about the mix of renewable vs. conventional technologies are made, as a well as centralized vs. decentralized access to the grid. These decisions become especially important with respect to the next wave of investments under climate finance programs.

Davida responded that it is very important to have an investment plan that spells out these various choices, and that this plan is developed using good governance principals. But it is more typical for finance programs to invest in discrete projects, in a reactive rather than strategic manner. Evaluating projects in isolation can be problematic.

Graham suggested that TI might take a position that disbursement of funds must be conditioned on the existence of a strategic plan that has been developed transparently and with bottom up participation, consistent with EGI principles. It was agreed that this discussion would be continued.

Common cause was also found with T-I Italy, which had come to similar

conclusions about access to electricity being a political rather than a technical problem. They have developed a Renewable Energy Manifesto which will be presented on November 22 in Milan and there will be an international conference in 2013 in which EGI could participate.

Recommendations, follow-up Actions (200 words narrative form)

Shared and accepted criteria for good governance of the energy sector is imperative for reaching energy access goals while responding to climate change imperatives.

- Civil society organizations need to work together to create this set of criteria and promote their adoption at both national and international levels.
- Communities need to have the capacity to demand good governance and to effectively participate in sector decisions in order for indicators of transparency, accountability and participation to have maximum effect.
- Government needs the capacity to operate according to good

governance criteria

- Donors that are partners of international initiatives for expanding energy access should invest in this capacity.
- This is particularly necessary for decentralized energy solutions. Only in this way will targets be reached in a sustainable and equitable manner.

Highlights (200 words please include interesting quotes)

Key Insights Recommended to be included in the IACC Declaration

- Shared and accepted criteria for good governance of the energy sector is imperative for reaching energy access goals while responding to climate change imperatives.
- Finance for energy access and climate change mitigation projects should require good governance criteria that will minimize corruption as these funds are disbursed.

Rapporteur's name and date submitted

**_____ Davida Wood, November 11,
2012 _____**