

EBRD

**Transition
Report 2004**

**Office of the Chief
Economist**



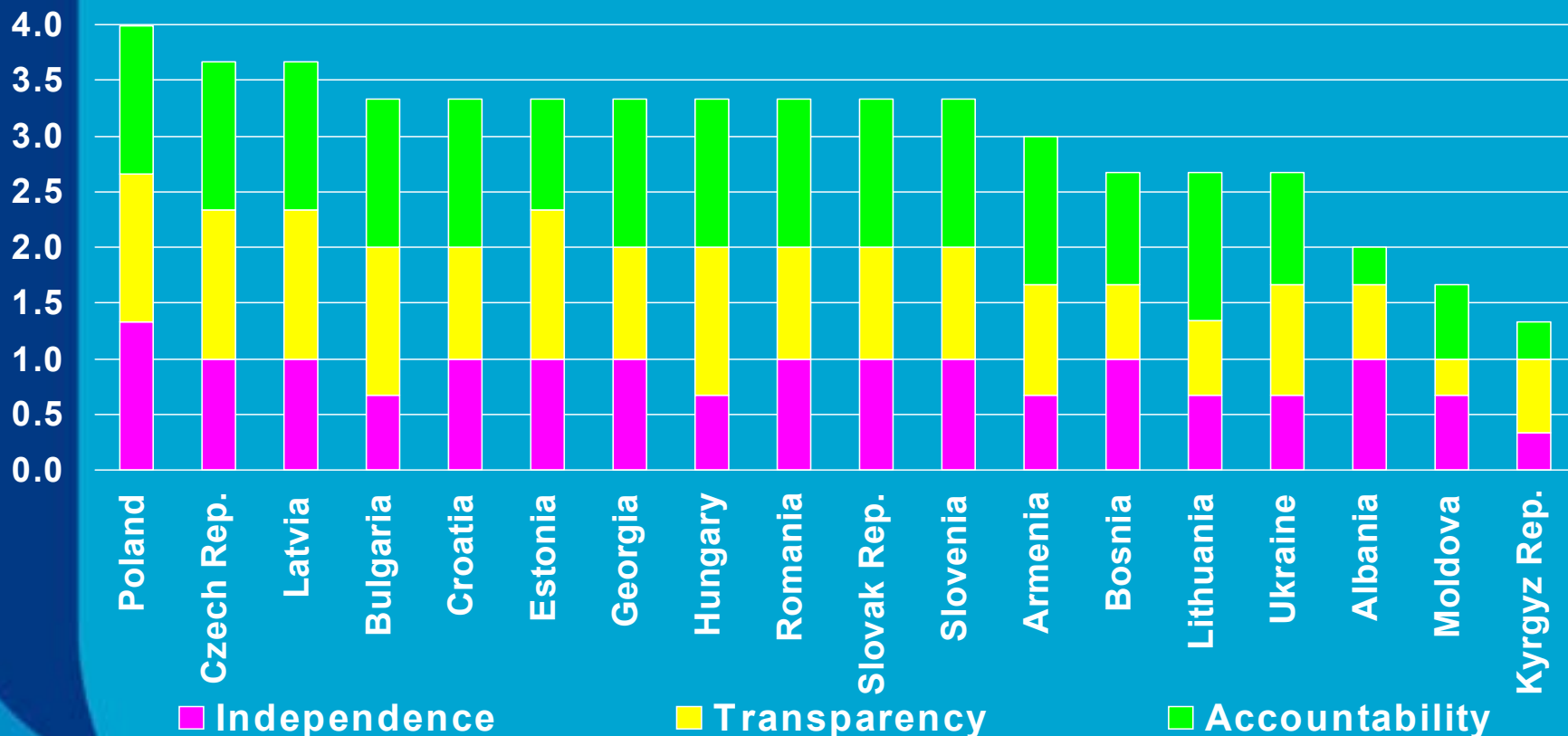
Special Focus – Energy Sector

- **Energy sector reform is key to transition**
 - Supports enterprise performance
 - Facilitates regional and global integration and trade
- **Quality and reliability of service depend on:**
 - Effective regulation
 - Private sector participation (PSP)
 - Competition



Uneven electricity regulatory effectiveness ...

