

Inter-American Dialogue's Latin American Advisor –Energy

Sir Ronald Sanders answers: Will U.S efforts help address the Caribbean’s Energy woes?

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April 20-24, 2015

FEATURED Q&A

Will U.S. Efforts Help Address the Caribbean's Energy Woes?

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U.S. President Barack Obama announced this month in Jamaica that the United States will offer \$20 million in funding for clean energy investments in the Caribbean, a region that has become increasingly dependent on oil from economically troubled Venezuela and where high power costs have curtailed growth. One of the aims of Obama's trip, during which the U.S. Department of Energy also signed a statement of intent with Jamaica's Science and Energy Ministry to cooperate on infrastructure, storage and diversification of fuels, was to deepen U.S. energy ties with the region. What's driving the Obama administration's push for Caribbean energy cooperation? Is it a commitment the United States will continue after Obama leaves office? Are U.S. efforts focused on the right areas to make a difference in the Caribbean's energy problems? What potential issues could cause plans to fall short of expectations?

A.

Sir Ronald Sanders, consultant, former Caribbean ambassador and senior fellow at the Institute of Commonwealth Studies:

"Twenty million dollars is a very small sum to fund clean energy investments in the Caribbean in any serious way. The enormous cost of building the infrastructure to transition from fossil fuels requires Caribbean governments to have access to concessionary financing from international financial institutions (IFI's). The US government has undertaken to support change in the criteria for concessional financing so as to allow qualification for Caribbean countries that up to now are "graduated" because (apart from Haiti) they are not low-income countries. The change, if it occurs, will not do so with the required immediacy. The majority of Caribbean countries also now confront high debt. With oil prices now substantially lower than they have been for decades, there is little incentive to incur the huge capital cost of moving to clean energy sources.

What appears to be driving this belated US interest in the Caribbean's energy sector are two things: a desire to neutralise the reliance of many Caribbean countries on Venezuela which supplies petroleum and petroleum products under a payment scheme that incorporates long term loans at low interest rates; and the wish to sell US natural gas and clean energy technology to the region. The latter will not be achieved unless the US provides (a) direct funding on a concessionary basis; and (b) inducements to its private sector to invest. On the matter of Venezuela, Caribbean governments that now benefit from the advantageous payment scheme will not turn away from it while it continues.

If any US government is seriously concerned with improving conditions in the Caribbean to achieve higher levels of prosperity that discourage refugees and illegal migration as well as reduces crime and promotes greater political stability, it needs to develop a comprehensive plan for the area. It would best do so by consulting with regional governments on such a plan.