

TC ABSTRACT

I. Basic Project Data

▪ Country/Region:	Regional
▪ TC Name:	Facilitating investments in the energy sector and developing the natural gas potential
▪ TC Number:	RG-T2656
▪ Team Leader/Members:	R. Ariel Yépez-García (INE/ENE); Ramón J. Espinasa (INE/ENE); Raúl Jiménez (INE/ENE); Haydemar Cova (INE/ENE); Betina Tirelli Hennig (LEG/SGO); and Liza M. Lutz (LEG/SGO)
▪ Indicate if: Operational Support, Client Support, or Research & Dissemination.	Research and Dissemination
▪ If Operational Support TC, give number and name of Operation Supported by the TC:	N/A
▪ Reference to Request ¹ : (IDB docs #)	N/A
▪ Date of TC Abstract:	Mayo 2015
▪ Beneficiary (countries or entities which are the recipient of the technical assistance):	Countries in Latin America and the Caribbean
▪ Executing Agency and contact name (Organization or entity responsible for executing the TC Program):	Inter-American Development Bank, through the Energy Division (INE/ENE)
▪ IDB Funding Requested:	US\$300,000
▪ Local counterpart funding, if any:	N/A
▪ Disbursement period (which includes execution period):	12 months
▪ Required start date:	July 1 st , 2015
▪ Types of consultants (firm or individual consultants):	Firm
▪ Prepared by Unit:	Energy Division (INE/ENE)
▪ Unit of Disbursement Responsibility:	Energy Division (INE/ENE)
▪ Included in Country Strategy (y/n);	No
▪ TC included in CPD (y/n):	No
▪ GCI-9 Sector Priority:	Infrastructure for competitiveness and social welfare

II. Objective and Justification

2.1 As forecasted by independent agencies, energy requirements of Latin America and Caribbean (LAC) Countries will grow in doubled over the next two decades, driven by

¹ A copy of the Letter of Request, Programming/Portfolio Review Mission Aide Memoire or Report requesting the TC should be submitted with the Abstract.

electricity demand and fossil fuels in the household and transport sector. It is estimated that about 15% of LACs population, equivalent to 68 million people, use traditional biomass, that most likely don't comply with sustainability standards. To attend those requirements is key in order to sustain economic growth and guarantee living standards of modern life, which has proven to have significant socio-economic benefit. Two challenges in the above context involve meeting the investment requirements in the electricity sector, as well as, in developing the energy potential of LAC countries.

- 2.2 The region has systematically under-invested in electricity leading to significant inefficiencies in the electricity systems and stressing the generation capacity to attend the increasing demands over the last years. Further, despite its well-known resource abundance, LAC has experienced severe difficulties in developing the gas industry, severely harnessing the supply of modern fuels to LatinAmerican households.
- 2.3 In this context, the general objective is to analyze how to meet the investment requirements of the electricity sector and how to foster the development of the natural gas industry are key topics for LAC's energy sector. The specific objectives are: (i) Identify the key institutional, normative and regulatory needs to enhance and attract long term investments to the LAC's energy sector; and (ii) Identify the main barriers for the development of natural gas in LAC countries, proposing specific to overcome such obstacles.

III. Description of Activities and Outputs

- 3.1 **Investment facilitation in the energy sector.** The main target is to identify the key institutional, normative and regulatory needs to enhance and attract long term investments to the LAC's energy sector. The analysis should point out country specific measures for the sectors of electricity and fossil fuels. A relevant component of this analysis is the provision of hard evidence in order to back up the arguments, findings and recommendations provided. In addition, it is required to analyze and discuss the political economy of private participation, including the fiscal capacity of LAC countries to meet the required investments and public fund priorities.
- 3.2 **Barriers to natural gas development in Central American and the Caribbean.** The purpose is to identify barriers to the development of natural gas, as well as to propose measures to overcome barriers. Dimensions to be explored include technological, regulatory and economic. In order to provide detailed and specific insights the report shall include relevant country case studies.
- 3.3 The resulting outputs will be two reports in publication format to be disseminated by the Inter-American Development Bank.

IV. Budget

Activity/Component	Description	In US\$		
		IDB/Fund Funding	Counterpart Funding	Total Funding
Investment Facilitation in the Energy Sector	1 report	125,000	0	125,000
Barriers to Natural Gas Development in Central American and the Caribbean	1 report	125,000	0	125,000
Dissemination	Various	50,000	0	50,000
Total		300,000	0	300,000

V. Executing Agency and Execution Structure

- 5.1 Executing agency. The executing agency will be INE/ENE, as it counts with higher capacity and technical expertise to implement the activities outlined for this technical cooperation than other entities in the region.
- 5.2 Executing structure. INE/ENE will hire the Council of the Americas (COA) to be the entity responsible for conducting the activities outlined in this Technical Cooperation (TC). The COA is the premier international business organization whose members share a common commitment to economic and social development, open markets, the rule of law, and democracy throughout the Western Hemisphere. The COA’s membership consists of leading international companies representing a broad spectrum of sectors, including energy, mining, banking and finance, consulting services, consumer products, manufacturing, media, technology, and transportation. The COA actively promotes investment-friendly energy policies and strategic energy partnerships in the region through reports and analyses, opinion pieces, energy news updates, and interviews with key energy officials.

VI. Project Risks and Issues

- 6.1 We do not foresee any project risks associated with this TC for a variety of reasons. First, the Bank has worked previously with the COA on a similar basis with numbers RG-T2182 and RG-T1726. That previous projects were brought to its conclusion successfully and without incidents. Second, in part thanks to our previous collaboration, the Bank has built a very good working relationship with senior and junior staff at the COA that will serve to further lessen any potential risks for this TC.

VII. Environmental and Social Classification

- 7.1 C – Likely to cause minimal or no negative impacts.