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Funding the Caribbean’s Sustainable Energy Future

With TAPSEC’s Support

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How would your life change if you didn’t have to open your electricity bill with dread or face the fuel pump with anxiety? What would be different for you if a national power outage didn’t necessarily mean your family would be left in darkness? What would it mean for you to have access to the kinds of energy-efficient (EE) and renewable energy (RE) technology that could make these things possible?

The Caribbean region is blessed with an abundance of renewable energy potential—including solar, wind, hydrothermal, geothermal, and biofuel—that remains untapped due to a lack of financial investment. Though energy service providers across the region are ready to develop sustainable energy technology that would improve our lives, they struggle to secure the funding they need to bring those solutions to us. The gap between those projects and the investments that would help make them a reality has hampered our region’s progress towards energy sustainability for far too long.

This is why Finance was one of the main components of the Technical Assistance Programme for Sustainable Energy in the Caribbean (TAPSEC). This five-year Programme was funded by the German Federal Ministry for Economic Cooperation and Development (BMZ) and the European Union (EU) with the aim of providing technical and financial assistance to many of the regional institutions committed to shifting our region toward low-

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carbon climate-compatible energy sustainability. TAPSEC worked closely with a variety of partners such as the Caribbean Community (CARICOM) Secretariat, the Caribbean Centre for Renewable Energy and Energy Efficiency (CCREEE) and the Dominican Republic's Ministry of Energy and Mines (MEM) to develop and execute more than 80 initiatives that would expand regional access to modern, affordable and sustainable energy services. Among them were interventions designed to increase the number of bankable RE and EE projects across the region while reducing the transaction costs relating to investments in those projects. Through this two-pronged approach, the sustainable energy projects we need are prepared to receive funding while potential financiers are encouraged to provide it.

Financing Increased Access to Sustainable Energy Technology

What began as an idea for creating a welcoming environment for sustainable energy has become a groundbreaking pilot project that is changing the traditional relationship between customers and energy utilities throughout the region. While the environmental benefits and cost savings related to RE and EE technology are widely known, it can be difficult for the average person to make the switch as the upfront costs associated with those technologies can be quite high. The electricity bill reduction that comes with a new energy-efficient refrigerator or solar water heating system sounds great, but the cost of purchasing and, where necessary, installing that new technology keeps it far out of reach for those who need it most.

The TAPSEC-supported Integrated Utility Service (IUS) model was designed to bring the technology within reach by bringing together customers who are interested in RE and EE technology and the utilities seeking to encourage their customers to use energy more efficiently. With this model, utilities cover the upfront cost of the technology and installation by qualified energy service providers. Customers repay the cost in fixed instalments through their electricity bills. Once the cost is repaid, customers enjoy the energy savings created by their new energy-efficient technology, the utility experiences a reduction in strain on the power grid and the wider nation benefits from reduced carbon emissions.

The IUS went from a theoretical energy service model to a successful project in 2021 when Guyana became the first Caribbean nation to launch an IUS pilot project. As part of this pilot, Guyana Power and Light Incorporated (GPL) commissioned five solar photovoltaic (PV) installations: three at its own Georgetown offices, one at the headquarters of the Organisation of American States (OAS) and another at the Inter-American Institute for Cooperation on Agriculture (IICA). The pilot project reduced the facilities' carbon footprints, brought them in line with Guyana's Nationally Determined Contributions (NDC) and proved the viability of the model, which is poised to be rolled out next in Barbados, Belize and Jamaica. The Caribbean Development Bank (CDB) is currently drawing up a proposal to request financial support for these pilots from the Green Climate Fund (GCF).

The expansion is also set to continue to St. Kitts, where the CCREEE is currently tailoring the model to suit the nation's needs, and in six Overseas Countries and Territories (OCTs)—Anguilla, British Virgin Islands, Cayman Islands, Sint Maarten, Montserrat and Turks and Caicos Islands— where the Caribbean Electric Utility Services Corporation (CARILEC) is designing those pilots under the CARILEC Resiliency and Energy Efficiency Project (CAREEP).



Taking RE/EE Projects “From the Cradle to the Grid”

Before a project can secure financing, it has to be “bankable”. Potential financiers have to see it as more than just a good idea with useful applications; it needs to be a sound investment. This is often a stumbling block for RE/EE project developers, who may lack the expertise required to prepare commercially-viable project proposals. To bridge this gap, the CCREEE established the Project Preparation Facility (PPF) with TAPSEC’s support in 2020.

As a project development resource intended to help CARICOM sustainable energy projects prepare to attract financing, the PPF was originally designed to provide technical support helping project owners, private sector developers, Non-Governmental Organisations (NGOs), mixed capital companies and public agencies to move their RE/EE projects from the development stage to the investment stage. Recognising that an even deeper level of support is often needed, the CCREEE ultimately expanded the PPF to begin at the conceptualisation stage and continue through project development and into implementation.

Through this expansion of the PPF, the CCREEE has also taken on a direct project development role, partnering with the Nevis Electricity Company Limited (NEVLEC) to facilitate significant sustainable energy upgrades to the Alexandra Hospital in Nevis as part of the island’s first IUS-style project. There are six other similarly impactful projects in the PPF’s pipeline, including a rural electrification project in the Belizean hinterland, energy efficiency upgrades to government buildings in Antigua and Barbuda and a major solar project in Suriname.

Where the Facility initially focused solely on a project’s bankability, it is now enhanced by an understanding of the breadth of support needed, taking on a broader mission to guide sustainable energy projects from, as CCREEE puts it, “the cradle to the grid”.

Through interventions like the IUS and PPF, regional institutions like the CARICOM Secretariat, the CCREEE and CARILEC are ensuring that people across the Caribbean can access the sustainable energy technology that will change their lives and bring the region that much closer to the transformation we all need.

Coming soon in part two: An exploration of more TAPSEC–supported projects that boost bankability for RE/EE projects and reduce the transaction costs for financing them.

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