Regulatory score (4 = highest)



Regulatory challenges

- Tariffs

- Low tariff levels
- Unbalanced tariff structure / cross subsidies
- Unclear tariff setting procedures

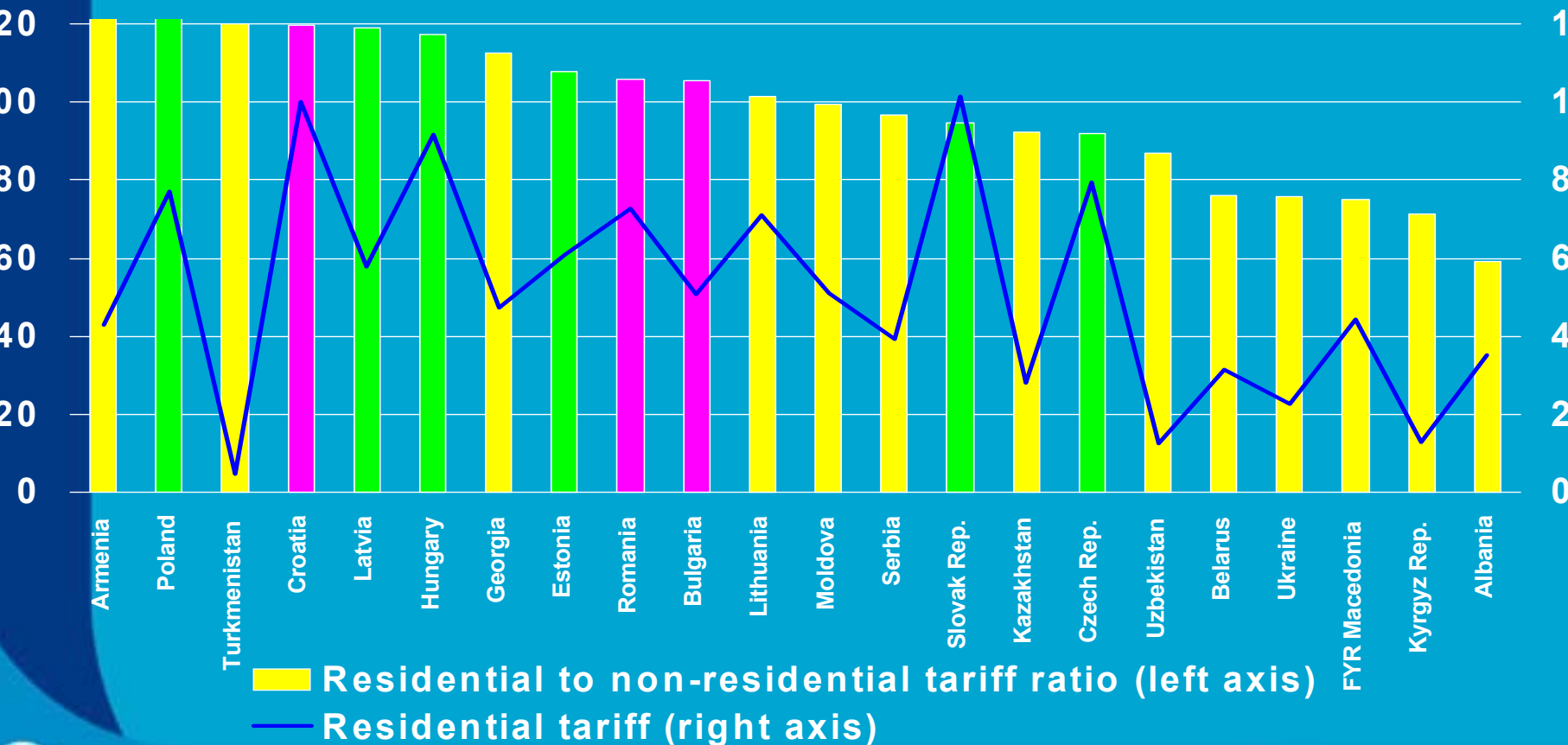
- Competition

- Open and non-discriminatory access to networks
- Competition *for* the market (e.g. tenders, benchmarking)

