

**OPENING REMARKS BY MONIE R. CAPTAN, CEO-MILLENNIUM CHALLENGE ACCOUNT
LERC STAKEHOLDERS WORKSHOP ON DRAFT REGULATORY INSTRUMENTS AND PROCEDURES
BELLA CASA HOTEL, OCTOBER 30, 2019, MONROVIA**

SALUTATIONS

The beginning of reform in Liberia's electricity sector can be traced to the establishment of the Liberia Electricity Corporation (LEC) in 1973. Prior to this the Public Utility Authority (PUA) was responsible for the supply of electricity, water, telecommunications and radio broadcasting. The PUA was subsequently, divided into three corporations; one of which was the LEC whose mandate was to generate transmit and distribute electricity. The Ministry of Land, Mines and Energy (MLME) became the sector the sector ministry for the entire energy sector, including electricity. According to Chapter 85 of the Public Utilities Act that established the LEC, the LEC had not managerial responsibility to the MLME. This made LEC a de facto self-regulated utility in a vertically integrated power sector – allowing LEC to set tariff, and at the same time be the sole provider of public electricity. Such arrangement in pre – war Liberia led to conflict of interest, undermined the viability of electricity sector and discouraged private investment in critical power infrastructure. Severe constraints in the availability of capital for investment in the power sector led to decaying ad inadequate generation, transmission and distribution infrastructure.

After years of civil crisis, Liberia already inadequate power infrastructure emerged severely damaged. The complete destruction and vandalization of generating facilities, including the transmission and distribution network, created a need for massive investment in the electricity sector. Hence, It became evident that post – war restoration and expansion of generation, transmission and distribution would only be achieved with private capital – necessitating electricity sector restructuring in order to attract private capital and increase competition.

October 2015, the Government of Liberia amended Chapter 85 of the Public Utilities Act of 1973, which created the Liberia Electricity Corporation and enacted the 2015 Electricity Law of Liberia. The 2015 Electricity Law provides the legal and regulatory framework for the electricity sector and streamlines the institutional roles of policy making (MME), licensing issuance, regulation making ad enforcement (LERC) and system operations (LEC) and other operators), The Electricity Law restricts LEC to the role of an operator while remaining the National Grid Company and

Transmission System Operator. The 2015 Electricity Law further establishes an independent sector regulator; Liberia Electricity Regulatory Commission (LERC). The passage of the 2015 Electricity Law was a Condition Precedent to Millennium Challenge Compact and **to date; this remains the most important post – war structural reform of Liberia’s electricity sector.**

The United States of America, acting through the Millennium Challenge Corporation and the Government of Liberia entered into a Millennium Challenge Compact to help facilitate poverty reduction through economic growth in Liberia in the amount of approximately 2556,726,000 USD (“MCC Funding”). Liberia’s Compact entered into force on January 20, 2016 and expires on January 19, 2020. The Compact seeks to address two binding constraints to economic growth currently existing in Liberia; lack of access to reliable and affordable electricity, and inadequate road infrastructure. In order to address these constraints, Compact funding have been applied for the following; (a) rehabilitation of the Mt. Coffee Hydroelectric Plant including support for the mitigation of environmental and social risks associated with the rehabilitation works, (2) development of a nationwide road maintenance framework, (3) training, and capacity building at the Liberia Electricity Corporation, and (4) electricity sector reform including support for the independent electricity sector regulator – the LERC.

Compact funding to LERC is geared towards financing start-up staffing and operational costs, funding electricity sector studies to inform evidence – based regulatory decisions and funding the development of a Regulatory IMS to effectively gather and manage regulatory data. Progress achieved to date include (a) organizational staffing including the hiring of management, technical and support staff (b) procurement of IT equipment, office furniture, vehicle and other operational logistics (c) lease of office space and (d) conduct of regulatory related studies including a National Census of Electricity Operators. MCC support to the Liberia Electricity Regulatory Commission (LERC) is complemented by the EU.

The LERC with the support of the EU Long Term Technical Assistance has achieved an important milestone by producing the following draft regulator documents; (a) Administrative Procedure Regulations, (b) Electricity Licensing Regulations, (c) Micro Utility Licensing Regulations and (d) Electricity Licensing Handbook, Overall, these documents reflect extensive research. Today’s

workshop is expected to provide a platform for the engagement of a broad range of key stakeholders with whom these draft regulations have been shared to solicit advice on next steps and to seek validation of these regulations. Stakeholders' participation in regulatory decision-making is critical to ensure effective regulatory governance. Participation expands the information base available to regulators in their decision making, and is critical to ensuring the sustainability of policy and regulatory decisions.

The Validation of these regulations is a critical first step towards ensuring that regulatory function currently undertaken by other ministries, agencies and corporations/commissions of government are transferred to, or efficiently coordinated with the LERC according to the 2015 Electricity Law. Therefore, as we deliberate on these draft regulations, it is essential to emphasize that the long term, these regulations are expected to formalize the electricity sector and create the necessary market structure to attract private investment and promote fair competition.

The expected outcome of Compact support to LERC is an independent and effective regulator. This is unattainable without the development of regulatory procedures as well as licensing, technical and tariff regulations to ensure compliance with the 2015 Electricity Law. Sound and effective regulations are required to promote operational efficiency and reliability, foster transparent, affordable and cost – reflective electricity pricing, enhance a commercially competitive and self- sustaining electricity sector and improve energy access in keeping with the broader national goals of energy security, poverty alleviation and economic development.