

OPINION PIECE

Knee Deep in a COVID-19 Stricken Economy, Why Should the Caribbean Accelerate Investment in Sustainable Energy?



By: [Dr Gary Jackson, Executive Director, CCREEE](#)

During recent interviews on the newly launched Project Preparation Facility (PPF) - established by the Caribbean Centre for Renewable Energy and Energy Efficiency (CCREEE) - the host asked an interesting question: **“what kind of uptake does the PPF expect in 2021 given the region’s current challenges, such as the COVID-19 pandemic?”** It is an interesting question because it contains the justification for its own answer. The PPF anticipates high levels of interest in sustainable energy project development support precisely because of the external pressures the region faces.

The Caribbean’s economy has undoubtedly suffered due to COVID-19, with the pandemic exposing key vulnerabilities in our economic development strategies. Many Caribbean nations are mono-product economies, dependent on tourism and reliant on external sources for goods and commodities. This presents a significant challenge. Reduced flight frequency and restricted borders and lockdowns mean the COVID-19 pandemic has brought tourism and much else to a crawl and in some instances, to a halt. Consequently, funds have been reprioritized to meet health demands and provide economic support where it is most needed. With resulting limited cash flow, decreased impetus for the initial investments needed for sustainable energy development is expected.

Despite the prevailing economic climate, we cannot halt the Caribbean’s energy transition when sustainable energy presents a viable and lasting solution to our economic challenges. Energy often features high on the list of expenses for households, businesses, public entities, utilities, and many essential services. The cost of electricity in the Caribbean is elevated because of the

high unit cost and price volatility of the imported fossil fuels required for most of our energy generation. For instance, in 2015 The US National Renewable Energy Laboratory (NREL) reported an average electricity cost of \$0.33 USD per kWh in the Caribbean - a rate three times higher than their average. To note, approximately 60 to 70 percent of the electricity cost is attributed to fuel. **Any avenue to produce locally sourced energy at reduced rates or, to consume energy more efficiently, will provide needed monetary relief and ensure independence from high and volatile oil prices.**

Fundamentally, renewable energy and energy efficiency offer substantial holistic benefits in the form of GDP growth due to increased responsible consumption and trade, improved foreign exchange reserves, increased financial savings, improved social welfare through additional finance for health and education, accelerated job creation, and reduced carbon emissions. A 2016 IRENA study revealed that **doubling renewable energy usage by 2030 will result in up to 1.1% GDP growth, 24 million jobs, and 3% welfare improvement globally.** These benefits extend to a wide range of sectors such as health, tourism, agriculture, water, ICT^[1] and manufacturing. The CCREEE PPF seeks to help CARICOM Member States take hold of these benefits through sustainable energy project support and, critically, by facilitating eligibility to project financing and scaling up.

Not widely known is the availability of project financing from financial institutions, development funds, and impact investors. There has been a mismatch between this available finance and the quantity of investment-ready projects present in the region. **Although blessed with an abundance of renewable energy resources, many Caribbean project proponents have struggled to convert their ideas into bankable projects.**

In this vein, the CCREEE's Project Preparation Needs Assessment revealed that regional stakeholders require support in the areas of: accessing financing, technical knowledge of renewable energy and energy efficiency, project documentation expertise, and the capability to navigate the regulatory environment within the countries, among others. The PPF meets these deficits through a broad range of service offerings; from business plan refinement to feasibility studies to financier introduction. The Facility is a timely addition to the sector - poised to give Caribbean nations a needed boost toward their sustainable energy targets.

As we welcomed 2021, many hoped for a year much less impacted by the ongoing pandemic. In that hope, we must not neglect the lessons learnt from the 2020 experience. Having seen the extent of the Caribbean's vulnerability to external shocks, we should take advantage of every opportunity to fortify ourselves. **Sustainable energy offers not just economic but critical social and environmental fortification.** The COVID-19 pandemic is just one challenge among many. As Small Island Developing States, climate change looms and ushers in what scientists have dubbed the age of pandemics. There is simply no better time than the present to strengthen partnerships and build the resilience of our energy systems through renewable energy and energy efficiency solutions.

Co-authored by: Sapphire Vital and Charlin Bodley