
Implementation Lab:

Supporting the Energy Transition in Caribbean Small Island Developing States

Latin America and Caribbean Regional Climate Week

Thursday 13 May 2021, 14:00-16:00 GMT- 4

Summary

Representatives from the public and private sector, development partners and other stakeholders met virtually on 13 May 2021, 14.00 to 16.00 GMT -4, to discuss the Energy Transition in Caribbean Small Island Developing States (SIDS) as part of a series of Implementation Lab events that are taking place during the 2021 Regional Climate Weeks in Latin America and the Caribbean, Asia-Pacific and Africa, hosted by The United Nations Framework Convention on Climate Change (UNFCCC) in partnership with United Nations Development Programme (UNDP), United Nations Environment Programme (UNEP) and the World Bank.

The Energy Segment of the Latin America and Caribbean Implementation Lab was co-organized by the International Renewable Energy Agency (IRENA), as the coordinator of the SIDS Lighthouses Initiative and the High-level Champions, with the primary aim of fostering open and solutions-oriented dialogue between national government representatives and non-Party stakeholders to identify opportunities to enhance the implementation of climate action through energy transition. In particular, the outcomes of the Net-Zero Investment Lab¹ event that was held in March 2021, formed the basis of the topics of discussion for the Breakout Session of the Implementation Lab.

The scene-setting segment of the event was provided during **the Fire Side Chat**, by Mr. Amjad, Abdulla, Head of Partnerships, IRENA and Mr. Joseph Williams, Head of the Renewable Energy and Energy Efficiency Unit, Caribbean Development Bank (CDB), who examined the evolution of the energy transition and drivers for accelerating renewable energy deployment in the Region.

During this discussion, it was highlighted that Caribbean SIDS have made important strides in their energy transformation, with around 400 million USD private sector investment over the past six years. Despite the commitments and achievements to date, the discussion emphasised the need for expeditious and bolder actions by governments in order to achieve the targets and objectives of their Nationally Determined Contributions (NDCs) and Sustainable Development Goals (SDGs). This includes improving policy, market and regulatory frameworks to attract the required

¹ <https://irena.org/events/2021/Mar/Net-zero-Investment-Lab>

investments that will facilitate the energy transition, recognising that government ownership and actions directly influence private sector engagement. One suggested framework is through Integrated Resource and Resilience Plans (IRRPs) and IRENA's Long Term Energy Planning and Renewable Energy Roadmaps, to support the identification of a pipeline of projects for support and investment.

The Breakout session featured interventions from Government, Private Sector, Sub-Regional Organisations and Development Banks. Participants sought to address the importance of moving beyond the power sector to address end-use sectors, options for diversifying financial instruments, strengthening financial flows as well as creating enabling policy and regulatory frameworks to enable private sector investment. The key takeaways from this dialogue are as follows:

To accelerate the pace of the energy transition, a multi-sectoral approach is crucial to integrate renewable energy across various levels, sectors and actors. This would provide an opportunity for diversification of ideas, experiences and lessons which can stimulate much needed innovation in the market and result in complementarity of actions across all sectors.

Among the challenges faced by Governments in decarbonising their economies, include incentivising local ownership and financing the transition of the transport sector. There is a need to maximise local, individual and corporate participation in distributed energy and storage. Mechanisms to encourage local ownership for independent power producers, as well as a revolving fund from renewable energy savings, were proposed to encourage local investment in Caribbean SIDS. For transport, SIDS not only need the infrastructure, but also need to attract electric vehicles suited for their small market in terms of type, cost and range. To accelerate the decarbonisation of the sector, the development of a Caribbean Biofuels Strategy was proposed and improved access to finance coupled with support from the international community will be required.

There was cognizance that although SIDS have made significant progress, the region-wide transition is slow. Key issues highlighted in this session include the need for tailor-made technologies, research and regulatory frameworks for SIDS, in particular, smaller islands, owing to their limited market size. Furthermore, research and available literature do not accurately reflect the reality of local context. In this regard, focused dialogue and increased investment in research for appropriate and new renewable energy application technologies in small island settings are seen as critical.

Similarly, the regulatory framework needs to be adapted to the countries' circumstances given that each island has different regulations, priorities and targets. From the financing perspective, although there is high interest from investors and an existing capital market, uncertain and unclear regulatory and market frameworks have deterred progress. Specifically, the monopolistic nature of electricity generation, transmission and provision has been unfavorable for investors.

Governments therefore play a critical role in influencing market development by setting clear frameworks that would protect the rights of developers and investors and change the current market dynamics. In particular, there is opportunity for sustained coordination and cooperation through improved overarching planning frameworks. In tandem, frameworks that address pandemic recovery efforts, rebuilding economies and addressing the climate crisis in SIDS should be prioritised. It was noted, however, that the political construct of each country is different and therefore political goodwill for cooperation should be enhanced.

Other underlying constraints which need to be addressed include capacity issues within Governments, agencies, and the private sector which undermine the ability to have joint policies, actions and agendas. Additionally, the capital-intensive nature of the energy sector is a fundamental challenge which requires closer collaboration between Governments and private sector including local investors and financial institutions. In this regard, in order to accelerate the uptake of renewable energy, continued research and development in compatible, clean technologies is essential to reducing costs. There is also opportunity to unlock private capital through philanthropy, as it can be combined with other instruments to create a blended portfolio to support SIDS.

Way forward

- i. IRENA, through the SIDS LHI, and the High-Level Champions have committed to host Implementation Labs during the upcoming Asia-Pacific Climate Week and Africa Climate Week which are scheduled for July 2021, using the outcomes of the LAC Implementation Lab as an input to the Event. This will provide a platform to further the dialogue among Party and Non-Parties to address the needs and challenges through tailor made solutions for SIDS, including but not limited to enabling policy, market and regulatory frameworks, the role of philanthropy and investment in research and development in appropriate renewable energy technologies for SIDS
- ii. Where possible, SIDS LHI will seek to develop activities and partnerships to advance some of the recommendations and outcomes of the Implementation Lab.