



Trade in SACU Energy Services: Towards A Negotiating Strategy

1. Summary

On the 23rd of June 2009, SAIIA hosted a workshop on energy services in SACU. While the region is richly endowed with natural resources there are various constraints that limit the region's capacity to meet the needs of the people living within SACU. Often the lack of cohesive policies has been a stumbling block in other trade negotiations. The study presented at this workshop addresses this issue by exploring how the challenges that face the energy services sector can be met so that SACU can move towards liberalisation of trade in services.

Key points from Presentations and Discussions

In the presentation the important issue of there being no mention of trade in services in the SACU agreement was raised. Liberalisation in services is a problem in SACU as previous trade negotiations have shown. This issue relates to another severe issue which is that of universal access to electricity and its feasibility. This issue is particularly acute in the rural areas especially since the government will not invest in renewable energy projects.

While it is possible for the people living in SACU to enjoy universal access to electricity services due to the abundance in resources, however harnessing these resources are expensive and often countries involved in the projects experience political instability. This emphasizes the need for the involvement by IPPs in the energy sector to lift these projects off the ground and to develop the necessary infrastructure. The issue of universal access and IPPs relate back to tariffs. IPPs are needed for the necessary investment to take place however tariffs must be high

enough in order to entice them to invest. Essentially there must be a balance between universal access vs. tariffs. In this regard, possibilities and pitfalls of harmonisation of tariffs was discussed.

Another important issue raised was the need for an integrated resource plan. There must be a regional technical transfer and pooling of information. Many different countries in the region have implemented various projects from which the other countries can learn from, this will limit the dependence on the West for the sharing of information. Other areas of regional co-operation are (i) regional energy efficiency, (ii) investment incentives, (iii) agreements on fossil fuel and environmental subsidies.

While technical issues such as the definition of energy goods and services, the debates around classification, the term of power purchase agreements and the lack of regional information on renewable energy technologies were discussed as being moot points, the participants agreed that the lack of political will to implement renewable energy projects is one of the most compelling challenges. Other than the obvious power imbalances, conflicting priorities and existing cartels/monopolies, it was also suggested that political will was diverted more towards external bilateral co-operation rather than regional co-operation/integration on renewable energy policies in sub-Saharan Africa. Electricity is important for development, as such the reliance on unsustainably low electricity must end. The fact that the continent is dependent on coal and oil, is something which must be addressed, and soon. There is a massive opportunity to save carbon in Africa and will give Africa a chance to be in the lead with a global goal for a change. There also needs to be a commitment made to the WTO which in turn will lock in domestic requirements and will hold governments accountable in more ways than one. However the commitments must be tailor-made so that they can actually be implemented realistically with technical assistance.

2. Concluding Remarks

From the discussions it is obvious there is a need for more regional cooperation, and in areas other than damaging fossil-fuel trade. An integrated resource strategy will be the driving force of all projects to come and will aid in enticing foreign investors and potential IPPs. There is clearly a lack of incentives to encourage large scale investment. The incentives that exist, such as the Feed-in Tariff in some countries, suffer from implementation deficits. The unsustainably low cost of coal points to a need to take renewable energy sources into serious consideration, especially since there is a viable opportunity to implement this within the rural electrification project.