

## TC Document

### I. Basic Information for TC

▪ Country/Region:	BAHAMAS
▪ TC Name:	Institutional and Regulatory Strengthening of The Energy Sector
▪ TC Number:	BH-T1091
▪ Team Leader/Members:	Aiello, Roberto Gabriel (INE/ENE) Team Leader; Madrigal Martínez, Marcelino (INE/ENE) Alternate Team Leader; Baltodano Carrasquilla, Fabiola (INE/ENE); Bonzi Teixeira, Augusto Cesar (INE/ENE); Elizalde Baltierra, Alberto (INE/ENE); Goldenberg Lopez, Federico (INE/ENE); Marquez Barroeta, Fidel (INE/ENE); Mendoza Benavente, Horacio (LEG/SGO); Paredes, Juan Roberto (INE/ENE); Paz Doblado, Ana Gabriela (VPC/FMP)
▪ Taxonomy:	Client Support
▪ Operation Supported by the TC:	
▪ Date of TC Abstract authorization:	09 Aug 2021.
▪ Beneficiary:	The Commonwealth of The Bahamas
▪ Executing Agency and contact name:	Inter-American Development Bank
▪ Donors providing funding:	OC Strategic Development Program for Infrastructure(INF)
▪ IDB Funding Requested:	US\$150,000.00
▪ Local counterpart funding, if any:	US\$0
▪ Disbursement period (which includes Execution period):	36 Months
▪ Required start date:	15 Dic 2021
▪ Types of consultants:	Individual Consultants, Firms
▪ Prepared by Unit:	INE/ENE-Energy
▪ Unit of Disbursement Responsibility:	CCB/CBH-Country Office Bahamas
▪ TC included in Country Strategy (y/n):	Yes
▪ TC included in CPD (y/n):	No
▪ Alignment to the Update to the Institutional Strategy 2020-2023:	Productivity and innovation; Institutional capacity and rule of law; Environmental sustainability

### II. Objectives and Justification of the TC

- 2.1 The objective of the proposed Technical Cooperation (TC) is to support government counterparts and relevant entities in The Bahamas to strengthen the energy sector institutional and regulatory framework in the context of the sustainable energy transition. The proposed support includes technical assistance, analytical assessments, and support for knowledge exchange and dissemination events.
- 2.2 The Bahamas, a small open archipelagic economy, has continued to experience low growth rates and rising debt levels since the global financial crisis. Fiscal deficits and national debt levels are deteriorating, more importantly in the COVID-19 context, and foreign direct investments have declined.

- 2.3 Final energy consumption in the country is dominated by gasoline (40%), followed by diesel with 28 % and electricity with 24%<sup>1</sup>. Transportation represents the largest energy consumption sector (around 40% of the total). Gasoline accounts for 76% of the total consumption in this sector followed by kerosene/jet fuel (12%) and diesel (11%)<sup>2</sup>. Together with an old power generation infrastructure, The Bahamas suffers from a high fuel import<sup>3</sup> bill - 7% of Gross Domestic Product (GDP), high electricity prices as well as a large and financially challenged utility - The Bahamas Power and Light (BPL) which experiences frequent power outages and elevated system losses. Volatile oil prices have contributed to making electricity tariffs among the highest in the Caribbean.
- 2.4 With a tourism and services-oriented economy, electricity is consumed by large commercial users 42.6% (mostly hotels); residential 34.8%; small commercial 8.3%; street lighting 1.9% and other 2.7%<sup>4</sup>; and is concentrated in New Providence (about 75%). Despite the potential for solar and wind power generation and the steady cost decline of such technologies, The Bahamas ranks lowest in the region for Renewable Energy (RE) penetration (around 1%<sup>5</sup>). Accelerating the transition to clean energy represents a unique opportunity for the country to enhance its energy security, meet its climate change action goals, contribute to economic development and employment opportunities. To address these objectives, the Bahamian National Energy Policy 2013-2033 set in 2014 the target of reaching approx. 30% of RE in the mix by 2030. In 2015, the Electricity Act of 1956 was repealed to allow RE utility-scale power generation as well as self-generation. In recent years, there has been increasing interest from commercial entities to pursue RE self-generation projects selling surplus energy to BPL. However, the current market governance and regulatory framework pose barriers to such developments in RE and private sector participation.
- 2.5 The Bahamas also faces challenges on natural hazards. On September 1st, 2019, the country was impacted by category 5 Hurricane Dorian, the strongest hurricane in the modern history of the country. Abaco and the East Grand Bahama are among the most critically affected areas. In Abaco Island, 90% of housing and infrastructure are damaged or destroyed. These areas are also two of the fastest-growing travel destinations in a country with an economy that is mainly driven by the Service Sector (79.1% of its GDP in 2018), due to tourism.
- 2.6 As the country approaches a decisive moment in terms of tackling the climate crisis and the related impacts it suffers, fulfills its climate commitments, it requires nothing short of a total transformation of the energy system including under a whole sector approach- including transportation, industry, heating, and cooling among others- to establish a path for investment, innovation, policy design, and implementation,