Low and distorted electricity tariffs

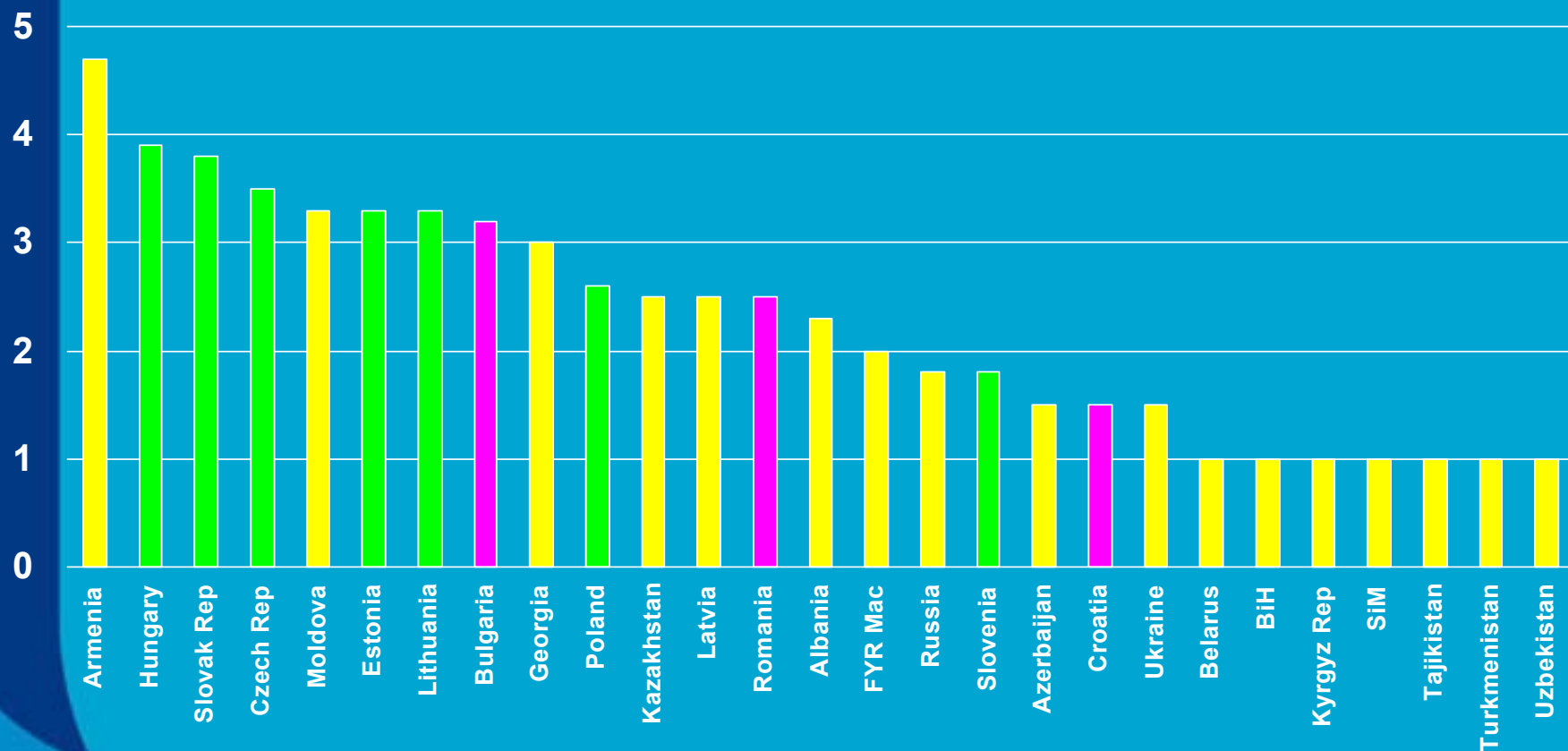
Ratio (per cent)

