

**Intervention on session “Improving Access to reliable, affordable, economically viable, socially acceptable and environmentally sound energy services”**

**May 1<sup>st</sup>, from 3:00 – 6:00 PM – Conference Room # 2**

**Energy - Good Governance & Enabling Environment**

One of the key sectors within CIDA development policies, which have broad application to the potential effectiveness of all the other sectors, is the promotion of good governance. Governance can be strictly interpreted as dealing with the structure and mechanisms of electoral processes and government. However, in a broader interpretation, governance addresses the effectiveness of public institutions and their ability to reflect the needs and interests of society in a fair, transparent, and sustained manner. To the extent that many energy producing companies, whether electric utilities and/or oil and gas companies, and related service industries are owned by the state (therefore, assets of the people), the relationship between society different segments, including women and indigenous people, and the industry, in particular the ability of the society to effectively engage in the planning, development, and distribution of benefits from governments/state-owned energy companies, should be a focus of governance interventions, one that can be (and has been) accommodated within CIDA’s programming.

Sound energy sector management and governance are necessary conditions for a well functioning energy sector. The focus should be on creating the enabling environment -- the importance of establishing fair, transparent, credible and fiscally competitive regulatory frameworks. Developing countries require modern regulatory systems with appropriate policies/operating procedures and regulatory agencies with the capacity to effectively and efficiently manage the sector while ensuring maximum benefits for the people. Enabling environment should also include promoting the participation of indigenous and local communities in energy development. It should include plans for the sustainable development of local communities that should enable communities to receive benefits derived from the development of the sector. Enabling environment also means supporting activities relating to ethics and transparency (not only in the government but also with the private sector).

CIDA has been engaged in the power sectors reforms in India for the last decade (1997-2006). The main thrust of the program was to develop the capacity of the counterparts to deal with the technical, legal, regulatory and customer service issues to promote the participation of the private sector in the development of the power sector. A major component of the initiative was to come with a Poverty Reduction Strategy to ensure affordable access to sustainable energy services for the poor. CIDA also promoted energy efficiency measures and loss reduction program as part of the intervention.

In recent years, CIDA has provided significant support in the development of the enabling environment for increased private sector investment in the energy sector in a number of developing countries. Support has included policy, legal, and regulatory reforms, including conditions for access to resources, development of appropriate regulations, suitable royalty schemes, distribution of benefits back to local communities, development of a stable long-term environment for investment, suitable conservation of natural resources, and environmental protection requirements.

Energy programming needs and opportunities related to public sector capacity building include the following:

- The need to strengthen the capabilities of public institutions and regulatory authorities to develop and implement policies and plans for the sector and to regulate and

monitor sector activities in accordance with legislation while ensuring maximum benefits to the country;

- Technical and institutional support to the operations of public institutions (regulatory authorities and state-owned companies), and,
- Development and implementation of clear and practical policies that define the role of the private sector in the development and management of the energy industry; setting the regulatory environment for private sector investment that ensures fair and equitable distribution of benefits for maximum social and economic gain, fair access to related business and trade opportunities, protection of environmental quality, and promotion of the principles of gender equality.

## **Talking Points**

- Good governance in the energy sector is vital in order to protect the interests of consumers, investors, governments, and workers.
- Governments achieve good governance through policy formation, promoting transparency in revenue management for the sector and through regulation.
- Strengthening and professionalizing the public service is essential to promote good governance and prevent political interference.
- Developing countries require modern regulatory systems with appropriate policies/operating procedures and regulatory agencies with the capacity to effectively and efficiently manage the sector while ensuring maximum benefits for the country.
- Enabling environment should also include promoting the participation of indigenous and local communities in energy development. It should include plans for the sustainable development of local communities that should enable communities to receive benefits derived from the sector.
- Enabling environment also means supporting activities relating to ethics and transparency (both in the government and the private sector).
- Canada advocates the creation of transparent, legal, fiscal and credible regulatory frameworks to ensure sustainable resource management and development.
- Canada, as one of the leading countries in energy in the world, is well situated to assist developing countries in their quest to develop their natural resources potential in a sustainable manner. Canada is recognized for its sensible and efficient regulatory system that ensures conservation of resources while providing for a fair return on investment.
- In recent years, CIDA has provided significant support in the development of the enabling environment for increased private sector

investment in the energy sector in a number of developing countries. Support has included policy, legal, and regulatory reforms, including conditions for access to resources, development of appropriate regulations, suitable royalty schemes, distribution of benefits back to local communities, development of a stable long-term environment for investment, suitable conservation of the hydrocarbon resources, and environmental protection requirements.