

Brainstorming Meeting on Power Sector Reform
21 and 22 May 2002
International Energy Agency, Paris
Summary Description

On 21 and 22 May UNEP and IEA held a meeting on power sector reform (PSR) and sustainable development. The 26 participants came from energy and development institutions in both the North and South, governments, intergovernmental organizations (including the GEF), NGOs and the private sector.

The main trends associated with PSR are identified as: appearance of competitive wholesale power markets and removal of price regulation on generation; development of self-generation by end-users; transition towards smaller-scale generation facilities and technologies; privatization and/or commercialization of utilities; unbundling of generation, transmission and distribution; and creation of competitive retail power markets.

In almost all cases, environmental issues and objectives are treated as after-thoughts in decision processes. Private sector investors and international donor agencies have contributed to the marginalization of environmental concerns by diluting environmental obligations that are seen as complicating the privatization process. Reform has been characterized by lack of coordination between environmental regulation and PSR policy. Several participants noted the potential environmental benefits of increased efficiency in the generation, transmission and distribution segments of the power sector--potentials that remain largely unrealized.

Participants acknowledged that equitable access has been somewhat more influential in shaping power sector reforms, especially in Africa. In addition to traditional concerns for price reductions and improved consumer choices, an interesting recent development in some OECD countries has been a growing concern for alleviation of 'fuel-poverty' as a social issue. The meeting discussed whether environmental and social issues should be addressed outside the reform process, with complementary policies and measures being defined and implemented separately.

Conclusions

- Without explicit, targeted public interventions, power sector reforms could have negative implications in the social and environmental dimensions of sustainable development. Such interventions will call for significant public fiscal and human resources.
- New reform models are needed. Research should inform capacity building efforts targeting regulators and other key actors involved in power sector reform decisions.
- Power sector reform is ultimately a political process, and in order for new designs to be consistent with environmentally sound and socially equitable objectives, the PSR process itself must be based on principles of good governance.
- Good governance is generally characterized by transparent decision-making processes based on balanced, coordinated and clear rules, access to information by all actors, accountability of political representatives to the public, and institutional space for public participation in power sector decisions.

Follow-Up Actions

Participating organizations, UNEP and IEA committed to consider proposals to identify, support and sustain:

- Existing power sector regulators' training initiatives and or design of new programmes and training materials targeting both regulators and civil society groups.

- Applied research efforts directed at developing new conceptual models and analytical tools for measuring the social and environmental impacts of power sector reforms, as well as defining and evaluating policy interventions designed to secure social and environmental objectives.
- Information and resource flows within networks of individuals and organizations sharing common interests in tracking and keeping social and environmental objectives on the overall development agenda.

The Global Network on Energy for Sustainable Development might be a good way to support this work.