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<sup>1</sup> Data for the period 2010-2012. Other secondary energies include Kerosene/Jet Fuel, LPG, Fuel Oil, firewood, and charcoal. Source: Olade, *The Bahamas Energy Balances 2010 – 2012*, February 2015.

<sup>2</sup> See note 1.

<sup>3</sup> An estimated 60% of imported fuel supplies is used for non-electricity purposes including local transport (land, air, marine), hot water and steam production. Source: National Renewable Energy Laboratory, U.S. Department of Energy, *Energy Transition Initiative – Energy Snapshot Bahamas*, 2015.

<sup>4</sup> See source of note 3.

<sup>5</sup> Source: IRENA, *Energy Profile - Bahamas*. International Renewable Energy Agency (IRENA), 2021.

technology deployment, infrastructure design and building, regional, and international cooperation and many other efforts across others areas. To kickstart this transformation, a thorough diagnostic, gap analysis, and roadmap are key, this TC seeks to support the GoBH in its efforts.

- 2.7 The IDB is supporting the countries efforts to overcome these challenges in the energy sector with: A Conditional Credit Line for Investment Projects (CCLIP) Reconstruction with Resilience in the Energy Sector in The Bahamas“ (US\$170,000,000 BH-O006) and its first operation “Reconstruction with Resilience in the Energy Sector in The Bahamas” (US\$80,000,000 BH-L1048); a project-specific grant with the European Union that supports BH-L1048 “Reconstruction with Resilience in the Energy Sector in The Bahamas” (US\$ 9,010,980 BH-G1003); and several non-reimbursable technical cooperations: “Supporting a Comprehensive Renewable Energy Program and Institutional Reform in the Bahamas” (US\$750,000 BH-T1075); and Supporting Renewable Energy within the Implementation of the Electricity Act in The Bahamas (US\$450,000 BH-T1064).
- 2.8 This TC is aligned with IDB Group’s Vision 2025 priority area of Climate-change action by the design of enabling policies and regulatory instruments to leverage private-sector investment and promote climate-resilient development. It is also aligned with the Second Update of the Institutional Strategy 2020-2023 (AB-3190-2) through the development challenge of Productivity and Innovation by promoting innovative solutions for the institutional and regulatory development of the energy sector in the country and with the cross-cutting areas of: (i) Institutional Capacity and Rule of law by improving the delivery of the electricity service, facilitating strong business climates, and fostering transparency and integrity; and (ii) Climate Change and Environmental Sustainability by promoting framework to generate the enabling environment for RE development. The TC is also aligned with the Energy Sector Framework (GN-2830-8) through the priority area of Energy Sustainability in terms of increased efficiency in energy use and a more prominent role for RE, and the IDB’s Climate Change Framework by contributing to combating climate change and enhancing adaptation and resiliency.
- 2.9 This TC is aligned with the IDB Group Country Strategy with The Commonwealth of The Bahamas 2018 – 2022 (GN-2920-1) in the priority areas of: enhancing public sector effectiveness by building capacity and strengthening the energy sector; supporting resilient infrastructure for growth by developing the promoting of RE in the electricity sector.
- 2.10 This TC is aligned with the Ordinary Capital Strategic Development Program for Infrastructure (GN-2819-1) in the objectives of improving the design and monitoring of public policies and the transmission of lessons learned in the infrastructure sector by developing a roadmap for the energy sector towards improving sustainability.

