



Terms of Reference:

What energy system for sustainable growth and a competitive economy in the future

High electricity and water costs are determinants of the Cabo Verdean economy's poor competitiveness. Besides the inefficient electricity sector, the cost of these two production factors is mainly due to the high cost of fossil fuel imports, which is aggravated by the market's smallness and fragmentation. Joint import by the two operators working in the fuel industry did not change this situation structurally, so the cost of electricity continues to be one of the highest in the world and the ship and aircraft supply sector (bunkering) is not competitive compared to our closest competitors, despite Cabo Verde's geostrategic situation.

The long-term growth of energy cost is also a major threat to Cabo Verde's competitiveness. Indeed, due to the 7.8% annual increase in energy demand, combined with the 10.3% increase in fossil fuel prices, the cost of fuel imports was multiplied by a factor of 12, between 2002 and 2012. If energy demand and fossil fuel prices remain at the same level in the next decade, expenditure on imports will increase by a factor of 18 by the year 2022, strongly pressing Cabo Verde's balance of payments in the future, as well as the national economy's competitiveness.

Aware of this potential threat, the Government increased the rate of renewables penetration to 25% and mandated a study on the technical and economic feasibility of using 100% Renewable Energy by 2020, as well as identification of energy efficiency measures.

Based on Cabo Verde's enormous renewable energy potential, the study identified the capabilities needed for installation, including short-term energy storage (vital to the network's stability) and long-term storage (7 days without renewables). The study estimates that an investment of at least one billion euros will be needed by 2020, in order to install renewable energy plants (wind, solar and biomass) and for energy storage capacity (short and long term). The study shows that, in addition to being feasible from a technical standpoint, using wind and solar energy and turning organic household waste into biogas and fertilizers is cheaper than using fossil fuels (€0.13 compared to €0.20 per kWh, today).

A 100% renewable energy option will create a large surplus of cheap energy, thus offering a unique opportunity for Cabo Verde to broaden its economic base (agriculture, fishing, education, sales of engineering services, and ecotourism).

The main obstacles to a rapid implementation of the 100% renewable energy option have to do with the ability to mobilize the necessary investment, weak institutional capacity in the sector, and the State's ability to undertake the reforms needed to change to a green economy.

The workshop will be strategic in nature and will be focused on policy formulation. It will analyze the situation and explore Cabo Verde's potential to transform the energy sector in the next decade. It will discuss, in particular, what it will take for Cabo Verde to gradually decrease its reliance on fossil fuels.

The workshop will also examine reform efforts in the green economy sector over the last decade, with the aim of identifying key opportunities and challenges, finding out what worked and what areas need profound changes to facilitate substantial gains and improve the economy's competitiveness. Specifically, the workshop will examine and give political answers to the following questions:

1. What is the vision for the future of the energy system?
2. How do we reduce the cost of energy to make Cabo Verde more competitive?
3. Institutional reforms to achieve the vision: the role of Electra, Directorate General of Energy, tax revenue structure, and adjustment of oil companies;
4. How do we take advantage of global funds for climate change to promote a green economy in Cabo Verde?