USc / kW



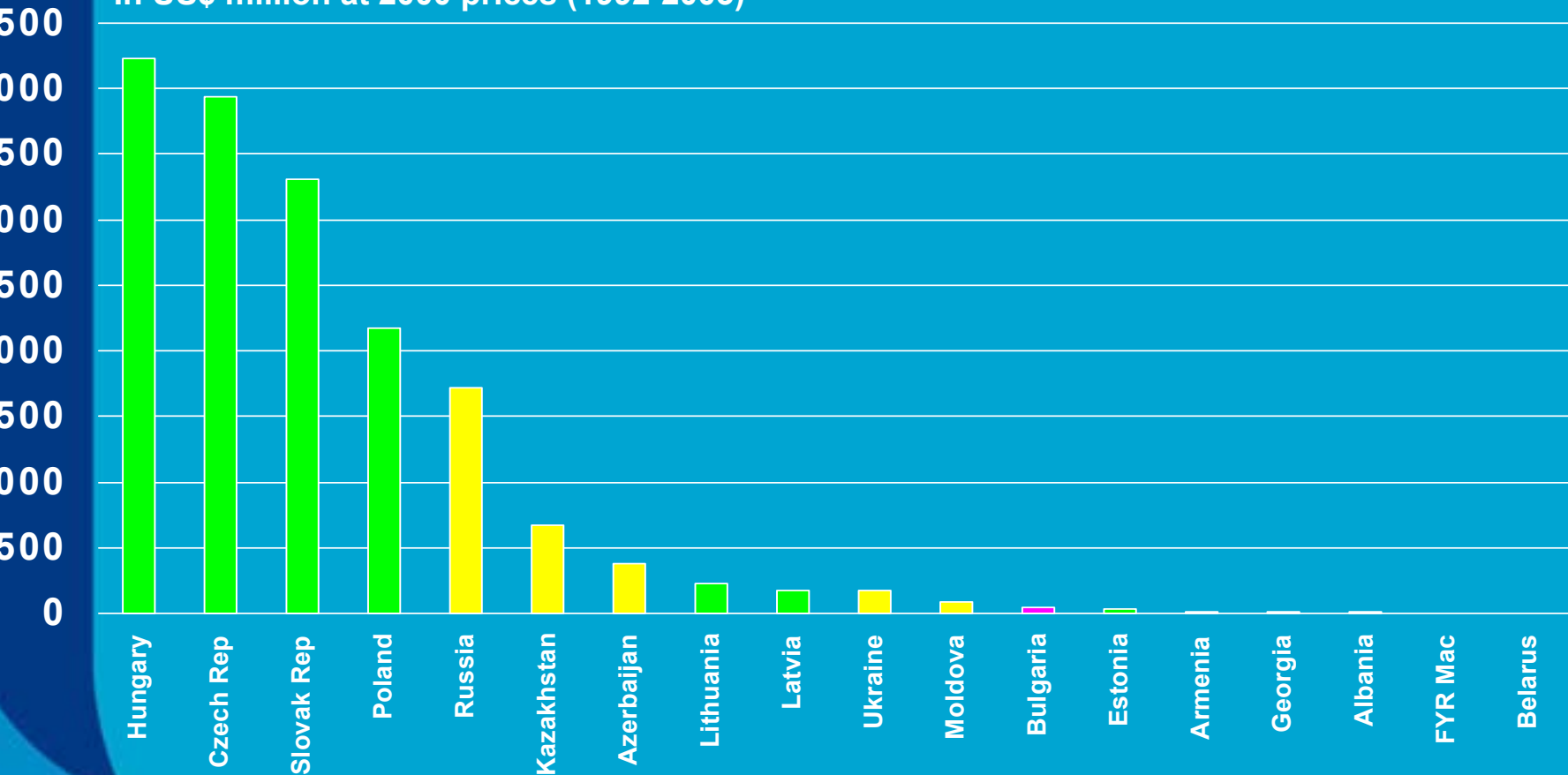
Uneven level of PSP in the energy sector

PSP score (5 = highest)



Why PSP: proceeds from privatisation in the energy sector

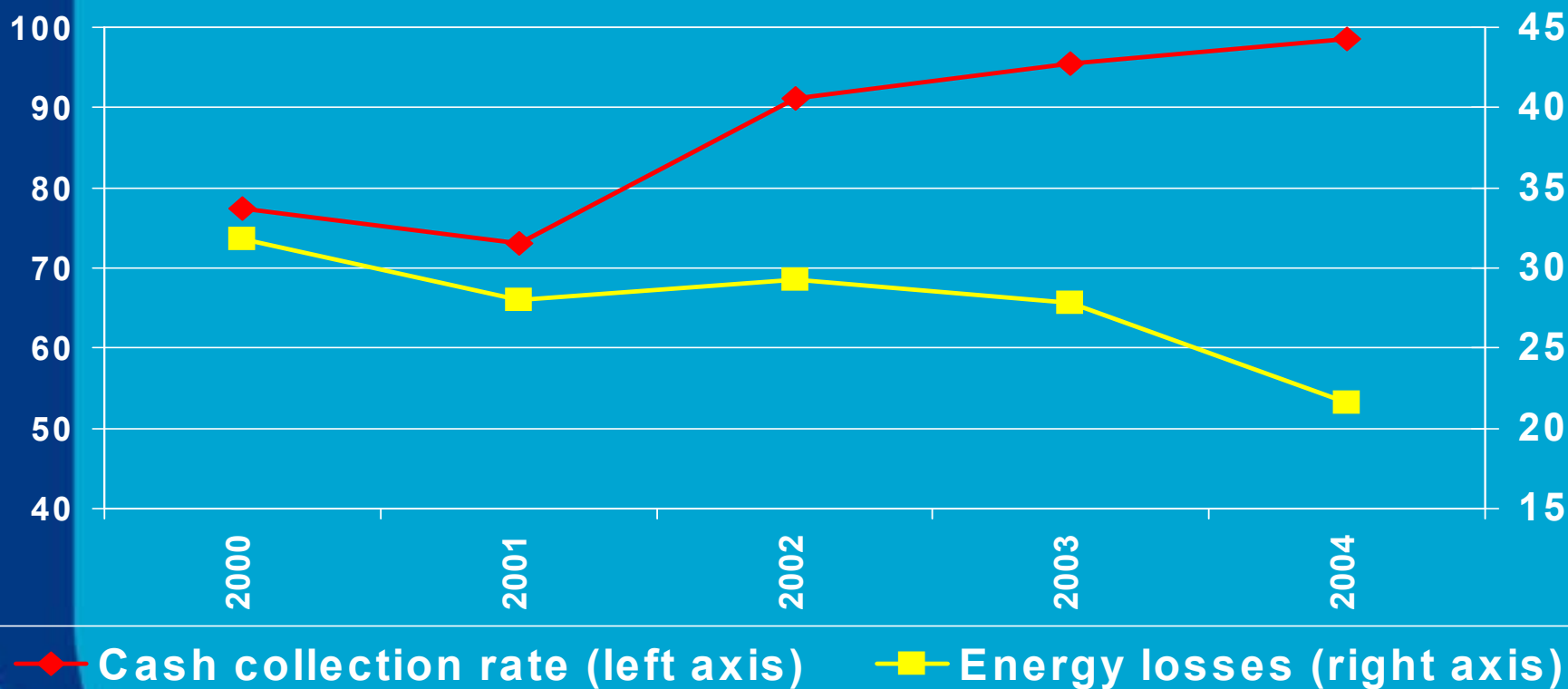
In US\$ million at 2000 prices (1992-2003)