### **III. Description of activities/components and budget**

- 3.1 **Component 1. Institutional and regulatory strengthening (US\$130,000).** This component will finance support in the form of technical assistance and analytical assessments. A diagnosis of the current institutional and regulatory framework will be undertaken as a baseline, including gap analysis, to be followed by recommendations for strengthening the institutional and regulatory setup to enable an inclusive and sustainable clean energy roadmap. The proposed analytical assessment includes, inter alia, recommendations of policy and regulatory instruments to promote the energy transition in other sectors (e.g., the transport sector through e-mobility and

green hydrogen). The expected outputs of these components are: (i) gap analysis and diagnostic on regulatory framework and recommendations for the energy transition; (ii) an energy roadmap under-whole-sector approach.

- 3.2 **Component 2. Knowledge exchange and dissemination of results (US\$20,000).** This component will finance knowledge exchanges, consultations, and communication, as well as the dissemination of results based on lessons learned during the implementation of this TC. The expected output of this component is to prepare a technical note on findings and lessons learned through the TC.
- 3.3 The following table provides the total amount of funding needed to achieve the expected outputs by the main component.

**Indicative Budget**

Activity/Component	Description	IDB/Fund Funding	Total Funding
Component 1. Institutional and regulatory strengthening	Technical assistance and analytical assessment of institutional and regulatory framework.	US\$130,000.00	US\$130,000.00
Component 2. Knowledge exchange and dissemination of results	Knowledge exchanges, consultations, communications, and technical notes.	US\$20,000.00	US\$20,000.00
<b>Total</b>		<b>US\$150,000.00</b>	<b>US\$150,000.00</b>

#### **IV. Executing agency and execution structure**

- 4.1 The Executing Agency (EA) of the TC will be the IDB, through the Energy Division (INE/ENE), in coordination with the IDB Country Office in The Bahamas. The technical responsibility will be overseen by INE/ENE. The focal point designated and sector specialist responsible for executing this TC will be Roberto Aiello, based in Jamaica, and will be supported by INE/ENE team based in Washington D.C. and the Country Office in The Bahamas with responsibilities well defined among team members according to their positions. This Bank's structure will provide the TC with experience gained in the execution of energy loans and technical cooperations related to the institutional and regulatory strengthening of the energy sector in The Bahamas and beyond.
- 4.2 The Bank is the proposed executing agency at the requests of the Government of the Bahamas (GoBH). GoBH has no previous experience in this kind of activity in the energy sector. Furthermore, ENE is executing satisfactorily two technical cooperations in the energy sector in The Bahamas (BH-T1064 and BH-T1075) and the GoBH has agreed and supported this arrangement. For example, the IDB has been supervising a contract to provide the Utilities Regulation and Competition Authority (URCA), the national electric regulator, with a series of studies related to this operation to improve the regulatory framework of distributed generation based on renewable energies, through the BH-T1064 operation. Additionally, the proposed Bank's structure has been

bidding and supervising several contracts, funded by the BH-T1075 TC, to support the execution of the BH-L1048 loan as it relates to analysis and assessments to create a renewable energy entity/fund. It is expected that this operation will deal with institutions involved in the development of this new entity/fund, such as URCA, the Ministry of Finance, or BPL.

- 4.3 **Procurement.** The activities to be conducted under this TC have been included in the Procurement Plan. The procurement processes will follow the Bank's procurement policies. The Bank will hire individual consultants in accordance with the guidelines set out in AM-650. The hiring of consultancy firms will be carried out in accordance with policy GN-2765-4 and its operative guidelines (OP-1155-4). For logistics or other services different from consultancies, procurement will follow policy GN-2303-28.

## **V. Major issues**

- 5.1 A potential risk associated with this TC is related to the lack of coordination among relevant stakeholders (BPL, MoF, PMDU, Ministry of Public Works, URCA) in a timely fashion. This risk will be mitigated by undertaking inclusive consultations coupled with communication and awareness-raising activities with key stakeholders, based on best international practices on institutional development in the energy sector.
- 5.2 Restrictions related to the COVID-19 pandemic can have a negative impact on some activities of the TC, in particular some of the dissemination activities. This risk will be mitigated using digital communication tools and adapting the activities to these restrictions.

## **VI. Exceptions to Bank policy**

- 6.1 No exceptions to the Bank's policy are considered.

## **VII. Environmental and Social Strategy**

- 7.1 No environmental or social risks associated with the activities set forth in this operation have been identified in accordance with the Bank's Environment and Safeguards Compliance Policy (OP-703), by which the operation is classified as Category "C".

### **Required Annexes:**

[Request from the Client - BH-T1091](#)

[Results Matrix - BH-T1091](#)

[Terms of Reference - BH-T1091](#)

[Procurement Plan - BH-T1091](#)