



USAID and Renewable Energy: A Continuing Commitment to International Development and the Global Environment

Presentation to Village Power '98

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The U.S. Agency for International Development (USAID)

- USAID is the foreign assistance agency of the U.S. Government, with 0.5% of the federal budget
- Programs in 84 countries for environmentally-sustainable economic development
- USAID in-country offices determine the portfolio and manage programs in areas including education, health, agriculture, forestry, energy, micro-credit, democracy building, family planning, etc.



USAID Center for the Environment (Washington, DC)

- **Mandate:** Provide leadership on global environmental issues and assist USAID field offices in program development, implementation, and evaluation
- **Three Areas:** Energy, Natural Resources, Urban.
- **Office of Energy:** Renewable Energy, Energy Efficiency, Clean Energy Technologies



Energy and Development - the Missing Nexus for 2 billion people

- Two billion people lack access to electricity and clean fuels.
- Electricity alone does not lead to economic development, but development impeded without it.
- Renewable energy systems are often the preferred options for off-grid development.
- Changing relationship between private and public sector poses new challenges and new opportunities



Characteristics of Rural Markets

- Geographically dispersed - high installation and maintenance costs
- Low volume usage concentrated in evening hours
- Willingness and ability to pay
- Poor access to finance



Rural Electrification Before Privatization

- Responsibility of government
- Focus on grid extension
- Operating costs assumed by utilities
- Expansion of service and supply of power limited by availability of funds



Rural Electrification Post Privatization

- Focus on least cost approaches
- Limited interest from private sector
- Government influence through regulation
- Role of subsidies?



Financial Crisis: Implications for Renewable Energy

- Accelerate sector reform, but constrain capital flows
- Higher energy tariffs likely
- Tendency to focus on urban/industrial rather than rural policy, but ...
- ... still an opportunity to rethink fundamentals



Needed: Market-Based Solutions

- Making markets work is key to sustainability and replicability.
 - Active engagement of local stakeholders is essential for project **sustainability**.
 - Commercial viability essential for **replicability**.
- Grants/concessional finance distort markets and impede development of sustainable solutions.
- “Pump priming” and market opening initiatives still needed
- Focus on transparent subsidies (where needed) to meet social goals in partnership with private sector



• **USAID's Renewable Energy Program**

- **What:** Accelerate market penetration of commercial technology
- **How:** Policy reform, institutional capacity building, information dissemination, pre-investment support, credit, technical assistance, and training
- **Where:** Mexico, Central America, Dominican Republic, Brazil, India, Indonesia, Philippines, South Africa .



USAID's Principal Collaborators in Renewable Energy

- Winrock International
- US DOE
- US/ECRE and trade associations, including SEIA
- Sandia National Laboratories
- National Renewable Energy Laboratory
- National Rural Electric Cooperative Association
- Environmental Enterprises Assistance Fund
- The World Bank
- Inter-American Development Bank



USAID/World Bank Collaboration

- USAID assisted World Bank in designing major solar loan packages for Indonesia and Sri Lanka, and provided training of in-country PV distributors
- Through Winrock International, USAID is assisting the World Bank in preparing a loan package for rural uses of renewable energy for Brazil
- Provided funding assistance to the IFC for development of the business plan for the Renewable Energy and Energy Efficiency Fund (REEF)



Global Climate Change Commitments: Implications for Renewables

- USAID implementing President Clinton's commitment of \$1 billion over 5 years for global climate change (GCC) programs.
- Clean Development Mechanism (CDM) offers new source of support for renewable projects, but must show carbon offsets.
- Climate Technology Cooperation pilot program another opportunity to focus on renewable energy initiatives.





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