Why PSP: better performance

In per cent

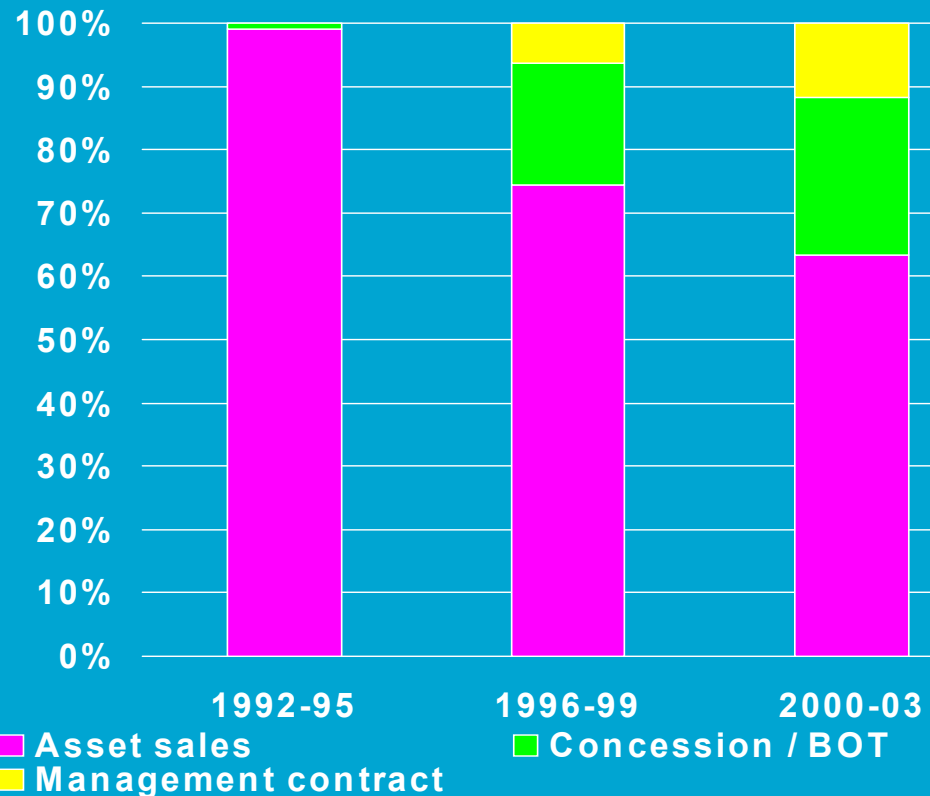
Efficiency: Moldova power



Trends in PSP in the energy sector

- From asset sale to management contracts and concessions
- From equity finance to debt and bonds
 - Local institutional investors
- From international to local operators
 - Local champions
 - Small local operators

Per cent of energy PSPs



Conclusion

- Competition, regulation and private sector participation (PSP) are key factors for good performance in the energy sector
- Many countries have found it hard to establish effective regulatory agencies
- PSP is increasingly taking the form of concessions or management contracts. Limited role for private risk capital in infrastructure.

