

FOREWORD

Over the last decade the hitherto staid, stable world of electricity supply has become tumultuous. Across the globe, rich and poor countries alike have begun a march toward restructuring their electricity sectors around market competition. These reforms have typically been the province of technocrats, who have designed reforms to meet narrow economic and technical objectives.

In *Power Politics: Equity and Environment in Electricity Reform*, Navroz Dubash and his colleagues from the World Resources Institute (WRI) and around the world show how electricity reform is, at root, an issue of sustainable development. Electricity reform represents an opportunity to focus attention on the 1.7 billion of the world's poor without access to electricity. It could also be an opportunity to align investor incentives along a trajectory toward a clean energy future, one that reduces emissions of greenhouse gases while promoting development and supporting livelihoods. The concern is not solely one of a missed opportunity. Inappropriately done, electricity reform could hinder progress toward a more socially and environmentally sustainable energy future.

Drawing on six case studies from the developing world and economies in transition, the contributors to this volume examine whether and how the process of electricity reform can support rather than hinder sustainable development. Starting from the premise

that political support is critical if electricity reform is to support sustainable development, the authors examine the political drivers and interests at the heart of this process.

Instead of sustainable development, they find that financial concerns and donor conditions have driven electricity reform. Managed by closed political processes and dominated by technocrats and donor consultants, environmental considerations play almost no role in a re-envisioned electricity sector. Social concerns are given more importance, but only to the extent that reforms affect politically powerful groups. Donor agencies, such as the World Bank, have been central to stimulating reform, and will be important actors helping to determine the future of the sector.

In order for a restructured sector to contribute to sustainable development, governments and donors will need to factor concerns of sustainability into reform design early, and back them up with political commitment. Civil society groups have a key role to play by laying the political groundwork for this agenda, and by holding decisionmakers and regulators accountable for their decisions. Finally, through their choice of investments and support for good governance in the sector, private investors can contribute toward a more sustainable electricity sector. The report provides additional recommendations for each of these groups.

This report complements other work at WRI that addresses how institutions and governance can influence energy and climate trajectories, including: *The Climate of Export Credit Agencies* and *Public Finance Restructuring for Sustainable Development in Emerging Market Economies*. In addition, this study adds to WRI's body of work on the effects of national and international policy change on global financial flows including: *The Right Conditions: The World Bank, Structural Adjustment, and Forest Policy Reform*; and *Will International Investment Rules Obstruct Climate Protection Policies?*

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